building communities moving forward

2007 ANNUAL REPORT

winalta inc.

corporate profile

Building Communities, Moving Forward

Winalta Inc. has been in the business of building manufactured homes since 1976.

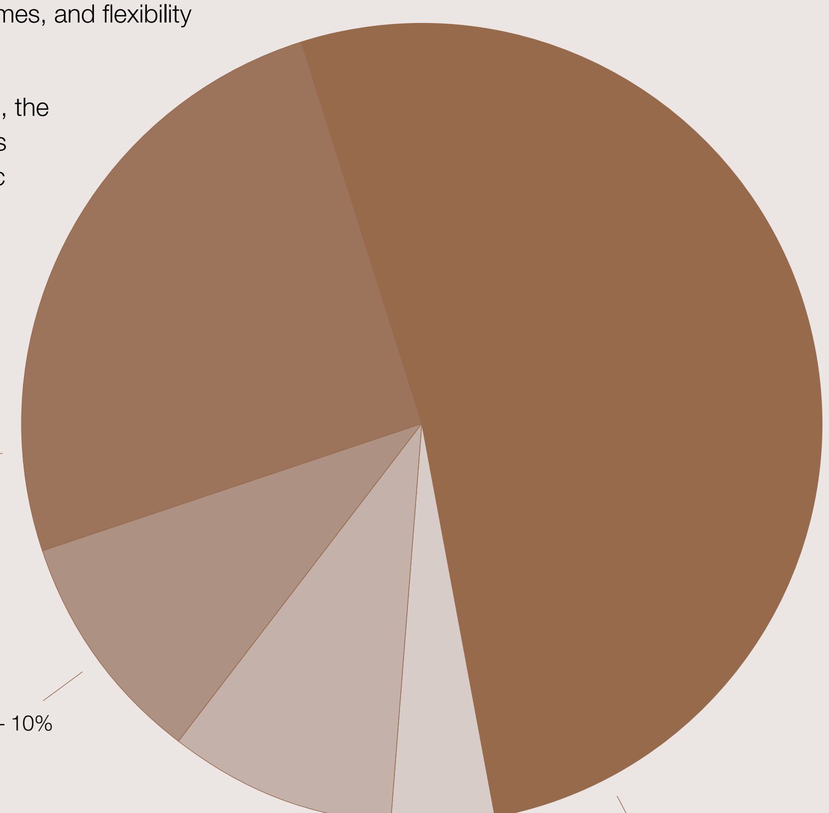
Winalta Inc. comprises five divisions: Winalta Community Development, Winalta Homes, Winalta Construction, Winalta Industrial and Winalta Oilfield Rentals. Each division acts as a stand-alone operation and also works synergistically with the other divisions.

This integrated business model gives Winalta a competitive advantage through greater control of costs and time frames, and flexibility to respond quickly to market changes.

Under new management since autumn 2006, the Company has refocused its operations and is pursuing aggressive growth through strategic acquisitions, integration of services and creating efficiencies in its two manufacturing plants in Acheson, Alberta, and North Battleford, Saskatchewan.

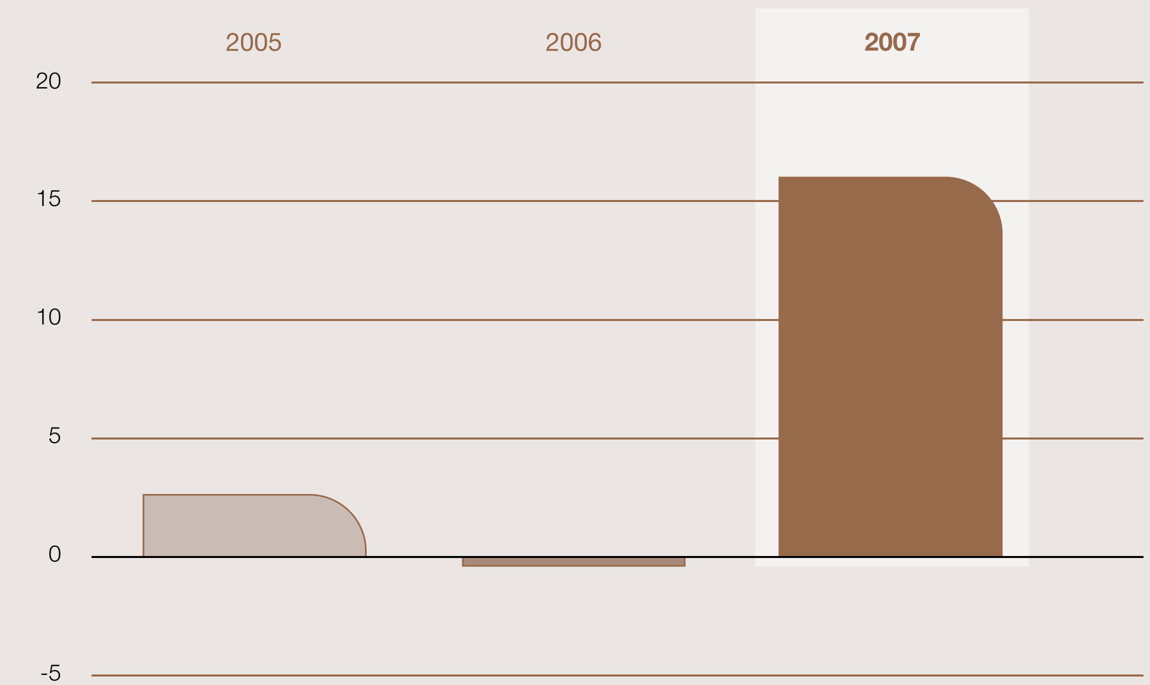
Table of Contents

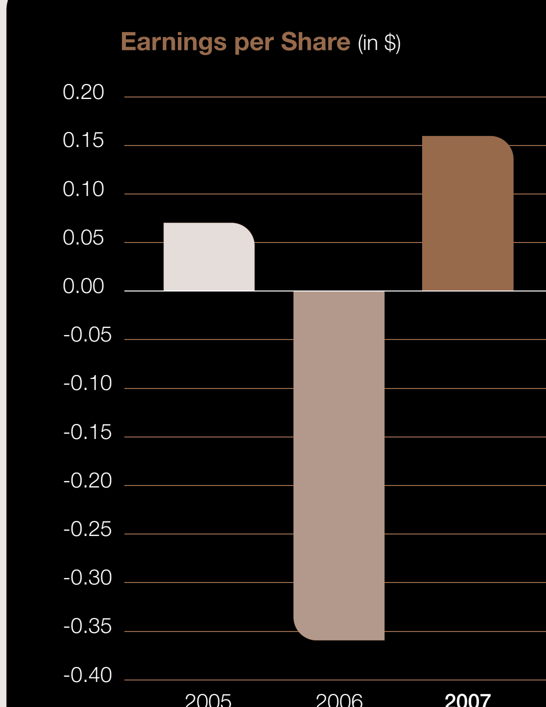
Building an Integrated Company
2007 Revenue by Divisions (%)



Corporate Highlights 2007

EBITDA (000,000's)





In 2007 Winalta Inc.'s gross profit margins increased 137% over 2006.

divisional overview

Winalta is structured into five complementary divisions, optimizing our ability to act on strategic opportunities.

winalta community development

Winalta Community Development is the centrepiece of our strategy for growth. The division builds sustainable residential neighbourhoods that are attractive and affordable.

We are currently focused on northeast Alberta's industrial heartland, which has attracted an influx of residents drawn by oilsands development. We are also following leads in Saskatchewan and are watching other market developments in western Canada.

We collaborate with community stakeholders, planners and other housing industry professionals to meet the demand for cohesive, sustainable residential neighbourhoods.

winalta construction

Winalta Construction was established to enable Winalta to strategically develop its own land holdings. This self-sustaining operation has its own gravel supply as well as a large fleet of excavating, paving and gravel hauling and crushing equipment. By having priority access to these services, we are able to control our timelines and our costs, two critical factors in community development.

The Construction division provides Winalta with the flexibility to allocate resources to its most profitable projects, maximizing returns to the Company.

winalta homes

Winalta Homes builds and markets manufactured and site-built homes. This division offers a range of choices to customers of Winalta Community Development, which develops attractive and enduring residential communities.

Carlton Homes and Winalta Carlton Homes is Winalta Homes' site and custom-built home division. The division enhances the product offering of the homes division and furthers Winalta's corporate strategy of building attractive, enduring communities.

Custom-built homes attract a different market than manufactured homes, offering more choice to consumers whose main priority is not price.

winalta oilfield rentals

Winalta Oilfield Rentals rents and leases modular camp units, sleepers, and wellsite trailers to the oil and gas, mining, construction and forestry industries. Winalta's North Battleford, Saskatchewan, manufacturing facility is a supplier of these units. By maintaining in-house manufacturing capability, the division is ensured a continuous supply of cost-efficient, well-constructed products.

SECOR (Small Employer Certificate of Recognition) certified, Winalta Oilfield Rentals is on the approved vendor list of several of Alberta's largest oil and gas companies and has one of the best safety records in the business. Winalta subscribes to Enform, the health, safety, and training arm of the petroleum industry.

winalta industrial

Winalta Industrial designs and manufactures standard and custom-built modular buildings for rent, lease or sale to industry.

The division's 88,000-square-foot manufacturing facility in North Battleford, Saskatchewan, was overhauled in 2007 to produce tough, well-designed CSA-certified wellsite trailers, wet sleepers, industrial camps, portable offices and first-aid trailers.

The division achieved its COR (Certificate of Recognition) certification, which places it as a leader in its industry and puts it on the approved vendors list for the oil and gas industry.

moving forward

Winalta's strategic partnerships enhance our ability to expand our markets and reduce risk to our shareholders.

Artie T. Kos
President and Chief Executive Officer

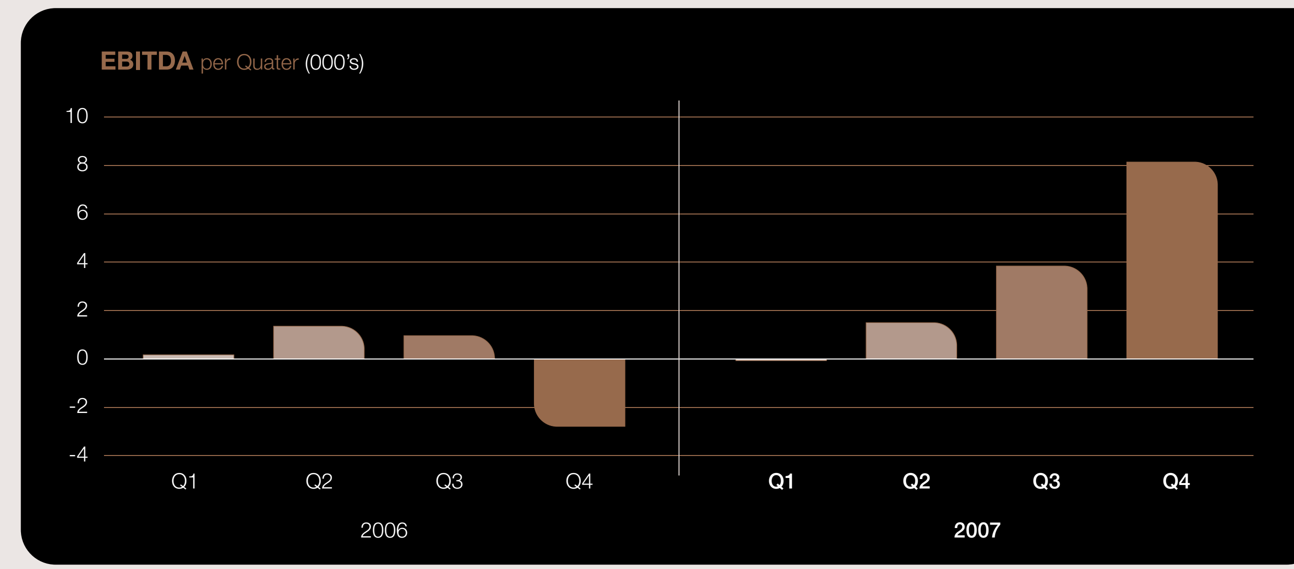
Message to the Shareholders

Winalta Inc. is a substantially transformed company from 12 months ago. 2007 has been a year of change and forward momentum led by a dynamic new management team and Board of Directors. Our intent over this past year has been to realize the full potential of Winalta through internal restructuring of our sales and manufacturing capabilities, improving and standardizing the quality of our products, acquiring complementary companies and raising our prices to reflect market demand.

industrial and home manufacturing and community development opportunities available in western and northern Canada.

Laying our Foundation

In September 2007, a month before the Company's 2006 fiscal year end, Kos Corp. Investments Ltd. bought 87 per cent of Winalta's shares for $1.425 per share. New management immediately issued a private placement raising $7.5 million at $1.50 per share aimed at diversifying the shareholder base.



Testimony to our successful strategy is our reported $16 million in EBITDA, compared to a $368,000 loss in 2006. We believe we have only begun to realize the profitability of which Winalta is capable. We move forward with the depth of management experience and the financial and operational resources to allow us to generate substantial profits. We are prepared to execute on our strategy of using an integrated business model to develop enduring, attractive manufactured housing neighbourhoods.

We enter 2008 with a bold new vision and a solid foundation. Our focus on strategic partnerships, increasing internal capacity and using efficient, industry-approved manufacturing processes allows Winalta to take advantage of the many

In January 2007 I took over the role of president and CEO. In the following month we raised $25.5 million in a private placement at $2.00 per share.

We exited 2007 with an asset base of $120 million, almost doubling the $63 million of assets Winalta held at the end of 2006.

Winalta Community Development

Our strategy is focused around Winalta Community Development, which we created to take advantage of market demand for affordable communities in western Canada. We utilize our home manufacturing and site-building capacity along with our construction resources to provide the products and the services required to efficiently build out communities.

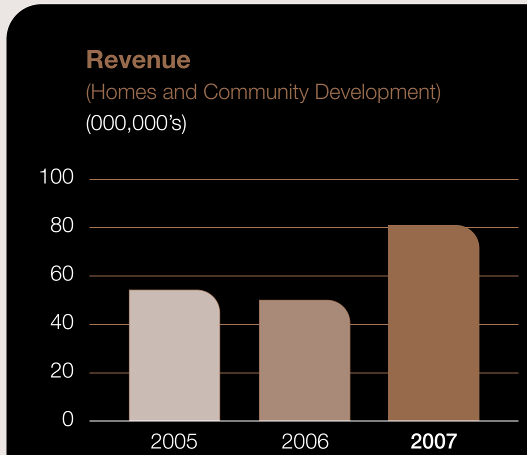
Because of these capabilities our build time can be substantially expedited and our cost of development can be considerably reduced.

Winalta also entered into strategic alliances with reputable companies to position the Company for larger and more diverse opportunities.

Among our partners is Edmonton-based land developer Landrex Inc.; the Woodbridge Group, a leader in polyurethane panel construction; and A.D. Williams Engineering Ltd., residential and municipal engineers.

In 2007 we sold 134 homes with lots in our Fort McMurray development, 30 in our developing Stony Plain community and placed the first homes in Phase 1 of our Sylvan Lake development.

In addition to taking direct ownership of land in growth areas, Winalta's strategic partnerships enhance our ability to expand our markets and reduce risk to our shareholders.



Homes and Community Development have proven to be the hallmark of our earnings, and will continue to be the nucleus of our organization.

Winalta Construction

We acquired companies to create Winalta Construction to support our strategic move into community development.

In June 2007 we acquired Xtreme Xcavation Ltd. and the Kos Trucking Ltd. group of companies. Xtreme Xcavation Ltd., a heavy equipment contractor, does land reclamation, subdivision construction and road and lease construction in central and northern Alberta. Kos Trucking Ltd. controls a significant supply of gravel and a crusher, hauls aggregate and provides road construction materials for commercial and oil and gas companies. Through the acquisitions, we retained both presidents and created Winalta Construction Inc. In addition, paving capacity was added to our suite of services after acquisition.

Winalta Construction is self-sustaining through its third-party operations, but exists primarily to service Winalta's community development projects. The Construction division enables Winalta to achieve a lower cost structure on its home products and brings Winalta closer to becoming fully integrated. By vertically integrating our land development capabilities, Winalta has the flexibility to allocate resources to its most profitable projects and maximize returns to shareholders.

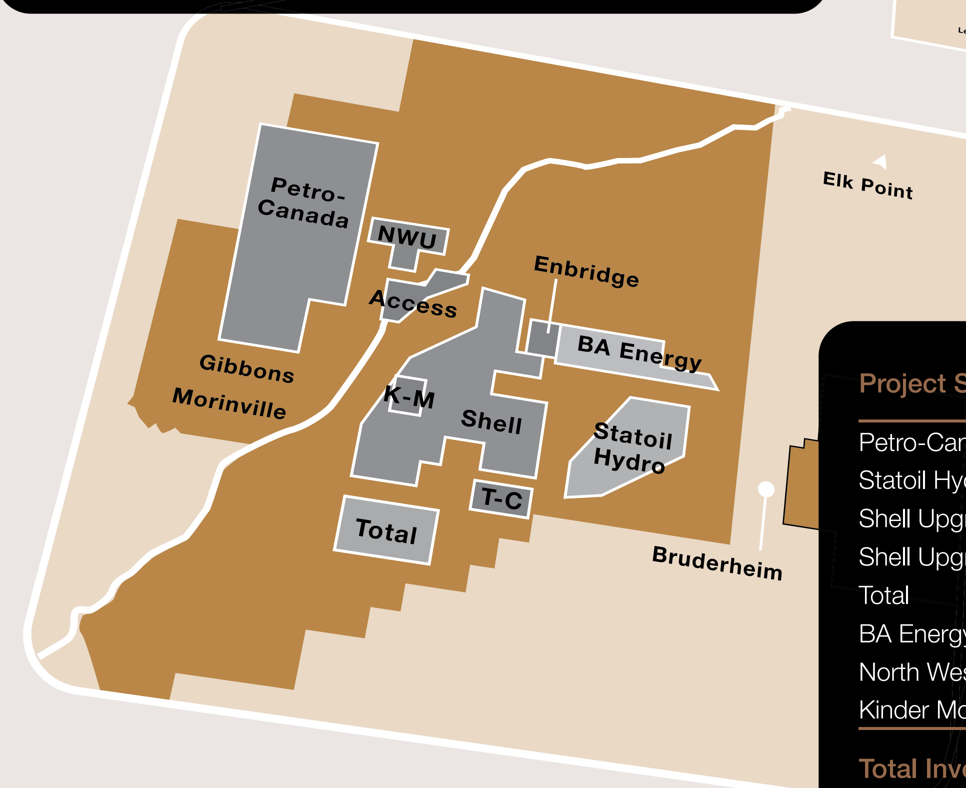
Winalta Homes

Winalta's flagship home manufacturing operation was dramatically overhauled in 2007, beginning with a thorough restructuring of the sales force and transferring production from an outside dealer network to supplying our Community Development division. This strategic move allows Winalta to retain more of the profits from sales and to control land and housing stock to supply Community Development.

In 2007 we focused on improving and standardizing quality in our Acheson manufacturing facility. We also addressed the impact of Alberta's labour shortage on our operations by hiring skilled workers from the Philippines, following all guidelines to ensure their proper treatment.

Previously existing contracts were renegotiated and prices at the plant level were significantly increased to improve profitability and to acknowledge current market conditions. Coupled with our efforts to improve plant efficiencies, profit margins improved accordingly.

Alberta's industrial heartland is proving to be an area of intense residential growth due to the mass of projects in the vicinity.



Project Size	(Billions)
Petro-Canada	6.3
Statoil Hydro	4.0
Shell Upgrader	5.8
Shell Upgrader Expansion	27.0
Total	8.0
BA Energy	3.0
North West Upgrader (NWU)	7.5
Kinder Morgan (K-M)	0.07
Total Investment to 2013	63.7

As Winalta completes the transformation into an active developer of communities, the timing between lot completion and sales realization will create some volatility in our reported sales. This is to be expected; however as our business model matures, we believe that broader market dispersion will average this effect in due course.

Winalta Carlton Homes, the Company's site-built home division, complements our community development division, providing custom-built homes in our communities. The division also supports our manufactured home communities, constructing components such as basements and garages as required.

In 2007 the division completed a large inventory of partially built custom homes and started additional homes in various communities in its service area.

Winalta Industrial and Winalta Oilfield Rentals

In February 2007 Winalta acquired Jeffman Enterprises Ltd., operating as Sundance Oilfield Rentals. This successful Alberta-based company rents oilfield accommodations, including wellsites, camps and related facilities. Winalta Oilfield Rentals was created through this acquisition and retained the entity's president, Jeff Mangion. He has many years of experience in the design and use of industrial accommodations and also leads our Industrial Manufacturing division.

Our North Battleford, Saskatchewan, manufacturing plant was re-tooled to enable it to produce high-quality wellsite accommodations, camps and industrial trailers. We refocused production away from the manufacture of unprofitable recreational vehicles and travel trailers.

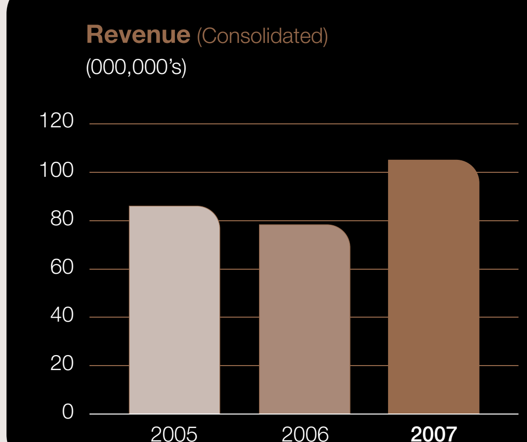
Profitability in the facility was dramatically improved through the latter part of 2007 and we expect the operation will be profitable in 2008.

Winalta Oilfield Rentals was operating at near 100-per cent capacity going into the 2007/08 drilling season. The division offers an additional outlet for the Industrial Manufacturing division's products and provides cash flow to Winalta Inc. during the Homes division off-peak seasons.

Focusing on Growth

In 2008 management will concentrate on consolidating Winalta's rapid growth in 2007. We will continue to look for opportunities to expand all of our divisions in our existing markets and identify new markets in western and northern Canada.

Winalta Community Development will focus on developing its existing land inventory and building relationships with municipalities in western Canada's industrial heartland, constructing affordable homes in cohesive manufactured communities.



In 2008 management will concentrate on consolidating Winalta's rapid growth in 2007.

Our goal is to maintain an inventory of 400 serviced lots in strategic communities either through company-owned developments or joint venture arrangements and strategic alliances in order to provide a stable outlet for our home products. We will continue to sell lots and develop lands in our existing communities in Fort McMurray, Sylvan Lake, Stony Plain and Winnipeg. We will develop residential communities in Bruderheim and Drayton Valley; and through our alliance with Landrex Inc. we will capture opportunities for up to 1,900 lots in Gibbons, Morinville and Villeneuve. The strategic location of these communities in areas where oilsands companies are developing upgrading capacity, along with Landrex Inc.'s reputation for developing successful neighbourhoods in small communities in Alberta, positions us for long term success.

We are ready to capture opportunities as they arise. As many conventional oil and gas companies are now exploring Saskatchewan's untapped potential for resources, we are actively pursuing land deals there. We are also monitoring housing markets in Manitoba and British Columbia for demographic shifts that will create markets for our products.

To realize these market opportunities we are committed to expanding our sales and marketing efforts, targeting specific regions.

Our Industrial and Oilfield Rentals divisions will continue to pursue opportunities in Saskatchewan and Alberta and explore potential developments in British Columbia's oil and gas production areas. We will expand our retail channels as opportunities are developed.

Our Team

Since taking over management at Winalta we have restructured our team and improved the culture of the organization. Our focus has been on manufacturing top quality products and providing cost-efficient services that enhance the overall Winalta offering, while encouraging our employees to use their talents to help us achieve that goal.

We have built our team with people who have a good knowledge of the industries in which we work, providing expertise and valuable business contacts to help Winalta succeed in its ambitious new direction. Many of our employees are invested in the Company and all have contributed to bringing Winalta to a new level of operational and financial efficiency.

Winalta has the flexibility to allocate resources to its most profitable projects and maximize returns to shareholders.

Among our employees are 70 skilled employees from the Philippines. We intend to increase that number to 100 in 2008. We welcome the contributions of these individuals as they enhance the proficiency of our skilled labour force.

We have made substantial strides in our health and safety programs, significantly enhancing worker security, and getting the Certificate of Recognition certification ("COR"), while also substantially reducing our workers' compensation insurance rates.

Industry Outlook

The economy of western Canada is poised to continue growing through the resource-based economy, and as a result we anticipate increasing levels of operations in all of our divisions.

Major oil companies continue to make significant investment in the oilsands, which will require additional housing in the area. Seven upgraders to service the oilsands will be built between 2008 and 2013, drawing an estimated 27,600 construction workers to the area northeast of Edmonton during peak construcion. They are part of an anticipated 300,000 new residents moving to Alberta's industrial heartland by 2020.

Winalta expects the demand for affordable housing to continue through the next decade. Our holdings in Fort McMurray and in Alberta's industrial heartland will meet that demand in those high growth areas.

We are exploring land opportunities in Saskatchewan in response to significant employment and development activity in that province. Demographic shifts will also add to our markets as swelling numbers of "baby-boomers" downsize or buy retirement homes and reduce the available labour pool, making manufactured product an increasingly competitive alternative to site-built housing.

We continue to monitor potential markets in Manitoba through our adult community project in Sanford, and are seeking prospective markets in Britsih Columbia as well.

The Winalta team is focused on areas where significant growth is anticipated, using its integrated business model to overcome labour and materials shortages common in economically charged areas.

In Conclusion

I want to acknowledge the efforts of management and the Board of Directors in creating a company that has vision, talent and the capability of being a leader in our industry. I wish to commend our entire team for their individual contributions to Winalta's success and I am proud of all of Winalta's employees for their hard work. I wish to thank Winalta's shareholders for having faith in our management team and its new vision. I look forward to 2008 and all the possibilities that lie ahead.

"Artie T. Kos"
President and Chief Executive Officer

commitment to our people

We reward employees for their efforts to undertake more training and to give Winalta Inc. a workforce with the flexibility to meet changing market demands.

Committed to our People, Safety and our Communities

Our employees play a significant role in our success.

We strive to recruit and retain talented individuals to help us achieve our goals of maximizing growth potential and providing complete customer satisfaction.

To that end we reviewed all of our human resources practices, employee training, benefits and compensation, ensuring that we are competitive with other employers.

Skills Upgrading Incentives

During 2007 we reviewed production workers' wages and encouraged employees to acquire broader skill sets by offering skills-based pay scales.

We also implemented apprenticeship incentives, providing time off for education, offering short-term loans and topping up the wages of employees in apprenticeship programs to eliminate barriers that stand in the way of receiving trade credentials.

Our goal is to reward employees for their efforts to undertake more training and to give Winalta Inc. a workforce with the flexibility to meet changing market demands.

Benefits

In 2007 Winalta re-designed its employee benefits package to make us more competitive with the industry and to help us recruit and retain top talent. The new package has been implemented effective in 2008.

We implemented several measures and will be organizing training courses for employees at all levels to ensure our workplace is compliant with all legislation and that employees understand their rights and obligations.

Foreign Workers

In 2007 Winalta hired 70 skilled workers from the Philippines and will welcome 30 more in 2008. They have two-year contracts with Winalta. Cultural classes were provided to assist them with integration into the community. We also partnered with the Filipino community in Edmonton to give the workers a sense of belonging and a link to their culture and religion. In 2008 support will be provided for language classes.

Our intention is to assist the workers through the process of becoming permanent Canadian citizens and to help them bring their families to Canada.

Health and Safety

Winalta is proud of its safety record and supports all of its divisions in their efforts to improve employee health and safety.

In 2007 Winalta achieved significant injury reduction, implemented a comprehensive modified work program and effectively managed claims costs, resulting in improved WCB rates.

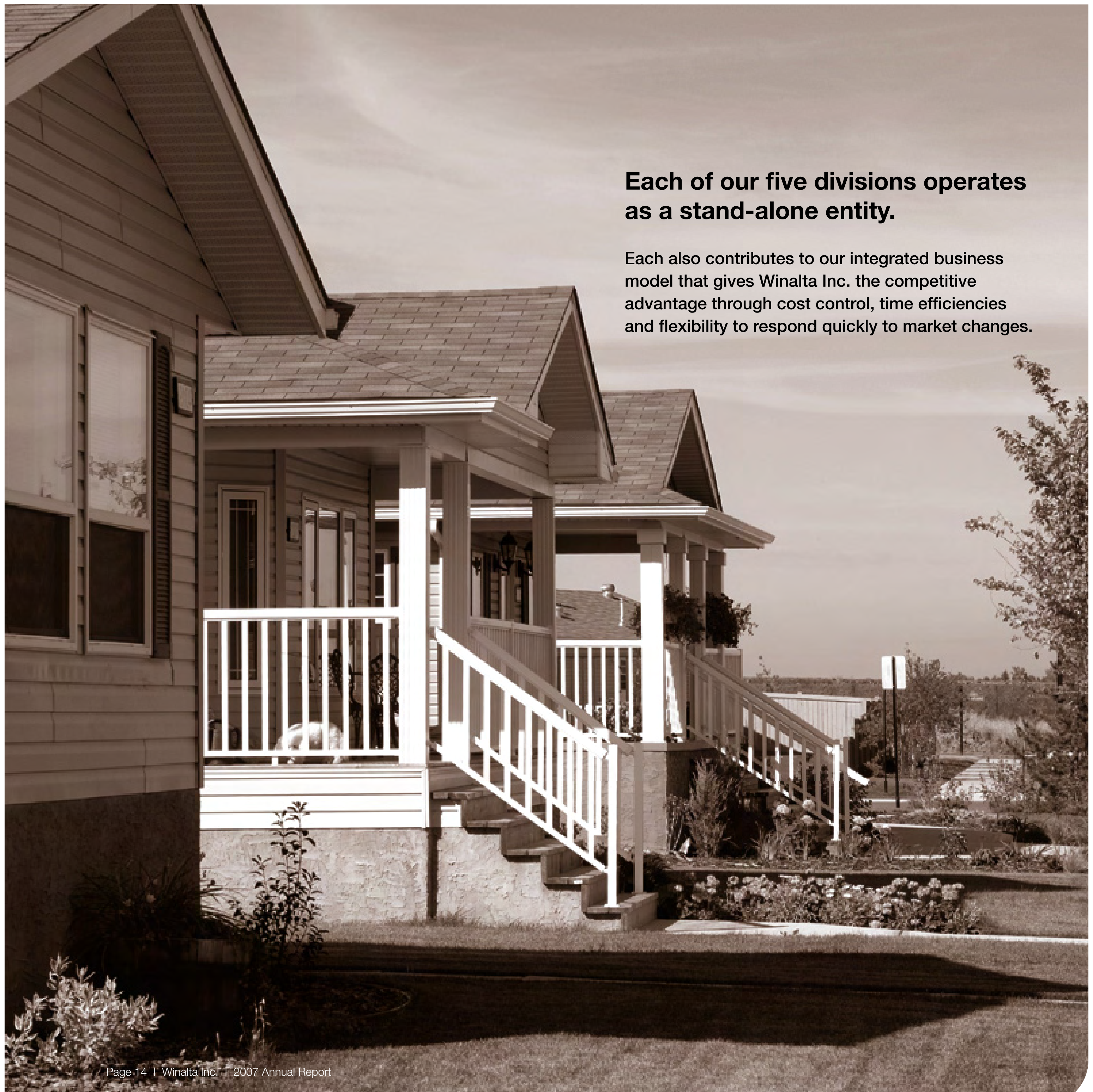
Our Corporate Safety Program has received positive reaction from outside agencies like Occupational Health and Safety (OH&S) and the Workers' Compensation Board (WCB). As a result of these improvements Winalta has achieved COR (Certificate of Recognition) designation, which puts it at the forefront of industry safety standards.

Community Involvement

Winalta recognizes that it has a responsibility to the communities where it is doing business and will continue to support local charities.

focus on operations

Going forward the divisions will expand and seek new alliances with synergistic organizations to enhance the product offering.



Each of our five divisions operates as a stand-alone entity.

Each also contributes to our integrated business model that gives Winalta Inc. the competitive advantage through cost control, time efficiencies and flexibility to respond quickly to market changes.

Winalta Community Development

Building Communities

Year in Review

In 2007 Winalta established the Community Development division to capitalize on market opportunities and create value for the Company's shareholders.

Distinct from land development, the division's mandate is to collaborate with community developers and municipalities to develop the kinds of neighbourhoods they need: affordable, attainable and acceptable. To Winalta that means providing sound, well-designed homes in attractively planned neighbourhoods at competitive prices and within a reasonable time frame.

Supported by the Construction and Homes divisions, Community Development offers the marketplace an integrated approach to building communities that provides greater control over quality, costs and time frames.

Throughout 2007 management strategically laid the foundations for growth by building in-house expertise and establishing collaborations and joint ventures with established companies in the land development industry, opening up options and possibilities for innovation. Winalta met with municipalities to present the Winalta product offering and began buying packages of lots in strategic communities.

The newly created division exited 2007 with revenues of $26.7 million.

2007 Highlights

Winalta Community Development is led by Garry Wetsch, an accomplished former barrister and solicitor experienced in corporate and real estate law with an emphasis on community planning.

By internalizing leadership of this division, Winalta improved accountability in its community development operations by providing for direct control over the development process in all of Winalta's communities. Quality and cost-control standards have been established and through a focused approach to project development, project timelines have been expedited considerably.

Through a proactive approach in promoting Winalta's community development capabilities, communities throughout Alberta and western Canada are now aware of Winalta and are seeking its leadership in responding to growth and infrastructure pressures. With its commitment to quality and affordable housing, the division is positioned for significant future profits and value creation.

The division's mandate is to collaborate with community developers and municipalities to develop the kinds of neighbourhoods they need: attractive and affordable.

Building Alliances

Winalta entered into a joint venture with Edmonton-based Landrex Inc., to develop communities on up to 1,900 lots in Gibbons, Villeneuve and Morinville, Alberta. Landrex Inc. is well regarded as a developer in small communities. It will construct the communities and service the lots; Winalta will supply the homes.

In 2007 we laid a strong foundation of effective internal processes, alliances, clients, and professional networks; and acquired a geographically diverse land base.

Another collaboration the division embarked on is with A.D. Williams Engineering Ltd., municipal and residential engineers. A.D. Williams is actively engaged in specializing the expertise of its resources to better serve Winalta and is pursuing innovative technologies to enhance the design and appearance of Winalta-built communities.

The division engaged Rhino Designs, an award-winning landscape design company, specializing in low maintenance designs utilizing native trees and plants. And it is working with Dynacor Media Group to create accessible and sophisticated communications, including a new interactive website to facilitate community input into Winalta-built neighbourhoods.

Strategy

Having laid a strong foundation of effective internal processes, alliances, clients and professional networks; and with the acquisition of a geographically diverse land base, Winalta Community Development enters 2008 positioned to pursue aggressive growth.

Winalta Current Developments Summary

Project	Ownership	Housing Units	Acres
Fort McMurray	50%	368	64
Bruderheim	100%	250 - 300	50
Stony Plain	100%	200 - 275	43
Elk Point	100%	6	1
Sylvan Lake	100% 50%	47 225 - 300	9 70
Drayton Valley	100%	300 - 400	65
Gibbons	Landrex Inc.		
Morinville	Landrex Inc.	1900	
Villeneuve	Landrex Inc.		
Sanford Meadows	33%	123	19

Winalta's integrated business model allows the division the flexibility to react quickly to market demand. It can move resources and adapt the product to achieve the best profitability at any given time. The team will continue to find ways to create time and cost efficiencies, giving it the competitive edge over traditional developers.

The division's focus will remain on smaller municipalities in Alberta's industrial heartland, while continuing to develop its Winnipeg-area subdivision and pursue opportunities in Saskatchewan.

Winalta Community Development will continue to seek and identify significant customers with large projects that will take advantage of our skills and expertise in development of communities to satisfy industry demands for housing in local municipalities.

Another priority of the division is to expand and seek new alliances with synergistic companies to enhance the product offering. Management will also continue to build the reputation of the division, ensuring its vision of affordable, attainable and acceptable housing is delivered.

Industry Outlook

The housing market in certain metropolitan centers was re-balancing in 2007, but it is forecast to experience modest growth in 2008. Still tied economically to the Fort McMurray oilsands, northern Alberta shows no signs of an economic slowdown. The seven upgraders being built northeast of Edmonton will attract workers who need accommodation near the area.

Alberta still has a shortage of affordable, attainable and appealing housing, which can best be addressed with cohesive and well-planned community development. Because of the need, more municipalities are becoming involved in residential development.

Housing demand in Saskatchewan has also created a rising market that is expected to continue to grow in 2008. The Company will continue to monitor and pursue opportunities in these markets and elsewhere.

"Alberta's booming population and skyrocketing housing costs have combined to make affordable housing one of Alberta's top issues."

(Ed Stelmach, Premier of Alberta) Calgary Herald October 29, 2007

Current Developments

The division completed the year in total control or in joint ventures in nine communities and opportunities in up to 10 others.

Fort McMurray (50% interest)
- 64 acres; 368 lots
- delivered 134 homes to end users in 2007 and sold an additional 56 lots to other builders

Bruderheim (Wholly-owned)
- acquired 50 acres of residential development lands expected to yield 250-300 serviced lots
- Winalta Carlton Homes Inc. is building custom homes on 18 lots

Stoneridge Estates, Spruce Grove area (Wholly-owned)
- 15 serviced lots
- building in various stages on six 1.5-acre-plus lots to be ready for sale in 2008

Elk Point (Wholly-owned)
- 1 acre; 6 lots
- option to purchase 26 serviced lots and an additional 27 acres for future development lands

Sylvan Lake (Wholly-owned)
- adult subdivision; bare land condominium with attached garages,
- 9 acres; 47 lots

Sylvan Lake (50% interest)
- 70 acres; 225-300 lots

Jutland Ridge, Stony Plain (Wholly-owned)
- 43 acres; 200-275 lots
- 46 lots developed in Phase 1, 30 sold in 2007
- Phase 2, comprising 44 lots to be completed in 2008

Sanford Meadows, Winnipeg (33% interest)
- 27 of 77 lots in Phase 1 are available for sale
- 11 completed homes to sell
- 19.27 acres for potential future development, up to 123 serviced lots

Gibbons, Morinville, Villeneuve
(Development alliance with Landrex Inc. to supply lots, Winalta to supply homes)
- access to up to 1,900 serviced lots

Jubilee Landing, Sherwood Park
(Supply agreement)
- 350 lots
- supplied 27 homes in 2007

Award-winning Alliances

Landrex Developers Inc.
This superior land development company is renowned for building smart and attractive communities with inspired streetscaping. The prestigious communities of Balmoral Heights in Sherwood Park, and Inglewood in St. Albert are among its developments.

Winalta and Landrex Inc. have developed a joint landscape design standard that meets and exceeds all municipality requirements.

A.D. Williams Engineering
Among the industry awards this municipal and residential civil engineering company has received are: Consulting Engineers of Alberta Awards (2005, 2006, 2007); Alberta Woodworks Award (2006); and the Minister's Award of Excellence (2005).

Rhino Designs
This award-winning landscape design company has been recognized for its work with many local landmarks.

Dynacor Media Group
This leader in media services has won numerous industry awards including the Premier's Award of Excellence and the International Economic Development Council Award.

LANDREX
RHINO DESIGNS
A. D. Williams Engineering Inc. Consulting Engineers
DynacorMedia

Winalta Homes

Building Affordable Homes

Year in Review

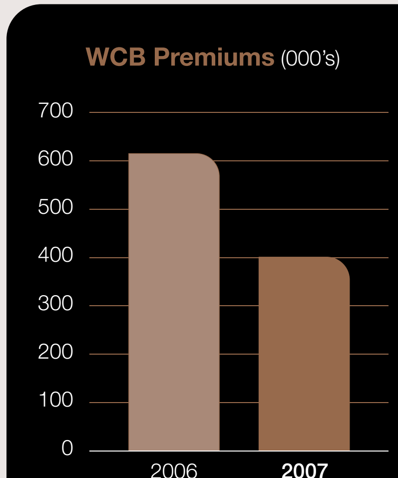
In 2007 Winalta Homes focused on safety, product quality and efficiency in its 105,000-square-foot manufacturing facility in Spruce Grove, Alberta, and is now aggressively expanding its sales capabilities.

Winalta Homes works together with Winalta Community Development, supplying manufactured and site-built homes to Winalta communities. The integrated business model gives the Company a competitive advantage through greater control of costs and time frames, and flexibility to respond quickly to market changes.

2007 Highlights

Home Manufacturing

Winalta Homes has taken significant strides in improving safety standards at the manufacturing facility, resulting in a 31.5-per cent reduction in WCB premiums.



In 2007 Winalta Homes significantly improved safety standards at the manufacturing facility, resulting in a 31.5-per cent reduction in WCB premiums, representing $216,000 savings to the division.

The plant has received COR (Certificate of Recognition) certification, placing us among the leaders in the manufactured homes industry. Quality control systems were implemented in 2007 and production now exceeds all standards for CSA approval.

Our technology platform is being enhanced with new software to coordinate production, drafting plans, accounting, purchasing and inventory control.

Management addressed the shortage of skilled trades people by providing a competitive wage and benefits structure, improving the employee benefits plan and implementing an apprenticeship program. Seventy skilled workers from the Philippines were recruited and another 30 are expected in 2008.

Warranty costs were dramatically reduced by fine tuning the production process and setting up a strong service and warranty team. Improved production standards have greatly enhanced the quality and strength of the home to exceed industry standards.

Wayne Busby, Winalta's Senior Vice President Operations and Strategic Planning leads this division, bringing over 35 years of experience in the manufactured home industry to Winalta production capacity. The Spruce Grove manufacturing plant employs over 300 workers.

Sales and Marketing

In 2007 the Winalta Homes sales team substantially improved profitability through direct retail sales. Sales contracts were renegotiated to reflect current market conditions. The division's experienced sales force was instrumental in maintaining strong customer satisfaction during this difficult process.

Winalta Homes has three full-time salespeople; and in 2008 anticipates hiring additional sales people to place in each new subdivision.

Strategy

Winalta Homes manufacturing operation will continue to improve efficiencies and product quality by providing rigorous training programs for employees at all levels of the division. Our recruitment efforts will focus on hiring industry experts to improve manufacturing standards and address human resources issues. As well, we look to alliances to enhance our product offering.

Winalta Homes will add more sales people to service new subdivisions. Our goal is to sell 45 homes per month through our subdivisions in western Canada.

The division will continue to react to market conditions, using the manufacturing flexibility to supply markets where the demand is highest. We will monitor the expanding markets and seek opportunities in areas of expected growth.

Production will be focused on two-piece modular homes on our 16 foot line as over half of potential customers have requested larger dry-walled homes, which can be produced on this line.

Winalta Homes' sales force will continue to work with major oil companies who require housing for workers at their larger projects, including the seven upgraders being built northeast of Edmonton to service the Fort McMurray oilsands.

Winalta Homes is also aggressively researching different areas to establish two to three more retail outlets in 2008 in western Canada and thereby increase our exposure and capture market share.

Industry Outlook

The market for manufactured homes is strong, as high-growth areas struggle with housing availability. Mature communities also benefit from Winalta's community development products, as Winalta provides a distinct alternative to condominiums and site-built starter homes or to retirees considering downsizing.

Warranty costs have been substantially reduced over 2006 by fine tuning the production process and setting up a strong service and warranty team.

Building Alliances

The Woodbridge Group

Winalta Homes has an alliance with The Woodbridge Group, a world-class manufacturing company. The company has ISO 14001 certified plants in 20 countries. It supplies polyurethane for auto industry and has received the Presidential Green Chemistry Award.

Winalta Homes has developed two prototype homes incorporating Woodbridge's polyurethane structural insulated panel walls. The material provides improved structural integrity and increased insulative capabilities. The possibility of mould is reduced and the need for framing is eliminated. By using less lumber, weight is reduced. The product contains a fire retardant and is less combustive than typical construction. Production time will be substantially cutdown by using the product.

The Company is seeking Canadian Standards Association ("CSA") approval to use the process. Upon obtaining this approval we will work with the Woodbridge Group to establish the first CSA-approved factory in Canada to produce polyurethane panels for home-building, with capacity to produce as much as 4,000 units a year. Winalta Homes has exclusive western Canadian rights to Woodbridge products, a distinct competitive advantage.

University of Alberta Engineering Graduate Program

Winalta Homes has aligned with the engineering graduate program at the University of Alberta to help create new home designs. The faculty will work jointly with the division on future projects including three and four-storey apartment complexes.

Going Green

Winalta Homes is committed to being green in our production process, in the homes we build and through conscientious workplace practices. We have achieved Bronze status in the industry-sanctioned Built Green™ program by incorporating the following:

- Plastic, paper, sawdust and lumber cut-off recycling
- Steel bins and wire bins
- Low-emissivity (Low-E) window coating
- Improved insulation values
- 30-year shingles
- Mid-efficiency furnace
- Double wrapping of windows to ensure proper seal
- Water-saver shower heads and taps

BuiltGreen™

Winalta Carlton Homes

Providing Options

Year in Review

Winalta Carlton Homes was reorganized to position itself for growth in 2008.

The division completed five homes in the fourth quarter of 2007, with 14 new starts and 11 homes nearing completion in early 2008.

Given Alberta's positive outlook on energy production due to world demand, home prices are expected to remain on a steady growth track well into the future.

As Winalta's site-built home division, it plays an important role in the Company by enhancing the product offering of the Homes division and furthering our corporate strategy of building communities.

Custom and site-built homes are an integral component of community design and Winalta can offer this choice to customers.

2007 Highlights

Due to the unprecedented strains on the building industry through 2007, Winalta Carlton focused on quality, contract fulfillment and customer satisfaction to address the challenge.

Winalta Carlton Vice President, Kevin Hildebrand and his team worked closely with established trades, clarifying operational, safety and building standards to improve the end product. The division's goal is to reduce current build times from an average of 12 or more months to seven or eight months.

With Winalta Carlton Homes now operationally and fiscally sound, the division will continue to look for growth opportunities in 2008.

The devision has six full-time employees.

Strategy

Winalta Carlton Homes plans to start approximately 30 homes in 2008, in addition to finishing those nearing completion from 2007. As well, the division intends to explore opportunities in multi-family dwellings.

Industry Outlook

As Winalta's community development operations focus on areas of high growth, Winalta Carlton Homes will continue to complement these initiatives by capitalizing on its reputation and expertise in site-built homes. As demand expands in these areas, the division anticipates increasing activity through 2008.

Winalta Construction

Growing Strategically

Year in Review

Winalta established its Construction division in June 2007. The division is part of the Winalta's strategy to build a fully integrated company.

Its role is to provide construction and paving services to its existing customer base with priority access to Winalta's Community Development division, reducing development delays and maintaining standards of quality.

This will allow Winalta to build communities within a compressed and cost-effective timeline, providing the company with a unique competitive advantage.

Acquisitions

Winalta's Construction division was established with the acquisitions of Breton, Alberta-based Xtreme Xcavation Ltd. and Drayton Valley, Alberta-based Kos Trucking Ltd. Both operations continue to be managed by the experienced former principals of the respective entities.

Winalta Construction exited its first year of operations with $9.8 million in sales, from the effective date of acquisition on June 1, 2007 to October 31, 2007.

Winalta acquired the companies with all of their assets, outfitting the division with a complete line of construction equipment, including up to 70 pieces used for large construction, gravel crushing, trucking, base construction and paving. As well, the new division has retained many of the employees from the original companies, giving it the expertise and industry familiarity required to build a successful business. Many of the original companies' clients continue to do business with Winalta Construction.

In August the division established a paving operation as a complement to its services.

Bob Willows, the former president of Xtreme Xcavation Ltd., was appointed Vice President of the new division.

2007 Highlights

Winalta Construction exited its first year of operations with $9.8 million in sales from the effective date of acquisition on June 1, 2007, to October 31, 2007.

The paving operation received significant contracts with established external paving entities and generated revenues of $1.2 million from start-up in July, 2007, to October 31, 2007.

Winalta Construction provides excavation services for environmental land reclamation, road and lease construction and subdivision construction. The trucking and gravel operation contributed a source of gravel and crushed aggregate for construction services to municipalities, as well as to commercial and oil and gas companies.

Winalta Construction obtained its Certificate of Recognition ("COR") designation, which places it on a list of approved suppliers to industry.

The division employs approximately 75 skilled workers.

Strategy

Winalta Construction plans for aggressive growth in all of its markets in 2008.

As the Community Development division increases activity, Winalta Construction will provide the paving, excavation and gravel services to build many of the communities, providing cost efficiencies and shorter build times.

Manpower issues remain a concern in Alberta. Winalta places a strong emphasis on providing employees with a good corporate culture, excellent benefits, competitive wages and a safe environment, which this has been instrumental in attracting and retaining employees.

Industry Outlook

Certain sectors of the Alberta economy are experiencing a decrease in activity relative to the past several years. The Construction division is diversified, has long-term employees and an established client base that will substantially mitigate risks inherent in the division's markets.

The division's role is to provide construction and paving services to its existing customer base with priority access to Winalta's Community Development division, reducing delays and maintaining standards of quality.

serving industry

Winalta Industrial produces industrial accommodation units for Winalta Oilfield Rentals and other customers.

Winalta Industrial

winalta industrial

Year in Review

Winalta's Industrial division experienced substantial changes in 2007. Most significant was the overhaul of the 88,000-square-foot manufacturing plant in North Battleford, Saskatchewan.

The facility refocused production from unprofitable recreational vehicle and travel trailer products and now builds CSA-certified standard units and custom-built modular buildings for rent, lease or sale for oil and gas and other industry clients. The division is now capable of supplying Winalta's Oilfield Rentals division with an expanding fleet of units.

Jeff Mangion was appointed President of Winalta Industrial. Formerly president of Sundance Rentals Ltd., he brings a background in the oilfield rentals business, experience in innovative design of oilfield units and a client base in the oil and gas industry in Alberta.

2007 Highlights

Winalta Industrial invested $1.5 million to re-tool its North Battleford plant, allowing it to build portable industrial accommodations. This included purchasing new cranes and equipment to move structures in and out of the facility.

Winalta Industrial improved its workflow and profit margins while maintaining excellence in its manufacturing processes. Approximately 100 employees work in the Industrial division.

The plant operated at full capacity and exited 2007 with $9.8 million in external revenues.

Certification

Because of the transition from recreational vehicle and travel trailer manufacturing to industrial accommodations manufacturing, new certification was required and achieved. The North Battleford facility produces CSA-approved units and also has passed certification under the Alberta Building Code – Part 10. This places the plant in a competitive position relative to other manufacturers.

Health and Safety

In 2007 Winalta Industrial certification achieved COR (Certificate of Recognition) status and is now on the approved list of vendors to the oil and gas industry. The division also cut its time-loss frequency rate in 2007 to one-third of its 2006 levels. The new focus on safety has reduced the division's WCB rates.

The challenge of attracting and retaining certified trades people continues. Winalta's reputation as a quality manufacturer and employer helps improve employee recruitment and retention.

Strategy

Winalta Industrial will continue to aggressively pursue new opportunities in Saskatchewan, Alberta and British Columbia to ensure the plant remains operating at full capacity in 2008. It will continue to leverage existing relationships with oil and gas companies.

In 2007 Winalta Industrial achieved COR (Certificate of Recognition) status and is now on the approved list of vendors to the oil and gas industry.

The division will also continue to provide a fleet of rental units to Winalta's Oilfield Rentals division.

The division is opening a sales and rentals branch in southern Saskatchewan to complement increasing activity in the oil and gas sector in the area.

Management intends to continue developing new designs to meet industry requirements and retain its competitive advantage. And it continues to explore new construction methods to reduce time spent on each unit and improve profitability.

Winalta Industrial has contracts in place with several companies including Williams Scotsman, an international leader in portable office and camp rental and sales.

Industry Outlook

Many conventional oil and gas companies are moving operations from Alberta to Saskatchewan, which is advantageous to Winalta Industrial Manufacturing because of its contacts and its plant location.

Winalta Oilfield Rentals

winalta
oilfield rentals

Year in Review

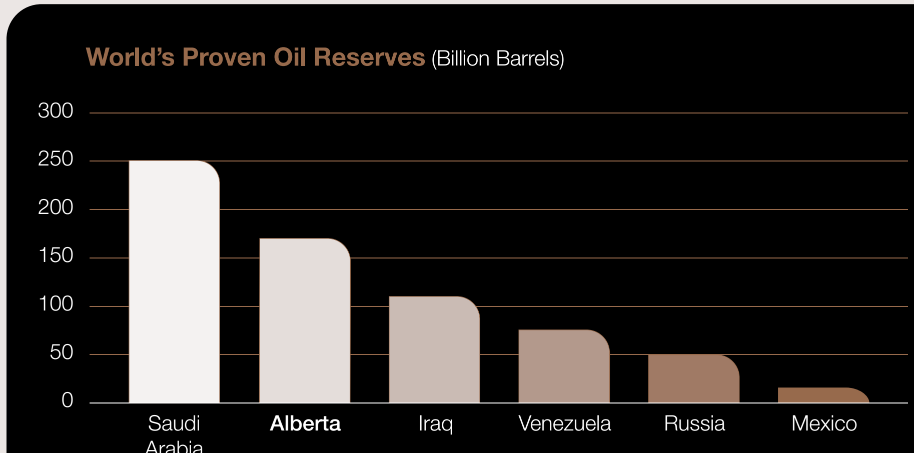
In December 2006 Winalta acquired Sundance Oilfield Rentals Ltd. and established Winalta Oilfield Rentals. The company, led by Jeff Mangion, has been in business for 30 years, renting and leasing modular camps, sleepers, and wellsite trailers to the oil and gas, mining and forestry industries.

Ron Ford, who has a long history in the oil and gas industry, was appointed Vice President of the division.

2007 Highlights

In 2007 Winalta Oilfield Rentals saw significant growth, investing $16 million to double its camp fleet and triple its wellsite fleet. Seventy-five per cent of the fleet, comprising camp facilities and accommodations, is new. New designs reflect current market demand and incorporate increased durability.

Winalta Oilfield Rentals hired Randy Hayden, who has a decade of experience in oilfield sales, as Vice President, Sales and Marketing in Calgary. Oilfield Rentals now has nine employees.



In 2008 Winalta Oilfield Rentals will continue growing through a focus on customer satisfaction and by expanding its base into Saskatchewan and British Columbia.

Winalta Oilfield Rentals has not operated for a full fiscal year; nonetheless the division generated revenues of $4.1 million in 2007 and entered October 2007 at almost 100-per cent capacity, despite a general slowdown in industry activity.

Health and Safety

In 2007 Winalta Oilfield Rentals achieved its SECOR (Small Employer Certificate of Recognition) certification, which has generated more business opportunities for the division. The division is on the approved vendor list of several of Alberta's largest oil and gas companies and has one of the best safety records in the business. The company subscribes to Enform – the health, safety and training arm of the petroleum industry.

Strategy

Winalta Oilfield Rentals intends to continue growing in 2008, focusing on customer satisfaction and expanding its base of contacts into Saskatchewan and British Columbia.

Industry Outlook

Despite of current uncertainties in the oil and gas industry, the Oilfield Rentals division is experiencing growth in its market share through aggressive marketing and provision of quality, tailored industrial accommodations solutions to its customers. The division's fleet is state-of-the-art, having been built primarily over the past year, giving the division a distinct competitive advantage and ensuring its ability to excel in the current economic environment.

In 2007 Winalta Oilfield Rentals invested $16 million, doubling its camp fleet and tripling its wellsite fleet.

Substantial sales in the Company's Community Development division, price increases in the Home Manufacturing division and the addition of the Oilfield Rental and Construction divisions increased consolidated gross revenues by $27.5 million over 2006.

management discussion and **analysis**

PREPARED JANUARY 24, 2008

winalta inc.

Management Discussion and Analysis

January 24, 2008

The following discussion and analysis, prepared as of January 24, 2008, should be read in conjunction with the audited consolidated financial statements of Winalta Inc. (the "Company") for the year ended October 31, 2007, together with the related notes thereto. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

This Management's Discussion and Analysis ("MD&A") summarizes the activities of the Company to date, and provides financial information for the year ended October 31, 2007. Certain information contained in this MD&A, including any information as to the Company's future financial or operating performance, constitute "forward-looking statements". All statements, other than statements of historical fact, constitute "forward-looking statements" within the meaning of certain securities laws and are based on expectations, estimates and projections as of the date of this MD&A. The words "believe", "expect", "anticipate", "plan", "intend", "continue", "budget", "estimate", "may", "will", "schedule" and similar expressions identify forward-looking statements. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company as of the date of this MD&A, are inherently subject to significant business, economic and competitive uncertainties and contingencies which give rise to the possibility that the predictions or projections expressed in such statements will not be achieved. Readers are cautioned not to place undue reliance upon these statements as a number of known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Except where required by law, the Company does not assume any obligation to update these forward-looking statements if conditions or opinions should change.

DESCRIPTION OF BUSINESS

Winalta Inc. is a producer and marketer of manufactured and modular CSA certified homes, site-built homes, mobile and modular industrial structures and trailers. In conjunction with the production of homes, the Company operates as a developer of residential subdivisions for its home products both directly and through joint ventures and related partnerships.

The Company operates its businesses through a number of subsidiaries and affiliated entities operating within 5 primary divisions. The most significant of these entities, by division, are as follows:

Winalta Homes

- Winalta Inc. – production and wholesale marketing of manufactured and modular homes from a plant located in Acheson, near Edmonton, Alberta
- Winalta Homes Inc., formerly Ridgewood Homes Inc. – retail marketing of manufactured and modular homes in various markets, primarily in Alberta
- Westalta Modular Homes Inc., operating as Carlton Homes and Winalta Carlton Homes - marketing and production of site-built homes in Edmonton, Alberta and surrounding areas

Winalta Community Development

- Baywood Property Management Inc. – holding company for the Company's land development interests, including incorporated and unincorporated joint venture and direct land holdings, the most significant of which are as follows:
  - Pine Place Developments Joint Venture – 50% interest in land development and home sales in Fort McMurray, Alberta
  - Jutland Ridge Developments Ltd. – 45% interest in land development and home sales in Stony Plain, Alberta
  - Sylvan Meadows Development Ltd. – 50% interest in land development and home sales in Sylvan Lake, Alberta
  - Bruderheim lands – 100% interest in serviced lots and approximately 50 acres of future residential development lands
  - Drayton Valley lands – 100% interest in approximately 155 acres of future residential and commercial development lands
  - Sanford Meadow Brook Villas Inc. – 33% interest in land development and home sales near Winnipeg, Manitoba
- Winalta North Inc. – 50% interest in future land development in Edmonton and area

Winalta Construction

- Winalta Construction Inc., formerly Xtreme Xcavation Ltd., Kos Trucking Ltd, Rifle Creek Enterprises Ltd. and Klein Enterprises Ltd. - land excavation and earth moving, gravel crushing and trucking, paving and concrete operations.

Winalta Oilfield Rentals

- Winalta Oilfield Rentals Inc., formerly Jeffman Enterprises Ltd., operating as Sundance Rentals – rental of mobile and portable oilfield accommodation.
- Winalta Carriers Inc. – transport of oilfield rental and construction equipment.

Winalta Industrial

- Winalta Industrial Inc., formerly Vanguard Inc. – production and wholesale marketing of mobile and modular industrial structures and trailers from a plant located in North Battleford, Saskatchewan.

Unless otherwise noted, references in this MD&A to "the Company" refer to Winalta Inc. together with its subsidiaries and affiliated entities.

FINANCIAL HIGHLIGHTS

Selected Annual Financial Information

(Thousands of Canadian dollars, except per share amounts)

Years ended October 31	2007 $	2006 (restated) $
Revenue	**104,944**	77,483
Gross profit	**26,919**	8,181
Gross profit %	**26%**	11%
EBITDA(1)	**16,190**	(368)
EBITDA(1) per share	**0.57**	(0.03)
Net earnings (loss)	**4,588**	(4,804)
Basic earnings per share	**0.16**	(0.36)
Diluted earnings per share	**0.16**	(0.36)
Total assets	**120,162**	62,960
Total liabilities	**69,150**	52,269
Dividends	**-**	-

(1) EBITDA

EBITDA is a non-GAAP measurement defined as "Earnings before interest, taxes, depreciation, amortization, goodwill impairment, and stock-based compensation." The Corporation reports on EBITDA because it is a key measure used by management to evaluate performance. The Corporation believes EBITDA assists investors in assessing our performance on a consistent basis without regard to items such as depreciation and amortization, which are non-cash in nature and can vary significantly depending on accounting methods or non-operating factors such as historical cost. EBITDA is not a calculation based on GAAP and is not considered an alternative to net earnings in measuring the Corporation's performance. EBITDA does not have a standardized meaning and is therefore not likely to be comparable with similar measures used by other issuers. EBITDA should not be used as an exclusive measure of cash flow since it does not account for the impact of working capital changes, capital expenditures, debt changes and other sources and uses of cash, which are disclosed in the consolidated statement of cash flows.

The Company recorded net earnings of $4.59 million on revenues of $104.94 million for the year ended October 31, 2007 compared to a net loss of $4.80 million on revenue of $77.48 million for the year ended October 31, 2006 (restated, see "Change in Accounting Policy – Revenue Recognition"). Substantial sales in the Company's community development division, price increases in the home manufacturing division and the addition of the oilfield rental and construction divisions pushed consolidated gross revenue up by $26.4 million over 2006.

Gross profit on sales was $26.92 million compared to $8.2 million in 2006 (restated). The substantial improvement in consolidated gross profit reflects improved pricing, operating efficiencies and high-margin rental, community development and construction operations.

EBITDA increased by $16.6 million to $16.2 million from a loss of $368,000 in 2006 reflecting substantially improved margins on product sold, acquisition and growth of profitable operations and substantial sales in the community development division.

Total assets increased from $63 million in 2006 (restated) to $120 million in 2007 through acquisition and expansion of the oilfield rental and construction divisions as well as acquisitions of future development lands.

DIVISIONAL OPERATING SUMMARIES

2007

(Thousands of Canadian dollars)

	Homes $	Community Development $	Industrial $	Oilfield Rentals $	Construction $	Intersegment Eliminations $	Total $
External revenues	49,720	31,845	9,784	4,077	9,518	-	104,944
Intersegment revenues	4,908	703	701	188	964	(7,464)	-
Total revenues	54,628	32,548	10,485	4,265	10,482	(7,464)	104,944
Cost of sales	41,688	22,565	12,572	1,225	7,133	(7,158)	78,025
Gross profit	12,940	9,983	(2,087)	3,040	3,349	(306)	26,919
Gross profit % of sales	24%	31%	(20%)	71%	32%	-	26%

2006

(Thousands of Canadian dollars)

	Homes $	Community Development $	Industrial $	Oilfield Rentals $	Construction $	Intersegment Eliminations $	Total $
External revenues	55,756	2,966	18,761	-	-	-	77,483
Intersegment revenues	-	182	-	-	-	(182)	-
Total revenues	55,756	3,148	18,761	-	-	(182)	77,483
Cost of sales	50,599	1,765	17,120	-	-	(182)	69,302
Gross profit	5,157	1,383	1,641	-	3,349	-	8,181
Gross profit % of sales	9%	44%	11%	-	-	-	11%

Winalta Homes

Completed sales of manufactured, modular and site-built homes through Winalta's Homes Division are approximately $1.1 million below 2006 due to the volume of production inventoried for Company-owned developments or for future sales to potential customers on completion. Inventory of finished homes as at October 31, 2007 is $11.7 million compared to $6.0 million in 2006 reflecting the Company's priority to supply homes to its own subdivisions as opposed to third party dealers as in prior years. As such, much of current production has been allocated to direct retail sales through Winalta's retail outlet as well as to its community development operations including Pine Place (Fort McMurray, Alberta), Sylvan Meadows (Sylvan Lake, Alberta) and Jutland Ridge (Stony Plain, Alberta) with homes being inventoried for sale upon setup and completion. Revenue from these homes will not be recognized until sales to end customers are realized.

Gross profit from the Homes Division was $12.9 million before inter-segment eliminations compared to $5.2 million in 2006. Continuing improvement in gross profit in the Homes Division reflects improved pricing in manufactured and site-built product, improved raw materials inventory control resulting in reduced loss and wastage and improved quality control. Service and warranty costs in the manufactured home division were reduced by almost 50% in the current year and further reductions are expected in future years. Workers compensation premiums have been substantially reduced through improved occupational health and safety standards in the plant and implementation of injury claims control processes.

In conjunction with a review of its costing structure for manufactured homes, the reported results reflect a reallocation of certain indirect production costs. In the current period, employee costs related to purchasing, engineering and plant supervision were allocated to factory overhead whereas in prior periods these costs were included in general and administrative expenses. The reallocation increased cost of goods sold and reduced general and administrative expenses by $832,000 for the year ended October 31, 2007 (2006 - $607,000).

Winalta Community Development

Sales in the Community Development Division reflect approximately $25 million from the Company's share of sales of 190 lots in the Pine Place development in Fort McMurray, of which 134 were conveyed with homes. Of the lots sold with homes, 41 homes were sourced from manufacturers other than Winalta.

Gross profit from the Community Development Division was $10.0 million compared to $1.4 million in 2006. Of this amount, $9.6 million (2006 $ 1.3 million) reflects the Company's share of profit generated on sales of lots and homes in Pine Place.

Following is a summary of activities in each of the Company's primary developments:

Pine Place, Fort McMurray, Alberta (50% interest)

For the year ended October 31, 2007, the Company sold 190 lots in the Pine Place subdivision. Of these lots, 134 were conveyed with homes, the remaining 56 were sold without homes to third parties pursuant to the terms of the land acquisition agreement and as a result of delayed and ultimately cancelled delivery of a number of homes ordered from a third party manufacturer. As at October 31, 2007, lot servicing in the development was virtually complete, with 27 lots committed for sale and 124 lots available for sale pending delivery of homes. As the Company's participation in this joint venture is expected to be completed upon sale of the remaining lots in 2008, the Company is actively pursuing additional opportunities in this market.

Lighthouse Pointe, Sylvan Lake, Alberta (50% interest)

The first phase of this development, comprising 51 lots, is virtually complete subject to seasonal deficiencies. During the year ended October 31, 2007, the Company acquired 47 of these lots from the joint venture and as such has full ownership and direct control of those lots. Marketing of the homes will begin in the first quarter of 2008 and sales are expected to begin in the second quarter. The second phase of the development, comprising 37 lots, is expected to be completed and ready for sale in the third quarter of 2008.

Jutland Ridge, Stony Plain, Alberta (45% through 2007, 100% as at October 31, 2007)

To October 31, 2007, 30 lots of the total of 46 lots in the first phase of the development were sold. The majority of these sales represent contracts that were entered into prior to the change of management in 2006 and as such reflected market conditions prior to 2007. Marketing efforts have been initiated for the remaining lots with homes with expected sales in the second quarter of 2008. The Company's share (45%) of gross profit from sales in this development for the year ended October 31, 2007 was $205,000 (2006 - $78,000).

The second phase of the development, comprising 44 lots, is partially complete with 22 lots potentially available for home deliveries through the winter of 2007-2008. Services to the remainder of the lots in the phase will be completed in the spring of 2008.

The Company completed the acquisition of its partners' interest in the lands effective October 31, 2007 and as a result increased its interest to 100% from 45%.

Sanford Meadowbrook Villas (33% interest)

Phase 1 of this development southwest of Winnipeg, Manitoba is complete with 27 lots of a total of 77 remaining for sale as at October 31, 2007. The remainder of this development comprises 19.27 acres with a potential for up to 123 serviced lots. The Company's share of gross profits from this development was $125,000 for the year ended October 31, 2007 (2006 - $36,000).

Drayton Valley and Bruderheim, Alberta lands

The Company has acquired future development lands in Drayton Valley and Bruderheim, Alberta to provide a future inventory of lots for sale in these developing communities.

The Drayton Valley lands comprise approximately 157 acres of which 50-60 acres are expected to be developed for single-family residential accommodation. Approximately 250 lots are expected to be developed in this area with the first phase projected for development in 2008. As the remainder of the site is anticipated to be industrial, upon completion of the proposed development plan and structure, the Company will determine the disposition of the remaining acreage.

The Bruderheim lands comprise approximately 52 acres of unserviced residential lands, which are expected to yield approximately 220 serviced lots upon completion of development. Lots in the first phase of the development are anticipated to be available in 2008. In addition, the Company has acquired 17 serviced lots in this community immediately adjacent to the unserviced lands for which homes are currently being built to be available for sale in early 2008.

The Company acquired the Drayton Valley and Bruderheim unserviced lands from a subsidiary of Kos Corp Investments Ltd., a major shareholder of the Company (see "Related Party Transactions"). The acquisition of the 17 serviced lots was from a non-related party.

Elk Point, Alberta

The Company has acquired 6 fully serviced lots in Elk Point, Alberta and entered into an option agreement to acquire an additional 26 serviced lots and 27 acres of future development lands. Homes will be supplied to the initial six lots for sale in 2008.

Villeneuve, Morinville, and Gibbons, Alberta lands

During the year, the Company signed a Memorandum of Understanding with Landrex Inc. ("Landrex"), a large land developer in the Alberta marketplace, whereby Winalta will have certain rights to acquire residential lots developed by Landrex Inc. in Villeneuve, Morinville and Gibbons. The developments will provide approximately 1,900 single family lots designated for manufactured and modular housing. Landrex Inc. will be responsible for the servicing of the land with Winalta acquiring the lots once building permits are obtained. Winalta and Landrex Inc. will work together to ensure that an orderly supply of affordable attractive homes are available in these communities. With the significant oilsands upgrader facilities being developed in the Edmonton region, Winalta and Landrex Inc. believe that this alliance will respond to continuing demand for housing in the area. The first lots are slated to be available in 2008.

Winalta Oilfield Rentals

Gross profit from the Oilfield Rental Division was $3.0 million for the period from acquisition on December 15, 2006 to October 31, 2007. Since acquisition, the Company has approximately tripled the number of available units in the division's fleet, and most of these units are now in first use in the current season. Notwithstanding a general reduction in drilling activity in Alberta, the Company's fleet of wellsites is being utilized at virtual capacity. Some excess capacity exists in the camp fleet and this capacity is expected to be absorbed as the season advances.

Winalta Industrial

Sales in the Industrial Division for the year ended October 31, 2006 were $10.5 million, including $0.7 million in sales to the Oilfield Rental Division, compared to $18.8 million in sales of recreational vehicle and travel trailer product in 2006. Contracts for 2008 production include some production for the Oilfield Rental Division as well as some significant third party contracts.

The Industrial Division produced a before-tax loss of $5.2 million for the year ended October 31, 2007 reflecting the transition of product lines from recreational vehicles and travel trailers to mobile and portable industrial trailers. Plant re-tooling was completed in the second quarter and the Company focused on increasing margins and overhead reduction through the third and fourth quarters. Margins and profitability have been increasing as a result, and the Company expects this division to be operating profitably through 2008.

In conjunction with a review of its costing structure for production in the North Battleford plant, the reported results reflect a reallocation of certain indirect production costs. In the current period, employee costs related to purchasing, engineering and plant supervision were allocated to factory overhead whereas in prior periods these costs were included in general and administrative expenses. The reallocation increased cost of goods sold and reduced general and administrative expenses by $509,000 for the year ended October 31, 2007 (2006 - $363,000).

Winalta Construction

Revenue for the Construction Division includes business acquired through the acquisition of Xtreme Xcavation Ltd. and the Kos Trucking Ltd. group of companies as of June 1, 2007. In addition, the Company established a paving division in the construction group in July, 2007 and this division contributed $1.2 million in revenue to October 31, 2007. The Construction Division was acquired to provide priority access to services for subdivision development, and approximately 9% of the total revenue of the division was for services provided to the Community Development Division.

Management's Discussion and Analysis

Gross profit from the Construction Division for the period from acquisition effective June 1, 2007 to October 31, 2007 was $3.3 million, representing a 32% margin and in accordance with the Company's expectations at acquisition. Net earnings before tax for the period was $1.8 million.

EXPENSE ANALYSIS

General and Administrative Expenses

Consolidated general and administrative expenses increased by approximately $1.6 million reflecting increased overheads from acquisitions as well as significant transitional expenditures resulting from the change of management in late 2006, including approximately $485,000 in increased professional and legal fees relative to 2006 in conjunction with contract renegotiations and various matters that arose through the transition. In addition, the Company recorded stock-based compensation in the amount of $419,478 for the year ended October 31, 2007 (2006 – $nil).

As previously indicated in the discussion relative to the Homes and Industrial Divisions, pursuant to a review of its costing structure for production from the Company's two manufacturing plants, the reported results also reflect a reallocation of certain indirect production costs from general administrative expenses as previously reported to factory overhead and cost of goods sold. In the current period, employee costs related to purchasing, engineering and plant supervision in the amount of $1,341,000 (2006 - $970,000) were re-allocated from general and administrative expenses to factory overhead and cost of goods sold.

Depreciation and Amortization

Depreciation and amortization for the year ended October 31, 2007 is $2.9 million higher than 2006 as a result of the acquisition of the oilfield rental and construction divisions and depreciation of related equipment. In addition, the Company accelerated depreciation of certain assets and intangibles in the Industrial Division as a result of the change in product lines in that division.

Interest Expense

Interest expense was $2.8 million in 2007, reflecting a modest increase from $2.4 million in 2006. The Company raised $25.5 million in equity through the issuance of shares in February 2007, and a portion of these funds eliminated certain high-interest rate debt. Further advances through acquisitions and capital financing contributed to the increased expense.

Provision for Goodwill Impairment

The Company reviewed the valuation of goodwill recorded on acquisition of a minority interest in Winalta Industrial Inc. (formerly Vanguard Inc.) as at October 31, 2007. Notwithstanding the expectation for profits from this entity in the future, given the magnitude of losses in 2007 the net asset value of this entity was impaired and accordingly the goodwill was written down to nil.

Income Taxes

As at the year ended October 31, 2007, the Company re-assessed the potential realization of certain loss carryforward balances and increased the valuation allowance in respect of these losses by $294,000.

SUMMARY OF QUARTERLY RESULTS

(Thousands of Canadian dollars)	2007				2006			
Quarter ended	October 31	July 31	April 30	January 31	October 31	July 31	April 30	January 31
Revenue	$ 46,465	$ 23,576	$ 17,687	$ 17,216	$ 18,433	$ 21,409	20,375	17,266
EBITDA (as defined herein)	9,829	4,641	1,804	(84)	(3.370)	1,161	1,642	200
Net earnings (loss) before tax	6,412	2,359	448	(1,222)	(4,724)	208	716	(658)
Net earnings (loss) after tax	3,495	1,693	378	(978)	(3,612)	(1,232)	522	(481)

Revenue and EBITDA for the 3 months ended October 31, 2007 is approximately doubled from the prior 3 months primarily reflecting strong sales from the community development division coupled with operating earnings from acquired entities. The combination of improved operating efficiencies and continuing strong sales pushed earnings to unprecedented levels relative to historical results.

SUMMARY OF QUARTERLY RESULTS - DIVISIONAL OPERATIONS

(Thousands of Canadian dollars, except for gross profit %)	Three months ended October 31, 2007					
	Homes $	Community Development $	Industrial (Note 1) $	Oilfield Rentals (Note 2) $	Construction (Note 3) $	Total $
Sales	**17,126**	**16,934**	**3,899**	**1,354**	**7,153**	**46,466**
Cost of sales	**13,662**	**10,785**	**3,820**	**382**	**4,705**	**33,354**
Gross profit	**3,464**	**6,149**	**79**	**972**	**2,448**	**13,112**
Gross profit %	**20%**	**36%**	**2%**	**72%**	**34%**	**28%**

(Thousands of Canadian dollars, except for gross profit %)	Three months ended October 31, 2006					
	Homes $	Community Development $	Industrial (Note 1) $	Oilfield Rentals (Note 2) $	Construction (Note 3) $	Total $
Sales	11,738	3,195	3,500	-	-	18,433
Cost of sales	12,854	1,989	3,228	-	-	18,071
Gross profit	(1,116)	1,206	272	-	-	362
Gross profit %	(10%)	38%	8%	-	-	2%

SUMMARY OF QUARTERLY RESULTS - DIVISIONAL OPERATIONS, continued

(Thousands of Canadian dollars, except for gross profit %)	Year ended October 31, 2007					
	Homes $	Community Development $	Industrial (Note 1) $	Oilfield Rentals (Note 2) $	Construction (Note 3) $	Total $
Sales	**54,628**	**26,937**	**9,784**	**4,077**	**9,518**	**104,944**
Cost of sales	**41,688**	**17,019**	**11,865**	**1,131**	**6,322**	**78,025**
Gross profit	**12,940**	**9,918**	**(2,081)**	**2,946**	**3,196**	**26,919**
Gross profit %	**24%**	**37%**	**(21%)**	**72%**	**34%**	**26%**

(Thousands of Canadian dollars, except for gross profit %)	Year ended October 31, 2006					
	Homes $	Community Development $	Industrial (Note 1) $	Oilfield Rentals (Note 2) $	Construction (Note 3) $	Total $
Sales	54,938	3,784	18,761	-	-	77,483
Cost of sales	49,814	2,368	17,120	-	-	69,302
Gross profit	5,124	1,416	1,641	-	-	8,181
Gross profit %	9%	37%	9%	-	-	11%

Note 1 *Prior years' results for the Industrial Division reflect manufacturing and sales of recreational vehicles and trailers. Industrial manufacturing commenced November 1, 2006.*

Note 2 *Rental operations commenced on December 15, 2006 with the acquisition of Winalta Oilfield Rentals Inc. (formerly Jeffman Enterprises Ltd.).*

Note 3 *Construction operations commenced on June 1, 2007 with the acquisition of Xtreme Xcavation Ltd. and the Kos Trucking Ltd. group of companies.*

Gross sales for the three months ended October 31, 2007 reflect the first full quarter of reported operations of the Construction Division (acquired as of June 1, 2007) and significant sales of homes and lots in the Community Development Division, most notably in the Pine Place development in Fort McMurray and the Jutland Ridge development in Stony Plain. Comparatively, fourth quarter results for the Homes Division in 2006 reflect the impact of a dispute with a former homes dealer as well as revaluations of certain inventories and warranty provisions.

RELATED PARTY TRANSACTIONS

Prior to the closing of the Company's acquisition of Winalta Oilfield Rentals Inc. (then Jeffman Enterprises Ltd.), Kos Corp Investments Ltd. ("Kos Corp"), a company controlled by the president and chief executive officer of the Company advanced $1,100,000 to Jeffman Enterprises Ltd. to assist in acquiring assets. The non-interest bearing loan was secured by a promissory note. The loan was been repaid in full by Winalta upon completion of the acquisition.

The Company acquired lands valued at $4,457,500 from Courtali Investments Ltd., a subsidiary of Kos Corp. The pricing for the acquisition was determined at the average of two independent appraisals of the subject properties and was approved by the independent members of the Board of Directors. The acquisition was funded by the issuance of 2,217,662 common shares valued at $2.01 per share, representing the closing price of the shares on the day prior to the approval of the acquisition.

During the year ended October 31, 2007, the Company reimbursed Kos Corp $107,210 for expenses incurred by Kos Corp on behalf of the Company. In addition, $381,113 was paid to Kos Corp during the year ended October 31, 2007 for management services and aircraft rental. The Company also acquired products utilized in its trucking and plant operations in the amount of $371,975 from Option Industries Ltd., a company controlled by Kos Corp.

Related party transactions are measured at the exchange amount, which is the amount of consideration agreed to by the related parties.

LIQUIDITY AND CAPITAL RESOURCES

Operating credit and financial covenants

The Company's operating credits are provided subject to margining requirements based on the levels of inventory and accounts receivable held by the Company as well as covenants in respect of the Company's debt to equity and working capital ratios. The Company's current lending requirements are subject to a maximum debt to tangible net worth ratio of 3.1 to 1, and subject to maintenance of a working capital ratio of no less than 1.1 to 1.

The Company's leverage ratios through 2007 were dramatically improved through the issuance of $25.5 million in equity by private placement in February, 2007 and through further share issuances on acquisitions of operating entities and future development lands. As at the date of this MD&A, the Company was operating well within its lending covenants.

Outstanding share data

As at January 24, 2008 the following class of shares and equity securities convertible into common shares were outstanding:

Class A common shares	35,590,829
Stock options outstanding	1,985,000
Compensation options outstanding	280,000

Proposed and subsequent financing

Subsequent to October 31, 2007, the Company financed certain equipment acquired in its oilfield rental division for net proceeds of $8.0 million and is in discussions with various lenders in conjunction with its community development operations relative to financing development expenditures related to the subdivision and development of lot inventory.

Off-Balance Sheet Arrangements

The Company has entered into operating leases for various vehicles and equipment. Accordingly the Company is committed to continuing payments in the amount of approximately $174,000 per annum for approximately two years under these agreements.

RISKS RELATED TO OUR BUSINESS

This document contains forward-looking statements, including statements regarding the future success of business and future market opportunities. These statements are not guarantees of future results. These statements involve known and unknown risks and uncertainties that may cause actual results to differ materially from what is implied by these forward-looking statements. These risks include risks related to revenue growth, operating results, the economic condition of the industries the Company serves, product development, and litigation as well as other factors described below and elsewhere in this report. Please note that forward-looking statements represent the Company's estimates on the date they were made and undue reliance should not be placed on these statements. The Company disclaims any obligation to publicly update or revise any such statements to reflect changes in our expectations. The Company also disclaims any obligation to provide an update if changes to the events, conditions or circumstances on which these statements are based occur.

The following internal and external risks may affect Winalta's operations. The Company continually monitors and evaluates these risk factors and takes action to minimize them, however as many are outside of Company control, it is impossible to completely mitigate these risks.

Market Demand for Products and Services

The Company has experienced increasing revenue from operations, however it cannot be certain revenue will continue to grow or grow at the same pace as past results or at the rate projected by management. There is no guarantee that Company products will remain competitive, nor that they will respond to market demands, developments or new industry standards.

State of the Economy

Operating results may vary significantly based on the impact of changes in local and global economic conditions.

Availability of Credit Line and Future Financing

The Company has outstanding debt and may require additional debt to finance developments, acquisitions or for other purposes. In the event that the Company's operations do not generate cash flows from operations in amounts sufficient to pay our debt or to fund other liquidity needs, the Company's ability to raise additional funds through the sale of equity securities, the financing or refinancing of debt or the sale of assets may be impaired.

Length of Sales Cycle

The time required to develop property and complete sales makes it difficult to predict quarterly or annual revenue levels and operating results. Delays in sales could cause shortfalls in Company revenues and operating results for any particular period.

Cost and Availability of Raw Materials

Prices of certain materials can fluctuate significantly and availability of certain materials may be limited at times. Prices of certain materials such as lumber, insulation, steel, and drywall can fluctuate significantly due to changes in demand and supply. Additionally, availability of certain materials may be limited at times resulting in higher prices and/or the need to find alternative suppliers. The Company is generally able to maintain adequate supplies of materials and to pass higher material costs on to the retailers and consumers in the form of surcharges and base price increases, however, it is not certain that future price increases can be passed on to the consumer without affecting demand or that limited availability of materials will not impact our production capabilities.

Ability to Retain and Attract Qualified Employees and Contain Payroll Expenses

Executive management and other key personnel are essential to our business. The loss of the services of any of these persons could have a material adverse effect on the business. As a growing company, our ability to develop our products and deliver services could be harmed if the Company is not able to recruit and retain qualified personnel. In addition, payroll is a significant component of costs and local labor market conditions can impact labor expenses.

Integration of Operations

If the Company fails to integrate the operations of the companies it acquires, it may not realize the anticipated benefits and operating costs could increase. The Company continues to pursue strategic acquisitions that will provide complementary geographic and/or vertical industry exposure. The identification and pursuit of these acquisition opportunities and the integration of acquired personnel and operations require a significant amount of management time and skill. There can be no assurance that suitable acquisition candidates can be identified, that any acquisition will be consummated on acceptable terms, and that the Company will be able to successfully integrate any acquired business into its operations. Acquisitions also expose the Company to potential risks, including diversion of management's attention, failure to retain key acquired personnel, and the assumption of legal or other liabilities and contingencies. Moreover, customer dissatisfaction with, or problems caused by, the performance of any acquired products or technologies could damage the Company's reputation.

CHANGES IN ACCOUNTING POLICY INCLUDING INITIAL ADOPTION

Revenue Recognition

Effective October 31, 2007, the Company changed its method of accounting for revenue recognized on the sale of site-built homes in Westalta Modular Homes Inc. (operating as Carlton Homes) from the percentage of completion method to the completed contract method. This change was made to increase consistency in accounting policies among the operating segments and to reflect the relatively short term nature of the construction period.

The accounting change was adopted on a retroactive basis, and accordingly the consolidated financial statements of prior periods have been restated to reflect the change. As a result, work in progress inventory and retained earnings as at October 31, 2007 was reduced by $502,718 (2006 - $732,527). Revenue increased by $3,145,387 (2006 – reduced by $901,642) and cost of sales increased by $2,748,640 (2006 – reduced by $734,804).

Financial Instruments – recognition and measurement

On November 1, 2006, the Company adopted Section 3855 of the Canadian Institute of Chartered Accountants' ("CICA") Handbook, "Financial Instruments – Recognition and Measurement". It contains the standards for recognizing and measuring financial instruments in the balance sheet and the standards for reporting gains and losses in the financial statements. Financial assets available for sale, assets and liabilities held for trading and derivative financial instruments, part of a hedging relationship or not, have to be measured at fair value. The Company has made the following classifications:

- Cash and temporary investments will be classified as financial assets held for trading and measured at fair value. Gains and losses related to periodical evaluations are recorded in net income.
- Accounts receivable are classified as loans and receivables and are initially measured at fair value and subsequent periodical revaluations are recorded at amortized cost using the effective interest rate method.
- Accounts payable and accrued liabilities and long-term debt are classified as other liabilities and are initially measured at fair value and subsequent periodical revaluations are recorded at amortized cost using the effective interest rate method.

The adoption of this Section is done retroactively without restatement of the consolidated financial statements of prior periods. The Company has assessed that there is currently no impact on the consolidated balance sheet from these classifications. The Company does not have any significant embedded derivatives.

Equity and comprehensive income

On November 1, 2006, the Company adopted Section 3251 of the CICA Handbook, "Equity", replacing Section 3250 "Surplus". It describes standards for the presentation of equity and changes in equity for a reporting period as a result of the application of Section 1530, "Comprehensive Income". The adoption of this Section had no impact on the Company as there have been no transactions resulting in comprehensive income.

On November 1, 2006, the Company adopted Section 1530 of the CICA Handbook, "Comprehensive Income". It describes reporting and disclosure recommendations with respect to comprehensive income and its components. Comprehensive income is the change in shareholders' equity, which results from transactions and events from sources other than the Company's shareholders. These transactions and events include unrealized gains and losses resulting from changes in fair value of certain financial instruments. The adoption of this Section had no impact on the Company as there have been no transactions resulting in comprehensive income.

Hedges

On November 1, 2006, the Company adopted Section 3865 of the CICA Handbook, "Hedges". The recommendations of this Section expand the guidelines required by Accounting Guideline 13 (AcG-13), Hedging Relationships. This Section describes when and how hedge accounting can be applied as well as the disclosure requirements. Hedge accounting enables the recording of gains, losses, revenue and expenses from the derivative financial instruments in the same period as for those related to the hedged item. The adoption of this Section had no impact on the Company.

Financial instruments – disclosure and presentation

Effective November 1, 2006, the Company was required to adopt CICA Handbook Section 3861, "Financial Instruments—Disclosure and Presentation", which requires entities to provide disclosures in their financial statements that enable users to evaluate the significance of financial instruments on the entity's financial position, performance and cash flows. Also this section enables users through disclosure to evaluate the nature and extent of our use of financial instruments, the business purposes they serve and the risks associated with the instruments and management policies for mitigating and managing those risks. These additional disclosures have been added to Note 16 of the consolidated financial statements.

In March 2007, the CICA issued Handbook Section 3862, "Financial Instruments—Disclosures", which complements CICA 3861 and provides expanded disclosure requirements that provide additional detail by financial assets and liability categories. This standard harmonizes disclosures with International Financial Reporting Standards and applies to the Company's interim and annual financial statements beginning November 1, 2007.

In March 2007, the CICA also issued Handbook Section 3863, "Financial Instruments—Presentation" to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This Section establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, gains and losses, and the circumstances in which financial assets and financial liabilities are offset. This standard harmonizes disclosures with International Financial Reporting Standards and applies to the Company's interim and annual financial statements beginning November 1, 2007.

The Company is assessing the impact of adopting these new standards and will report accordingly in future periods.

Accounting changes

In July 2006, the CICA issued the new handbook Section 1506, "Accounting Changes," effective for annual and interim periods beginning on or after January 1, 2007. This section establishes criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates, and the correction of errors. The disclosure is to include, on an interim and annual basis, a description and the impact on the Company of any new primary source of GAAP that has been issued but is not yet effective. This new standard is not expected to have a material effect on our financial position or results of operations. This standard applies to the Company's interim and annual financial statements beginning November 1, 2007.

Capital disclosures

In November 2006, the CICA issued the new handbook Section 1535, "Capital Disclosures," effective for annual and interim periods beginning on or after October 1, 2007. This section establishes standards for disclosing information about a company's capital and how it is managed in order that a user of the financial statements may evaluate the company's objectives, policies, and processes for managing capital. This new standard is not expected to have a material effect on our financial position or results of operations. This standard applies to the Company's interim and annual financial statements beginning November 1, 2007.

International financial reporting standards

The CICA plans to converge Canadian GAAP for public companies with International Financial Reporting Standards (IFRS) over a transition period that is expected to end in 2011. The impact of the transition to IFRS on the Company's consolidated financial statements has not yet been determined.

CRITICAL ACCOUNTING ESTIMATES

The consolidated financial statements are prepared in accordance with generally accepted accounting principles in Canada (Canadian GAAP). Because the precise determination of certain assets and liabilities is dependent upon future events, the preparation of these consolidated financial statements necessarily includes the use of estimates and assumptions, which have been made using careful judgment. The Corporation believes that these estimates and assumptions are reasonable based upon the information that was available at the time these estimates and assumptions were made. Actual results could differ from those estimates.

Cost of sales

As the Company may sell parcels of land or serviced lots prior to all costs being committed or known, the Company estimates the cost of sales of developed lots in the Community Development Division based upon the expected cost to complete the development. These estimates are necessary to facilitate the reporting of earnings as the nature of the land development industry includes lengthy time frames to complete all municipal requirements.

When the Community Development division proceeds with development of a new phase of a subdivision, the estimated total cost to build the phase is determined and once a lot sale is recorded, the estimated unexpended portion of that cost is accrued as a liability. Recent market conditions have been somewhat volatile thus increasing the risk of estimation errors, however the division uses independent consultants to help in the preparation of construction budgets, which tend to be conservative in nature. When actual development costs related to the subdivision are incurred, they are applied against the accrued liability. At least once per year, actual costs are reviewed against the budget and revisions are made when the estimated unexpended portion of the provision is known to be materially different from the revised estimate to complete the project.

The most significant factors causing revisions to estimates are as follows:

- Increases or decreases to contract amounts from when they are estimated to when they are actually awarded;
- Changes in costs that are contracted by the unit and the number of units vary from the estimate (i.e. volume of earth required to be moved); and
- Other changes typical in a construction environment where future events and uncertainty cannot be reasonably predicted, such as contingencies and allowances for those items which can only be estimated within a range of values and are known only after project completion.

Purchase price allocation

The allocations of the purchase prices for entities acquired by the Company involved determining the fair values assigned to the tangible and intangible assets acquired. The Corporation used independent valuators to determine the fair value of certain tangible and intangible assets of the acquired companies and allocated the purchase prices based upon these valuations.

Goodwill

Goodwill is not amortized and is assessed for impairment at the reporting unit level. The impairment test is done annually unless circumstances arise that would potentially impair the carrying value of goodwill. Any potential goodwill impairment is identified by comparing the fair value of a reporting unit to its carrying value. If the fair value of the reporting unit exceeds its carrying value, goodwill is considered not to be impaired. If the carrying value of the reporting unit exceeds its fair value, potential goodwill impairment has been identified and must be quantified by comparing the estimate fair value of the reporting unit's goodwill to its carrying value. Any goodwill impairment will result in a reduction in the carrying value of goodwill on the consolidated balance sheet and in the recognition of a non-cash impairment charge in operating income.

The Company recorded goodwill on the acquisition of interests in subsidiary corporations. During the year ended October 31, 2007, the Company acquired Winalta Oilfield Rentals Inc. (formerly Jeffman Enterprises Ltd.) and the Winalta Construction Inc. group of companies including Xtreme Xcavation Ltd., Kos Trucking Ltd., Rifle Creek Enterprises Ltd. and Klein Enterprises Ltd. On the acquisition of Winalta Oilfield Rentals Inc., goodwill in the amount of $2,143,231 was recorded and on the acquisition of the Winalta Construction Inc. group of companies, goodwill in the amount of $210,279 was recorded.

In 2006, the Company acquired the interests of minority shareholders in Winalta Industrial Inc. (formerly Vanguard Inc.) and the excess of the purchase price over the value of identifiable net assets resulted in goodwill in the amount of $429,281. The Company has had continuing operating losses in this division in 2007, and although profits are anticipated in future periods goodwill has been deemed to be impaired. As such, this goodwill has been written off in 2007.

Amortization policies and useful lives

The Corporation amortizes property, plant and equipment and intangible assets over the estimated useful lives of the assets. In determining the estimated useful life of these assets, significant judgment by management is required. In determining these estimates, the corporation takes into account its expectation of the in-service period of these assets. The Corporation assesses the estimated useful life of these assets on an annual basis to ensure they match the anticipated life of an asset from a revenue producing perspective. If the Corporation determines that the useful life of an asset is different from the original assessment, changes to amortization will be applied prospectively.

During the year ended October 31, 2007, it was determined that the remaining useful life of certain deferred costs and equipment capitalized in the Industrial division was diminished and the remaining amounts were fully amortized.

Future income taxes

The Company follows the asset and liability method of accounting for income taxes, whereby future income taxes are recognized based on the differences between the carrying amounts of assets and liabilities reported in the financial statements and their respective tax bases. The determination of the income tax provision is an inherently complex process requiring management to interpret continually changing regulations and to make certain judgments. While income tax filings are subject to audits and reassessments, management believes adequate provision has been made for all income tax obligations. However, changes in the interpretations or judgments may result in an increase or decrease in the Company's income tax provision in the future.

DISCLOSURE CONTROLS AND PROCEDURES

Winalta's management, including the President and Chief Executive Officer and the Chief Financial Officer, has reviewed and evaluated the effectiveness of the Corporation's disclosure controls and procedures (as defined in Multilateral Instrument 52-109 of the Canadian Securities Administrators) as of October 31, 2007 and has concluded that, as of October 31, 2007, the disclosure controls and procedures were effective to provide reasonable assurance that material information relating to the Corporation and its consolidated subsidiaries and joint ventures would be made known to them by others within those entities, particularly during the period in which this report was being prepared. In conformance with the Multilateral Instrument 52-109 of the Canadian Securities Administrators, the Company has filed certificates signed by the Chief Executive Officer and the Chief Financial Officer that, among other things, deal with the matter of disclosure controls and procedures.

The Company maintains a corporate disclosure policy and has made its senior management and directors aware of this policy. Notwithstanding the foregoing, no assurance can be made that the Company's controls over disclosure and financial reporting and related procedures will detect or prevent all failures of individuals within the Company to disclose material information otherwise required to be set forth in the Company's reports.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Internal control over financial reporting is the process designed for the preparation of financial statements for external purposes to provide reasonable assurance regarding the reliability of financial reporting in accordance with generally accepted accounting principles. Management is responsible for establishing and maintaining adequate internal controls appropriate to the nature and size of the business to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting for the Company.

In prior reporting periods the Company had identified a number of material weaknesses in its systems of internal control over financial reporting. A number of initiatives have been completed or are in progress in various key areas, as follows:

- Overall management has been strengthened and staffing has been increased with qualified talent in the finance area and in other areas of control deficiency;
- An automated purchasing and inventory management system is in staged development to enhance control over production costing and inventory valuation. Initial stages included implementation of an automated purchase order system to provide improved control over procurement of raw materials and the payment process;
- Raw materials storage facilities and plant security has been improved to enable better control over inventory procurement, consumption, and storage;

- External consultants are being engaged to assist in the documentation and review of systems of internal control and financial reporting policies and procedures;
- Accounting processes are being consolidated in the finance area. Budgeting and enhanced review procedures are being implemented to improve financial reporting standards.

Over the course of the 2007 fiscal year, the Company acquired the construction and oilfield rental operations. These entities were previously owner-managed and although management has been retained for continuing operations financial control systems are not fully developed. These entities are currently being integrated into the Company's operations and systems of internal control in order to strengthen reporting standards and capabilities.

The Company continues to operate certain of its community development operations through joint ventures. As these operations include significant involvement by third parties and in certain cases are directly managed by its partners, the Company relies on disclosures provided by those parties. Although these disclosures are monitored, the Company's control over the timeliness and effectiveness of disclosures is somewhat limited.

The Company is continuing to address identified deficiencies in internal control over financial reporting and management believes that it has made substantial progress in the improvement of these controls. In the context of the reporting of results for the year ended October 31, 2007, management completed significant substantive review procedures to compensate for the lack of internal controls over disclosure and reporting. As a result of these procedures, management believes that the annual financial statements together with the other information included in the annual filings present fairly, in all material respects, the financial condition, results of operations and cash flows of the Company for the year ended October 31, 2007.

GOVERNANCE

The Board of Directors as of the date hereof is as follows:

- Mel E. Benson – President, Mel E. Benson Management Services Inc.
- Blair Goertzen – President & Chief Executive Officer, Enerflex Systems Ltd.
- Scott Haggins – President, Cedarglen Group Inc.
- Artie T. Kos – President & Chief Executive Officer, Winalta Inc. and President and Chief Executive Officer, Kos Corp. Investments Ltd.
- Paul H. Shelley – former Senior Vice President, Corporate Development, Kos Corp. Investments Ltd.

The Board of Directors has established three standing committees relative to the governance of Winalta Inc. They are as follows:

- Audit Committee – Scott Haggins (Chair), Paul Shelley and Blair Goertzen
- Governance Committee – Mel Benson (Chair), Artie T. Kos and Paul Shelley
- Compensation Committee – Blair Goertzen (Chair), Scott Haggins and Mel Benson

The Audit Committee's objective is to provide an effective overview of the financial reporting process and internal control functions, and to review and approve financial statements and proposals for issuances of securities. It does this by assisting the Board in fulfilling its functions relating to corporate accounting and reporting practice, as well as overseeing financial and accounting controls.

The Governance Committee is responsible for developing and monitoring the Company's approach to corporate governance in accordance with good corporate practice and applicable laws and policies. In particular, the Governance Committee is responsible for overseeing the role, composition, structure and effectiveness of the Board and its committees. In this regard, the Governance Committee is responsible for establishing and reviewing the mandates of the Board and its committees; identifying and evaluating candidates for nominations to the Board; overseeing the orientation and education programs for directors; assessing the effectiveness of the Board, its committees and individual directors; and establishing and reviewing general corporate policies and practices, such as related party transaction policies and securities trading guidelines.

The Compensation Committee is responsible for ensuring that appropriate and effective human resource recruitment, development, compensation, retention, succession planning (including appointing, training and monitoring senior management) and performance programs are developed and implemented in conformity with the Company's strategic objectives and with a view to attracting and retaining the best qualified management and employees.

OUTLOOK

2007 has been a year of change and forward momentum led by a new management team and Board of Directors. Winalta's sales and manufacturing capabilities have been restructured, the quality of its products has been improved and standardized, and complementary and profitable companies have been acquired to enhance its competitiveness.

These changes have dramatically strengthened the Company, and as a result the Company is now capable of generating substantial earnings through an integrated business model to develop affordable, attainable and desirable communities. The depth of management experience and improved financial and operational resources form a solid foundation upon which to build and grow.

The Company has a renewed vision and a solid foundation to become a fully integrated company capable of developing enduring, attractive manufactured housing neighbourhoods. Strategic partnerships, increasing internal capacity and efficient, industry-approved manufacturing processes allow Winalta to take advantage of many industrial, home manufacturing, and community development opportunities available in western and northern Canada.

The economy of western Canada is poised to continue growing, largely through the resource-based economy. Seven oilsands upgrading facilities are expected to be built between 2008 and 2012, drawing an estimated 16,000 construction workers to the area northeast of Edmonton. The spin-off from this activity is expected to attract in the order of 300,000 new residents to the Company's market areas by 2020 and provide continuing demand for affordable housing.

Winalta's industrial operations will benefit from activity in areas outside Alberta, and particularly in Saskatchewan where conventional oil and gas activity is increasing. The Company is well-positioned to provide its services to these growing markets.

The Winalta team is committed to continuous growth and operational improvements in all facets of its business, and continuing positive shareholder returns are expected.

"Artie T. Kos"	"Ray Hawrelak"
President and Chief Executive Officer	Chief Financial Officer

consolidated financial statements of **winalta inc.**

YEARS ENDED OCTOBER 31, 2007 AND 2006

winalta inc.

management's responsibility

Winalta Inc.'s management has prepared and is responsible for the annual consolidated financial statements, management's discussion and analysis and all other information in this annual report. The accompanying consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Management is responsible for ensuring that these financial statements, which include amounts based on estimates and judgments, are consistent with other information and operating data contained in the annual report and reflect the Company's true business transactions and financial position.

Management is also responsible for the information disclosed in the management's discussion and analysis section, including responsibility for the development of appropriate information systems, procedures and internal controls to ensure that the information used internally by management and disclosed externally is complete, relevant and reliable in all material respects.

The integrity and reliability of Winalta's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and the appropriate delegation of authority and division of responsibilities. The Company maintains a system of internal controls to provide management with a reasonable assurance that assets are safeguarded and that reliable financial records are maintained.

Winalta's business code of conduct, which is communicated to all levels in the organization, requires employees to maintain high standards in their conduct of the Company's affairs.

The independent auditors, PricewaterhouseCoopers LLP, whose report on their examination follows, have audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards. The auditors' report outlines the nature of their examination and their opinion on Winalta's consolidated financial statements.

The Board of Directors appoints an audit committee annually. The Audit Committee is comprised of independent, financially literate and unrelated directors. This committee meets regularly with management and the shareholders' auditors to review significant accounting, reporting and internal control matters. PricewaterhouseCoopers LLP have unrestricted access to the Audit Committee. The Audit Committee reviews the financial statements, the auditors' report, and management's discussion and analysis and submits its report to the board of directors for formal approval. The audit committee is responsible for recommending external auditors for appointment by the shareholders annually.

The board of directors is responsible for review and final approval of the consolidated financial statements and for ensuring that management fulfills its financial reporting responsibilities.

"Artie T. Kos"
President and Chief Executive Officer

"Ray Hawrelak"
Chief Financial Officer

auditors' report

January 24, 2008

To the Shareholders of Winalta Inc.

We have audited the consolidated balance sheet of **Winalta Inc.** as at October 31, 2007 and the consolidated statements of operations, comprehensive income and retained earnings 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 October 31, 2007 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 October 31, 2006 and for the year then ended were examined by other auditors who expressed an opinion without reservation on those financial statements in their report dated December 15, 2006.

"PricewaterhouseCoopers LLP"
Chartered Accountants
Edmonton, Alberta

Consolidated Statements of Operations, Comprehensive Income (Loss) and Retained Earnings (Deficit)

Years Ended October 31

	2007 $	2006 $ (restated Note 4)
REVENUE	**104,943,515**	77,483,101
COST OF GOODS SOLD	**78,025,035**	69,302,080
GROSS PROFIT	**26,918,480**	8,181,021
EXPENSES		
General and administrative	**11,062,530**	9,459,069
Depreciation and amortization	**4,563,392**	1,650,237
Interest	**2,779,609**	2,440,615
	18,405,531	13,549,921
OPERATING EARNINGS (LOSS)	**8,512,949**	(5,368,900)
OTHER		
Provision for goodwill impairment (Note 5)	**429,281**	-
Loss (gain) on disposal of assets	**86,541**	(910,467)
EARNINGS (LOSS) BEFORE INCOME TAXES	**7,997,127**	(4,458,433)
INCOME TAXES (Note 13)	**3,408,714**	345,074
NET EARNINGS (LOSS) AND COMPREHENSIVE INCOME (LOSS)	**4,588,413**	(4,803,507)
(DEFICIT) RETAINED EARNINGS, BEGINNING, AS PREVIOUSLY STATED	**(1,186,526)**	3,450,143
ADJUSTMENT DUE TO ACCOUNTING POLICY CHANGE (Note 4)	**(899,365)**	(732,527)
(DEFICIT) RETAINED EARNINGS, BEGINNING, AS RESTATED	**(2,085,891)**	2,717,616
RETAINED EARNINGS (DEFICIT), ENDING	**2,502,522**	(2,085,891)
EARNINGS (LOSS) PER SHARE (Note 14)		
Basic and Diluted	**0.16**	(0.36)

See accompanying notes to the consolidated financial statements

Consolidated Balance Sheets

As At October 31

	2007 $	2006 $ (restated Note 4)
ASSETS		
CURRENT		
Cash and equivalents	**6,696,967**	2,494,543
Accounts receivable	**13,379,228**	13,180,289
Inventory (Note 6)	**33,407,398**	22,709,645
Prepaid expenses and deposits	**3,758,997**	503,289
	57,242,590	38,887,766
PROPERTY, PLANT & EQUIPMENT (Note 7)	**49,346,199**	13,427,479
LAND HELD FOR AND UNDER DEVELOPMENT	**10,549,806**	8,555,981
GOODWILL (Note 8)	**2,353,510**	429,281
INTANGIBLE ASSETS (Note 8)	**669,729**	223,423
FUTURE INCOME TAXES (Note 13)	**-**	1,435,775
	120,161,834	62,959,705
LIABILITIES		
CURRENT		
Bank indebtedness (Note 9)	**16,641,006**	16,151,180
Accounts payable and accrued liabilities	**12,018,051**	10,919,357
Customer deposits	**3,085,018**	8,012,046
Income taxes payable	**1,182,943**	-
Current portion of long-term debt (Note 10)	**10,698,002**	9,216,042
	43,625,020	44,298,625
FUTURE INCOME TAXES (Note 13)	**4,543,912**	-
LONG-TERM DEBT (Note 10)	**20,980,755**	7,970,752
	69,149,687	52,269,377
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 12)	**48,091,322**	12,776,219
CONTRIBUTED SURPLUS (Note 12)	**418,303**	-
RETAINED EARNINGS (DEFICIT)	**2,502,522**	(2,085,891)
	51,012,147	10,690,328
	120,161,834	62,959,705

See accompanying notes to the consolidated financial statements

APPROVED BY THE BOARD

"Artie T. Kos"
Director

"Scott Haggins"
Director

Consolidated Statements of Cash Flows

Years Ended October 31

CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:	2007 $	2006 $ (restated Note 4)
OPERATING		
Earnings (loss) from operations	**4,588,413**	(4,803,507)
Items not affecting cash:		
Depreciation and amortization	**4,563,392**	1,650,237
Future income taxes	**2,235,539**	410,920
Stock based compensation	**419,478**	-
Write down of intangible assets	**429,281**	-
Loss (gain) on disposal of assets	**86,541**	(910,467)
	12,322,644	(3,652,817)
Net change in non-cash working capital items (Note 17)	**(15,898,427)**	6,817,232
	(3,575,783)	3,164,415
INVESTING		
Business acquisitions, net of cash acquired (Note 5)	**(10,193,522)**	-
Net investment in land held for and under development	**(1,993,825)**	(6,178,951)
Purchase of property, plant & equipment	**(15,580,518)**	(2,818,852)
Proceeds on sale of property, plant & equipment	**-**	1,882,500
	(27,767,865)	(7,115,303)
FINANCING		
Net increase (repayment) of bank indebtedness	**489,826**	(5,797,351)
Issuance of long-term debt	**26,670,588**	7,854,994
Repayment of long-term debt	**(12,178,625)**	(3,152,011)
Repayment of debt assumed on business acquisition	**(4,230,768)**	-
Issuance of share capital	**24,795,051**	7,144,259
	35,546,072	6,049,891
Increase in cash and equivalents	**4,202,424**	2,099,003
Cash and equivalents, beginning of year	**2,494,543**	395,540
Cash and equivalents, end of year	**6,696,967**	2,494,543

See accompanying notes to the consolidated financial statements

Notes to the Consolidated Financial Statements

Years Ended October 31, 2007 and 2006

1. NATURE OF OPERATIONS

The Company produces manufactured homes, modular homes, site-built homes and mobile industrial structures and trailers (previously recreational vehicles and trailers) from facilities in Acheson, Alberta and North Battleford, Saskatchewan for sales and leasing in western Canada. The Company is also a residential land developer directly and through various joint ventures to which it supplies its manufactured and modular home products. The Company operates a construction services division which provides earth moving and excavation related services, gravel and crushed aggregate sales and delivery, asphalt paving and concrete finishing.

In addition to market influences on sales, the seasonality of weather conditions can affect the delivery and therefore sales of the Company's products and services. Oilfield rental operations are also seasonal as road bans and wet weather conditions make it difficult for oil and gas operations and to access service sites during certain times of the year.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include Winalta Inc. and its wholly-owned subsidiaries and its jointly controlled operations.

The preparation of financial statements in conformity with 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 revenues and expenses during the reporting period. Inventory, land held for and under development, the recoverable value of goodwill, future income taxes, cost of land and lot sales and estimates of costs to complete, and the amortization of intangibles and property, plant and equipment are the more significant items subject to estimates in these financial statements. Actual results could differ from those estimates. These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

(a) Basis of consolidation

These consolidated financial statements include the accounts of Winalta Inc. and its wholly-owned subsidiaries:

- Winalta Homes Inc. (formerly Ridgewood Homes Inc.)
- Westalta Modular Homes Inc. (operating as Carlton Homes)
- Baywood Property Management Inc.
- Home Protection Warranty Corp. of Canada Inc.
- Winalta Industrial Inc. (formerly Vanguard Inc.)
- Winalta Oilfield Rentals Inc. (as of December 15, 2006, formerly Jeffman Enterprises Ltd.)
- Winalta Carriers Inc. (as of May 31, 2007)
- Xtreme Xcavation Ltd. (as of June 1, 2007)
- Kos Trucking Ltd. (as of June 1, 2007)
- Rifle Creek Enterprises Ltd. (as of June 1, 2007)
- Klein Enterprises Ltd. (as of June 1, 2007)

2. SIGNIFICANT ACCOUNTING POLICIES, continued

The Company uses the proportionate consolidation method of accounting for jointly controlled operations. These consolidated financial statements reflect the pro rata share of assets, liabilities, revenues and expenses of the following joint ventures:

- Pine Place Developments, 50%
- Sylvan Meadows Developments, 50%
- Sanford Meadow Brook Villas, 33%
- Jutland Ridge Developments, 45 - 100%
- Kalwin Properties, 50%

Effective October 31, 2007, the Company acquired the interests of its partners in the Jutland Ridge Developments joint venture and increased its ownership to 100%. As such, the consolidated financial statements reflect 45% of the revenues and expenses for the year ended October 31, 2007 and 100% of the assets and liabilities as at October 31, 2007.

(b) Revenue recognition

For manufactured home shipments to independent retailers, sales revenue is generally recognized when wholesale floor plan financing or retailer credit approval has been received, the home is shipped and invoiced and title is transferred. As is customary in the factory-built housing industry, the majority of the Company's manufacturing sales to independent retailers are financed by the retailers under floor plan agreements with financing companies (lenders). Manufacturing sales to independent retailers are not made on a consignment basis; the Company does not provide financing for sales to independent retailers; retailers do not have the right to return homes purchased from the Company; and retailers are responsible to the floor plan lenders for interest costs. Payment for floor-planned sales is generally received five to fifteen business days from the date of invoice.

For retail sales to consumers from Company-owned retail sales centers, sales revenue is recognized when the home has been delivered, set-up and accepted by the consumer, title has been transferred and either funds have been released by the finance company (financed sales transactions) or cash has been received from the homebuyer (cash sales transactions). In certain circumstances, the consumer may purchase and pay for the home and may request the Company to hold their home until such a time as shipping arrangements can be made.

Revenues on the sale of site-built homes are recognized on the completed contract method when ownership of the home is transferred to the purchaser. (Note 4)

Oilfield rental operations revenues are recognized as services are provided.

Construction division revenues are recognized under the completed contract method where services have been provided to the customer and obligations under the construction contract are complete.

(c) Capitalization of costs

The Company capitalizes all costs directly relating to land inventory held for development during the development phase including carrying costs such as property taxes and interest on debt specifically related to the project, and other direct costs. Where the net realizable value of any property in land inventory does not exceed its capitalized carrying value, all additional carrying costs relating to the property are charged to current operations and are not capitalized.

(d) Cash and equivalents

Cash and cash equivalents are comprised of cash and short-term deposits with maturity dates of less than three months from the date they were acquired.

(e) Inventory

Raw materials, work in progress and other inventory is valued at the lower of cost, as determined on a first in, first out basis, and net realizable value. Finished goods inventory is valued at the lower of cost, which includes material usage, labour, and overheads and net realizable value. Developed lot inventory is valued at the lower of cost and net realizable value.

(f) Land held for and under development

Land held for and under development is recorded at the lower of cost and net realizable value and includes undeveloped land costs, capitalized carrying costs related to holding the land and development costs to build infrastructure. The estimated unexpended portion of costs to complete building the infrastructure is recorded as a liability at the time that a lot sale is recorded and is included in accounts payable and accrued liabilities. Whenever this liability is known to be materially different from the actual costs expected to be incurred, an adjustment is made to the liability with a corresponding adjustment to cost of sales.

The cost of land and carrying costs are allocated to each phase of development on a prorated acreage basis at the time a plan is registered with a municipality. The cost of sale of a lot is allocated on the basis of the estimated total cost of the project prorated by anticipated selling price of the lot over the anticipated selling price of the entire project at the date of plan registration.

(g) Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated amortization. Amortization commences once the assets are placed into service. Repair and maintenance costs are expensed as they are incurred. Assets are depreciated over their estimated useful life using the following methods and annual rates:

	Method	Rate
Oilfield rental equipment	Straight line	10 years
Buildings and improvements	Straight line	10 - 25 years
Construction equipment	Declining balance	20%
Machinery and equipment	Declining balance	20%
Automotive	Declining balance	30%
Computer equipment	Declining balance	30%
Furniture and fixtures	Declining balance	20%
Computer software	Straight line	3 years

Gravel reserves are subject to renewable lease agreements with the Province of Alberta and are depleted based on the amounts processed and crushed gravel produced during the period. Consumption expense of $157,833 was recorded during the five month period (from the date of acquisition) ended October 31, 2007.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(h) Goodwill and intangible assets

Goodwill represents the difference between the purchase price, including acquisition costs of businesses acquired and the fair value of the identifiable net assets acquired. Goodwill is tested for impairment annually, or more frequently if events or circumstances indicate that the asset might be impaired. If the carrying value of a reporting unit, including the allocated goodwill, exceeds its fair value, goodwill impairment is measured as the excess of the carrying amount of the reporting unit's allocated goodwill over the implied fair value of the goodwill, based on the fair value of the assets and liabilities of the reporting unit.

Intangible assets represent the identifiable value of customer relationships and deferred charges which are recorded at cost less accumulated amortization. These assets have a definite life and are amortized using the straight-line method over the estimated useful life of the asset.

(i) Asset impairment

Impairment of long-lived assets is tested when there is an indication of impairment. The impairment of long-lived assets held for use is established through a two-step process, with the first step determining when impairment is recognized, and the second step measuring the amount of the impairment. An impairment loss is recognized when the carrying amount of a long-lived asset exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition, and is measured as the amount by which the long-lived asset's carrying amount exceeds its fair value.

(j) Warranty provision

The Company provides an accrual of estimated warranty expense based on information available with respect to historic results and new product offerings.

(k) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial reporting and the tax basis of assets and liabilities using the substantively enacted tax rates and laws that will be in effect when these differences are expected to reverse. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment.

Future tax assets, if any, are recognized only to the extent that, in the opinion of management, it is more likely than not that the future income tax assets will be realized.

(l) Foreign currency translation

Transactions denominated in foreign currencies are translated at the rate in effect at the transaction date. Foreign currency denominated monetary assets and liabilities are translated at the rate in effect at the balance sheet date. Resulting foreign exchange gains or losses are included in income.

(m) Stock based compensation

Awards of stock options to employees are accounted for in accordance with the fair value method of accounting for stock-based compensation and result in compensation expense and contributed surplus. The fair value is measured at the date the options are granted using the Black Scholes method. Any consideration paid on the exercise of stock options is credited to share capital.

Notes to the Consolidated Financial Statements

(n) Earnings (loss) per share

Earnings per share is based on the weighted average number of common shares outstanding during the year. Diluted earnings per share is calculated using the treasury stock method. Under the treasury stock method, the deemed proceeds from the exercise of dilutive securities are considered to be used to acquire common shares at the average market price during the year.

(o) Capital leases

Assets leased under capital lease are recorded at cost, included as property, plant and equipment, and depreciated using the straight-line method over their estimated useful lives. The aggregate lease payments are recorded as a capital lease obligation, net of accrued interest as determined by the excess of lease payments over the cost of the leased asset. Accrued interest is charged to expense over the lease terms using the effective interest rate method.

(p) Comparative figures

Certain comparative figures for the year ended October 31, 2006 have been reclassified to conform with the presentation adopted for the year ended October 31, 2007.

3. RECENT ACCOUNTING PRONOUNCEMENTS

In January 2005, the Accounting Standards Board ("AcSB") of the Canadian Institute of Chartered Accountants "CICA") issued CICA Handbook Section 3855 "Financial Instruments – Recognition and Measurement", Handbook Section 1530, "Comprehensive Income", and Handbook Section 3865 "Hedges", all of which became effective for fiscal years beginning on or after October 1, 2006. The new standards require presentation of a separate statement of comprehensive income under specific circumstances. Under the new standards, unrealized gains and losses on financial assets that are held as available for sale, unrealized foreign currency translation amounts arising from self-sustaining foreign operations, and changes in the fair value of cash flow hedging instruments, are recorded in a Consolidated Statement of Other Comprehensive Income until recognized in the Consolidated Statement of Income. Other Comprehensive Income will form part of shareholders' equity. Also under the new standards, derivative financial instruments are recorded in the balance sheet at fair value and the changes in fair value of derivatives designated as cash flow hedges will be reported in comprehensive income.

(a) Financial instruments – recognition and measurement

On November 1, 2006, the Company adopted Section 3855 of the Canadian Institute of Chartered Accountants' ("CICA") Handbook, "Financial Instruments – Recognition and Measurement". It contains the standards for recognizing and measuring financial instruments in the balance sheet and the standards for reporting gains and losses in the financial statements. Financial assets available for sale, assets and liabilities held for trading and derivative financial instruments, part of a hedging relationship or not, have to be measured at fair value. The Company has made the following classifications:

3. RECENT ACCOUNTING PRONOUNCEMENTS, continued

- Cash and temporary investments are classified as financial assets held for trading and measured at fair value. Gains and losses related to periodical evaluations are recorded in net income.
- Accounts receivable are classified as loans and receivables and are initially measured at fair value and subsequent periodical revaluations are recorded at amortized cost using the effective interest rate method.
- Accounts payable and accrued liabilities and long-term debt are classified as other liabilities and are initially measured at fair value and subsequent periodical revaluations are recorded at amortized cost using the effective interest rate method.

The adoption of this Section is done retroactively without restatement of the consolidated financial statements of prior periods. The Company has assessed that there is currently no impact on the consolidated balance sheet from these classifications. The Company does not have any significant embedded derivatives.

(b) Equity and comprehensive income

On November 1, 2006, the Company adopted Section 3251 of the CICA Handbook, “Equity”, replacing Section 3250 “Surplus”. It describes standards for the presentation of equity and changes in equity for a reporting period as a result of the application of Section 1530, “Comprehensive Income”. The adoption of this Section had no impact on the Company as there have been no transactions resulting in comprehensive income.

On November 1, 2006, the Company adopted Section 1530 of the CICA Handbook, “Comprehensive Income”. It describes reporting and disclosure recommendations with respect to comprehensive income and its components. Comprehensive income is the change in shareholders’ equity, which results from transactions and events from sources other than the Company’s shareholders. These transactions and events include unrealized gains and losses resulting from changes in fair value of certain financial instruments. The adoption of this Section had no impact on the Company as there have been no transactions resulting in comprehensive income.

(c) Hedges

On November 1, 2006, the Company adopted Section 3865 of the CICA Handbook, “Hedges”. The recommendations of this Section expand the guidelines required by Accounting Guideline 13 (AcG-13), Hedging Relationships. This Section describes when and how hedge accounting can be applied as well as the disclosure requirements. Hedge accounting enables the recording of gains, losses, revenue and expenses from the derivative financial instruments in the same period as for those related to the hedged item. The adoption of this Section had no impact on the Company.

(d) Financial instruments – disclosure and presentation

Effective November 1, 2006, the Company was required to adopt CICA Handbook Section 3861, “Financial Instruments—Disclosure and Presentation”, which requires entities to provide disclosures in their financial statements that enable users to evaluate the significance of financial instruments on the entity’s financial position, performance and cash flows. Also this section enables users through disclosure to evaluate the nature and extent of our use of financial instruments, the business purposes they serve and the risks associated with the instruments and management policies for mitigating and managing those risks. These additional disclosures have been added to Note 16.

In March 2007, the CICA issued Handbook Section 3862, “Financial Instruments—Disclosures”, which complements CICA 3861 and provides expanded disclosure requirements that provide additional detail by financial assets and liability categories. This standard harmonizes disclosures with International Financial Reporting Standards. The Company is in the process of assessing the impact of adopting these new standards. This standard applies to the Company’s interim and annual financial statements beginning November 1, 2007.

In March 2007, the CICA also issued Handbook Section 3863, “Financial Instruments—Presentation” to enhance financial statement users’ understanding of the significance of financial instruments to an entity’s financial position, performance and cash flows. This Section establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, gains and losses, and the circumstances in which financial assets and financial liabilities are offset. This standard harmonizes disclosures with International Financial Reporting Standards. The Company is in the process of assessing the impact of adopting this new standard. This standard applies to the Company’s interim and annual financial statements beginning November 1, 2007.

(e) Accounting changes

In July 2006, the CICA issued the new handbook Section 1506, “Accounting Changes,” effective for annual and interim periods beginning on or after January 1, 2007. This section establishes criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates, and the correction of errors. The disclosure is to include, on an interim and annual basis, a description and the impact on the Company of any new primary source of GAAP that has been issued but is not yet effective. This new standard is not expected to have a material effect on our financial position or results of operations. This standard applies to the Company’s interim and annual financial statements beginning November 1, 2007.

(f) Capital disclosures

In November 2006, the CICA issued the new handbook Section 1535, “Capital Disclosures,” effective for annual and interim periods beginning on or after October 1, 2007. This section establishes standards for disclosing information about a company’s capital and how it is managed in order that a user of the financial statements may evaluate the company’s objectives, policies, and processes for managing capital. This new standard is not expected to have a material effect on our financial position or results of operations. This standard applies to the Company’s interim and annual financial statements beginning November 1, 2007.

(g) International financial reporting standards

The CICA plans to converge Canadian GAAP for public companies with International Financial Reporting Standards (IFRS) over a transition period that is expected to end in 2011. The impact of the transition to IFRS on the Company’s consolidated financial statements has not yet been determined.

4. CHANGE IN ACCOUNTING POLICY

Revenue recognition

Effective October 31, 2007, the Company changed its method of accounting for sales of site-built homes for Westalta Modular Homes Inc. (operating as Carlton Homes) from the percentage of completion method to the completed contract method. This change was made to increase consistency in accounting policies among the operating segments of the Company and to reflect the relatively short term nature of the construction period.

The accounting change was adopted on a retroactive basis, and accordingly the consolidated financial statements of prior periods have been restated to reflect the change.

The change in the accounting policy has the following increase (decrease) impact on the financial statements:

	2007	2006
	$	$
Assets	**396,647**	(899,365)
Equity	**-**	(732,527)
Earnings	**396,647**	(166,838)

5. BUSINESS ACQUISITIONS

Effective December 15, 2006, the Company acquired all of the outstanding shares of Jeffman Enterprises Ltd., a private company involved in the oilfield trailer rental business. The Company paid consideration, including expenses incurred in conjunction with the acquisition, in the amount of $5,456,831, consisting of $4,756,830 in cash and the issuance of 325,582 common shares of the Company valued at $2.15 per share which was the fair market value of shares at the acquisition date. The results of operations have been included in the financial statements from the date of acquisition. The acquisition has been accounted for using the purchase method whereby the purchase price is allocated to the net assets acquired based on their estimated fair values.

The purchase price has been allocated as follows:

	Fair Value
Net assets acquired	$
Non-cash working capital	215,233
Property, plant and equipment	5,911,240
Goodwill	2,143,231
Intangible – customer relationships	946,262
Debt assumed	(2,743,259)
Future income tax	(1,100,970)
	5,371,737
Cash	85,094
	5,456,831

Consideration	**Shares**	**Value**
	#	**$**
Cash		4,756,830
Common shares issued	325,582	700,001
	325,582	5,456,831

Effective May 31, 2007, the Company acquired all of the outstanding shares of Xtreme Xcavation Ltd., Kos Trucking Ltd., Klein Enterprises Ltd., and Rifle Creek Enterprises Ltd., private companies involved in land excavation and aggregate supply. The Company paid consideration, including expenses incurred in conjunction with the acquisition, in the amount of $10,700,002 consisting of $5,738,626 in cash and the issuance of 2,111,224 common shares of the Company valued at $2.35 per share which was the fair market value of shares at the acquisition date. The results of operations have been included in the financial statements from the date of acquisition. The acquisition has been accounted for using the purchase method whereby the purchase price is allocated to the net assets acquired based on their estimated fair values.

The purchase price has been allocated as follows:

	Fair Value
Net assets acquired	**$**
Non-cash working capital	885,205
Property, plant and equipment	12,711,000
Inventory reserves	5,700,000
Goodwill	210,279
Debt assumed	(5,980,144)
Future income tax	(3,043,178)
	10,483,162
Cash	216,840
	10,700,002

Consideration	**Shares**	**Value**
	#	**$**
Cash		5,738,626
Common shares issued	2,111,224	4,961,376
	2,111,224	10,700,002

Effective June 12, 2006, the Company acquired 30% of the common shares of Vanguard Inc. for $420,000 from two unrelated former shareholders. The consideration consisted of $120,000 in cash and a promissory note in the amount of $300,000. Goodwill of $429,281 resulted from consideration paid in excess of the fair market value of the identifiable assets at the time of acquisition. Vanguard Inc. (now Winalta Industrial Inc.) is a wholly owned subsidiary of Winalta Inc. A review of goodwill valuation as of October 31, 2007 resulted in a provision for goodwill impairment of $429,281.

6. INVENTORY

	2007	2006
	$	$
Finished goods	**12,914,109**	7,228,770
Work in progress	**4,253,207**	6,009,280
Raw materials	**4,586,680**	4,505,728
	21,753,996	17,743,778
Lot inventory	**11,648,667**	4,780,143
Other inventory	**4,735**	185,724
	33,407,398	22,709,645

7. PROPERTY, PLANT AND EQUIPMENT

			2007
	Cost	Accumulated Depreciation	**Net Book Value**
	$	$	**$**
Oilfield rental equipment	17,053,820	1,141,658	**15,912,162**
Construction equipment	11,204,200	801,220	**10,402,980**
Buildings and improvements	10,102,414	2,152,038	**7,950,376**
Machinery and equipment	5,895,793	2,731,939	**3,163,854**
Automotive	2,669,726	460,518	**2,209,208**
Computer software	629,538	362,231	**267,307**
Furniture and fixtures	519,035	280,448	**238,587**
Computer equipment	467,416	272,588	**194,828**
	48,541,942	8,202,640	**40,339,302**
Gravel reserves	5,700,000	157,833	**5,542,167**
Land	3,464,730	-	**3,464,730**
	57,706,672	8,360,473	**49,346,199**

			2006
	Cost	Accumulated Depreciation	Net Book Value
	$	$	$
Buildings and improvements	9,139,006	1,676,166	7,462,840
Machinery and equipment	4,408,408	1,512,459	2,895,949
Automotive	347,893	205,262	142,631
Computer software	390,516	295,631	94,885
Furniture and fixtures	401,781	237,445	164,336
Computer equipment	367,359	211,253	156,106
	15,054,963	4,138,216	10,916,747
Land	2,510,732	-	2,510,732
	17,565,695	4,138,216	13,427,479

Depreciation for the year ended October 31, 2007 totaled $4,063,436 (2006 - $976,172).

Included in oilfield rental equipment are assets under capital lease agreements with a net book value of $11,705,000 (2006 – $nil). Included in machinery and equipment are assets under capital lease with a net book value of $269,050 (2006 - $61,800). Included in automotive equipment are assets under capital lease a net book value of $780,305 (2006 - $nil).

8. GOODWILL AND INTANGIBLE ASSETS

Goodwill relates to the acquisitions of the remaining interests in Winalta Industrial Inc. (formerly Vanguard Inc.) and the acquisitions of oilfield rental and construction businesses as detailed in Note 5.

	2007	2006
	$	$
Goodwill on acquisition of Winalta Oilfield Rentals Inc. (formerly Jeffman Enterprises Ltd.)	**2,143,231**	-
Goodwill on acquisition of Winalta Construction Inc. (formerly Xtreme Xcavation Ltd.)	**210,279**	-
Goodwill on acquisition of Winalta Industrial Inc. (formerly Vanguard Inc.)	**-**	429,281
	2,353,510	429,281

Intangible assets relate to expenditures with benefits extending beyond the current year. The deferred startup and design costs have been fully amortized to October 31, 2007.

	2007	2006
	$	$
Customer relationships – 3 years	**669,729**	-
Deferred startup costs – 5 years	**-**	157,173
Deferred design costs – 3 years	**-**	66,250
	669,729	223,423

Amortization for the year ended October 31, 2007 totaled $499,956 (2006 – $674,065).

9. BANK INDEBTEDNESS

The Company has operating line of credit facilities subject to accounts receivable, and inventory margining requirements with a limit of $20,850,000 (2006 - $18,500,000), repayable on demand, with interest payable monthly at prime (6.0% to 6.25%) plus 1.0% (2006 - prime plus 0.5% to 1.25%). The prime rate at October 31, 2007 was 6.25%. A general security agreement over all past and future property is pledged as collateral on these facilities.

10. LONG-TERM DEBT

	2007 $	2006 $
Equipment lease with monthly interest and principal payments of $212,921, bearing interest at 6.5% per annum, maturing on March 13, 2012, collateralized by specific rental equipment.	**10,560,505**	-
Various equipment and vehicle loan obligations, with remaining terms to maturity of up to 5 years, interest rates of 6.0% to 8.0% and blended interest and principal repayments of approximately $262,500 (2006 - $7,603) per month, collateralized by specific equipment and vehicles.	**7,374,630**	82,585
Revolving operating loan payable in monthly installments of $50,934 including interest at prime plus 1.0%, payable on demand, amortized over a period of 20 years, maturing on October 31, 2008. The mortgage is collateralized by the home manufacturing facilities in Acheson, Alberta	**5,552,288**	5,748,870
Mortgage payable with monthly installments of $23,100 including interest at 7.125%, amortized over a period of 15 years, maturing on August 1, 2010. The mortgage is collateralized by the Government of Saskatchewan.	**2,338,706**	2,431,173
Demand non-revolving loan, payable with monthly interest only payments at prime plus 1.5% and collateralized by specific land inventory, repayable in $75,000 installments per lot sold, maturing December 31, 2008.	**2,250,000**	-
Dealer financing plan loan collateralized by show homes, interest only payable at 8.0% per annum.	**1,397,020**	237,055
Mortgage loans with interest only payable at prime plus 1.5%, repayable with proceeds from sale of show homes. Maturing at various dates from March 2007 to June 2011, collateralized by specific site built showhomes.	**892,475**	465,013
Mortgage loan, non-interest bearing, repayable from lot proceeds of $5,000 per lot with no fixed maturity, collateralized by land.	**484,000**	484,000
Demand loan payable with interest only payments at prime plus 1.5% and collateralized by specific land inventory, repayable in $20,000 installments per lot sold, renewing annually.	**304,665**	425,029
Demand loan, interest only payable at prime plus 1.25% repayable from proceeds of lot sales with full payment due by November 31, 2008, collateralized by land.	**296,526**	-
Non-interest bearing promissory note repayable starting January 1, 2007 in monthly payments of $16,667 due June 1, 2008.	**115,442**	300,001
Demand loan with interest only payable at prime plus 1.25%, collateralized by a show home and land in Ft. McMurray, Alberta.	**112,500**	112,500
Page subtotal	**31,678,757**	10,286,226

Notes to the Consolidated Financial Statements

	2007 $	2006 $
Total carried forward from previous page	**31,678,757**	10,286,226
Development loan payable on demand, interest only payable at prime plus 1.25%, repayable from proceeds of lot sales at $133,000 per lot.	**-**	2,396,134
Enhanced loan payable bearing interest at prime rate and repayable on demand, maturing October 31, 2007, guaranteed by HSBC Capital Ltd. until August 31, 2007, with guarantee fees of 1.00% per month also applied to the loan.	**-**	1,700,000
Development loan, interest only payable at 11.75%, repayable from proceeds of lot sales at $75,000 per lot maturing on August 1, 2007.	**-**	1,505,865
Development loan, interest only payable at prime plus 3.0%, repayable from proceeds of lot sales with full payment due on June 30, 2007.	**-**	438,515
Demand loan with interest only payments at prime plus 1.25% secured by specific lands and repayable from proceeds of lot sales.	**-**	326,000
Demand loan with interest only payable at prime plus 1.25%, secured by specific land in Stony Plain, Alberta.	**-**	277,243
Promissory note with interest only payable at 12% per annum with no fixed terms of repayment.	**-**	256,811
	31,678,757	17,186,794
Current portion of long-term debt	**10,698,002**	9,216,042
Portion of long-term debt due after one year	**20,980,755**	7,970,752

The principal payments required in each of the next five years and in total are as follows:

	$
2008	**10,698,002**
2009	**4,421,954**
2010	**4,372,883**
2011	**3,381,627**
2012 and beyond	**8,804,291**
	31,678,757

11. CONTINGENCIES AND COMMITMENTS

The Company is jointly and severally liable with its joint venture partners for a bank loan arranged for the development of lands held under Sanford Meadow Brook Villas Inc. near Winnipeg, Manitoba. The authorized amount of the bank loan is $1,500,000, of which $953,905 is drawn as at October 31, 2007. The terms of this loan have been disclosed as part of Note 10 - Long-term Debt and the Company has recognized its proportionate share of this debt.

The Company is jointly and severally liable with its joint venture partners for financing arranged for the development of lands and supply of homes held in Pine Place Developments Inc. in Fort McMurray, Alberta. As at October 31, 2007, the authorized amount of the financing to the joint venture is $16,049,000 of which the Company's outstanding 50% interest is $1,824,811. The terms of this loan have been disclosed as part of Note 10 - Long-term Debt and the Company has recognized its 50% proportionate interest in this debt. In addition, the facility provides for letters of credit to municipalities in the amount of $3,490,390 of which the Company's 50% interest is $1,745,195.

The Company has operating lease payments of approximately $14,500 per month for each of the next 3 years. Under these operating lease agreements, the payments are recognized as current expenses on an accrual basis over the term of the lease agreement.

12. SHARE CAPITAL

Authorized:

Unlimited number of Class A voting, no par value shares

Issued:

	2007		2006	
Class A voting shares	Shares #	Amount $	Shares #	Amount $
Issued and outstanding, beginning of year	18,165,111	12,776,219	12,865,111	5,631,960
Shares issued pursuant to private placement (net of issue costs of $341,887 (2006 - $643,741)	12,750,000	25,158,113	5,000,000	6,856,259
Shares issued pursuant to business acquisition May 31, 2007 (Note 5)	2,111,224	4,961,376	-	-
Shares issued pursuant to land acquisition September 14, 2007	2,217,662	4,457,500	-	-
Shares issued pursuant to business acquisition December 15, 2007 (Note 5)	325,582	700,001	-	-
Shares issued pursuant to exercise of compensation options	20,000	35,000	-	-
Shares issued pursuant to exercise of stock options	1,250	3,113	300,000	288,000
	35,590,829	48,091,322	18,165,111	12,776,219

Notes to the Consolidated Financial Statements

On February 15, 2007, the Company issued 12,750,000 common shares for $2.00 per share under a private placement with Acumen Capital for proceeds of $25,500,000. The pricing for the placement was determined at the market close and was approved by the independent members of the Board of Directors.

On September 14, 2007, the Company acquired lands valued at $4,457,500 from a subsidiary of Kos Corp. Investments Ltd. The pricing for the acquisition was determined at the average of two independent appraisals of the subject properties and was approved by the independent members of the Board of Directors. The acquisition was funded by the issuance of 2,217,662 common shares valued at $2.01 per share.

Stock options outstanding and stock-based compensation:

The Company stock option plan for directors, officers and employees is administered by the Compensation Committee, which is a subcommittee of the Board of Directors. The Compensation Committee designates eligible participants to be included under the plan and designates the number of options and share price of the options, subject to applicable securities laws and stock exchange regulations.

Significant terms of the stock option plan include: the aggregate number of common shares issuable under the plan is no greater than 10% of the common shares issued and outstanding from time to time on a non-diluted basis; no more than 5% of outstanding shares may be reserved for options granted to any one person; no more than 10% of outstanding shares may be reserved for options granted to insiders; the options vest over a period specified by the plan administrator and the maximum term of options issued under the plan cannot exceed five years. The exercise price of options is determined by the Board of Directors, but cannot be lower than the market price of shares on the last trading day preceding the grant date.

As of October 31, 2007, the Company had granted 1,985,000 (October 31, 2006 – 1,360,000) stock options under the terms of its stock option plan. Of these options, 1,710,000 (October 31, 2006 – 1,100,000) were granted to directors, officers and employees and 275,000 (October 31, 2006 – 260,000) were granted to employees of a major shareholder of the Company for services provided to the Company. Options vest over four years at 25% per year and expire from September 27, 2011 to September 24, 2012. 153,750 of these stock options had vested as at October 31, 2007. Of these options, 1,250 have been exercised to October 31, 2007.

In addition, compensation options for 300,000 shares exercisable at $1.75 per share were granted to an investment dealer as partial compensation for certain financing arrangements completed in 2006. These options vested immediately upon issuance and expire on February 27, 2008. Of these options, 20,000 have been exercised to October 31, 2007.

The Company has adopted the fair value method of accounting for all stock-based compensation. Stock based compensation expense of $419,478 was recorded for the year ended October 31, 2007 (2006 – nil). Those options held by an investment dealer had nominal fair value at the time of issuance.

The Black Scholes calculation of the benefit of options granted during the period ended October 31, 2007 assumed a 5 year term; $nil expected dividends; a 70% volatility; and, a risk free interest rate ranging from 3.93% to 4.36%. The weighted average exercise price of options granted during the year ended October 31, 2007 was $2.30 per share.

The Company has 3,559,082 common shares reserved for issuance as options, of which 2,265,000 options were granted.

12. SHARE CAPITAL, continued

A summary of the stock options and changes during the years then ended is presented below:

	2007 Options #	2007 Weighted Average Exercise Price $	2006 Options #	2006 Weighted Average Exercise Price $
Options outstanding, beginning of year	**1,660,000**	**1.59**	350,000	0.95
Granted	**1,555,000**	**2.30**	1,660,000	1.59
Exercised	**(21,250)**	**1.74**	(300,000)	0.96
Expired and cancelled	**(928,750)**	**1.69**	(50,000)	0.92
Total options outstanding, end of year	**2,265,000**	**2.08**	1,660,000	1.59
Vested options exercisable, end of year	**433,750**	**1.68**	300,000	1.75

The following options are outstanding as at October 31, 2007

Options Outstanding #	Weighted Average Remaining contractual life (years)	Weighted Average Exercise Price $	Options Exercisable #
280,000	0.41	1.75	280,000
615,000	3.91	1.55	153,750
370,000	4.30	2.69	-
865,000	4.50	2.14	-
135,000	4.77	2.42	-
2,265,000	**3.81**	**2.04**	**433,750**

Contributed surplus:

The following is a summary of activity during the year:

	2007 $	2006 $
Contributed surplus – beginning of year	**-**	-
Stock based compensation expense	**419,478**	-
Exercise of stock options	**(1,175)**	-
Contributed surplus – end of year	**418,303**	-

Notes to the Consolidated Financial Statements

13. INCOME TAXES

Income taxes reported in the Consolidated Statement of Operations and Comprehensive Income vary from the amounts that would be computed by applying the composite federal and provincial income tax rate of approximately 32.12% (2006 – 32.12%) as a result of the following:

	2007 $	2006 $
Earnings before income taxes	**7,997,127**	(4,458,433)
Provision for income taxes based on statutory rates	**2,568,677**	(1,383,591)
Differences resulting from:		
Valuation allowance	**294,000**	1,950,000
Non-deductible items and other items	**178,065**	(17,582)
Non-taxable dividends	**(1,927)**	(58,078)
Write off of goodwill	**137,885**	-
Taxable capital gains	**-**	(145,675)
Revaluation of future income tax for change in statutory income tax rates	**232,014**	-
	3,408,714	345,074
Comprised of:		
Current income taxes (recovered)	**1,173,175**	(65,846)
Future income taxes (recovered)	**2,235,539**	410,920
	3,408,714	345,074

At October 31, 2007 the Company has non-capital losses available in certain subsidiaries to be carried forward of approximately $9,000,000 for income tax purposes that begin to expire in 2014.

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's future tax assets and liabilities at October 31, 2007 are summarized as follows:

	2007 $	2006 $
Future tax assets (liabilities) resulting from:		
Non-capital losses carried forward	**4,106,180**	3,716,939
Capital losses carried forward	**10,115**	-
Cumulative eligible capital in excess of asset carrying value	**(150,974)**	(29,528)
Net book value of capital assets in excess of tax values	**(4,480,756)**	(379,178)
Warranty accrual expensed for accounting purposes	**130,875**	261,887
Temporary differences in recognition of other expenses	**483,350**	-
Joint venture income deferred for income tax	**(2,311,002)**	-
Income realized for accounting before recognition for income tax purposes	**-**	(98,326)
Construction holdbacks recognized as accounting income	**(87,700)**	(86,019)
	(2,299,912)	3,385,775
Valuation allowance	**(2,244,000)**	(1,950,000)
	(4,543,912)	1,435,775

14. EARNINGS (LOSS) PER SHARE

The following tables set forth the details of the denominator used for the computation of basic and diluted earnings per share. The computation is based on the weighted average number of shares outstanding during the period.

	2007			2006		
	Earnings Numerator $	Shares Denominator # Shares	Per share amount $	Earnings Numerator $	Shares Denominator # Shares	Per share amount $
Basic earnings per share						
Earnings (loss) available to common shareholders	4,588,418	28,570,440	0.16	(4,803,507)	13,410,316	(0.36)
Diluted earnings per share						
Dilutive effect of options	-	314,075		-	-	
Earnings (loss) available to common shareholders	4,588,413	28,884,515	0.16	(4,803,507)	13,410,316	(0.36)

15. RELATED PARTY TRANSACTIONS

During the period ended January 31, 2007 Kos Corp Investments Ltd. ("Kos Corp"), a company controlled by the president and chief executive officer of the Company advanced $1,100,000 to Jeffman Enterprises Ltd. to assist Jeffman Enterprises Ltd. in acquiring assets. The non-interest bearing loan was secured by a promissory note. The loan has been repaid in full.

The Company acquired lands valued at $4,457,500 from Courtali Investments Ltd., a subsidiary of Kos Corp. The pricing for the acquisition was determined at the average of two independent appraisals of the subject properties and was approved by the independent members of the Board of Directors. The acquisition was funded by the issuance of 2,217,662 common shares valued at $2.01 per share, representing the closing price of the shares on the day prior to the approval of the acquisition.

During the year ended October 31, 2007, the Company reimbursed Kos Corp $107,210 for expenses incurred by Kos Corp on behalf of the Company. In addition, $381,113 was paid to Kos Corp during the year ended October 31, 2007 for management services and aircraft rental. The Company also acquired products utilized in its trucking and plant operations in the amount of $371,975 from Option Industries Ltd., a company controlled by Kos Corp.

These transactions were incurred in the normal course of operations and have been recorded at the exchange amount which is the amount agreed to between the parties.

16. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and equivalents, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, customer deposits and long term debt.

Financial risk management

The Company's activities are exposed to a variety of financial risks: price risk, credit risk, liquidity risk and cash flow risk. The Company's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Company's financial performance. Risk management is carried out by financial management in conjunction with overall Company governance.

Price risk – There are three types of price risk: currency risk, interest rate risk and market risk.

Currency risk: Foreign currency risk arises from the fluctuations in foreign exchange rates and the degree of volatility of these rates relative to the Canadian dollar. The Company is not significantly exposed to foreign currency risk.

Interest rate risk: The Company's operating loans and long term debt consists of loans that are subject to interest rate fluctuation and the degree of volatility in these rates. The Company does not currently hold any financial instruments that mitigate this risk and management does not believe that the impact of interest rate fluctuations will be significant. For each 1% change in the rate of interest on loans subject to floating rates, the Company would incur approximately $240,000 in annual interest reduction or increase.

Market risk: The Company's exposure to financial market risk is limited since there are no significant financial instruments which will fluctuate as a result of changes in market prices.

Credit risk

The Company is exposed to credit risk through its cash and equivalents and accounts receivable. The Company has deposited the cash and equivalents with reputable financial institutions, from which management believes the risk of loss to be remote. The Company has accounts receivable from customers in the oil and gas and housing industries and risk is mitigated due to the Company's diverse customer base. Credit risk concentration with respect to trade receivables is limited by following a program of credit evaluation and by limiting the amount of customer credit where deemed necessary.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit lines. Due to the dynamic nature of the business, the Company aims to maintain flexibility in funding by keeping committed credit lines available.

Cash flow risk

As the Company has no significant interest bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

Fair value

The fair values of accounts receivable, bank indebtedness, accounts payable and accrued liabilities, customer deposits and long-term debt approximate their carrying values since their stated interest rates approximate the market interest rates at October 31, 2007 and 2006. The Company's non-interest bearing debt is not considered to be significant at year end.

17. SUPPLEMENTAL CASH FLOW INFORMATION

Net change in non-cash working capital items:

	2007 $	2006 $
Accounts receivable	(198,939)	3,797,013
Inventory	(9,798,388)	(3,065,649)
Prepaid expenses and deposits	(3,255,708)	(81,099)
Accounts payable and accrued liabilities	1,098,694	3,007,770
Customer deposits	(4,927,028)	3,351,270
Income taxes payable	1,182,942	(192,073)
	(15,898,427)	6,817,232
Total interest paid	2,779,609	2,440,615
Total income taxes paid	12,254	-

18. JOINT VENTURES

The Company's interest in five joint ventures established for the purposes of land development are accounted for using the proportionate consolidation method. The Company's proportionate interest in these joint ventures ranges from 33% to 50%. The impact of the proportionate consolidation on these consolidated financial statements, including the Company's share of the assets, liabilities, revenues, and expenses and cash flows resulting from operating, investing and financing activities of the joint ventures can be summarized as follows:

	2007 $	2006 $
Current assets	**14,907,062**	6,168,930
Capitalized interest	**116,373**	626,702
Long-term assets	**5,699,579**	8,054,180
	20,723,014	14,849,812
Current liabilities	**3,130,204**	2,420,828
Long-term liabilities	**2,594,711**	7,009,119
Equity and advances by the Company	**14,998,099**	5,419,865
	20,723,014	14,849,812

	2007 $	2006 $
Revenue	**26,924,475**	3,148,473
Cost of sales	**17,023,088**	1,953,361
Gross profit	**9,901,387**	1,195,112
Expenses	**353,858**	619,386
Net earnings	**9,547,529**	575,726
CASH FLOWS		
Operating	**7,913,715**	(7,203,153)
Investing	**(24,904)**	455,101
Financing	**(3,230,497)**	7,486,550
	4,658,314	738,498

19. SEGMENTED INFORMATION

The Company operates its businesses through a number of subsidiaries and affiliated entities operating within 5 primary divisions. The most significant of these entities, by division, are as follows:

Winalta Homes

- Winalta Inc. – production and wholesale marketing of manufactured and modular homes from a plant located near Spruce Grove, Alberta
- Winalta Homes Inc., formerly Ridgewood Homes Inc. – retail marketing of manufactured and modular homes in various markets, primarily in Alberta
- Westalta Modular Homes Inc., operating as Carlton Homes and Winalta Carlton Homes - marketing and production of site-built homes in Edmonton, Alberta and surrounding areas

Winalta Community Development

- Baywood Property Management Inc. – holding company for the Company's land development interests, including incorporated and unincorporated joint venture and direct land holdings, the most significant of which are as follows:
  - Pine Place Developments Joint Venture – 50% interest in land development and home sales in Fort McMurray, Alberta
  - Jutland Ridge Developments Ltd. – 45% interest in land development and home sales in Stony Plain, Alberta, increased to 100% on October 31, 2007
  - Sylvan Meadows Development Ltd. – 50% interest in land development and home sales in Sylvan Lake, Alberta
  - Bruderheim lands – 100% interest in serviced lots and approximately 50 acres of future residential development lands
  - Drayton Valley lands – 100% interest in approximately 155 acres of future residential and commercial development lands
  - Sanford Meadows Brook Villas Inc. – 33% interest in land development and home sales near Winnipeg, Manitoba
- Winalta North Inc. – 50% interest in future land development in Edmonton and area

Winalta Construction

- Winalta Construction Inc., formerly Xtreme Xcavation Ltd., Kos Trucking Ltd, Rifle Creek Enterprises Ltd. and Klein Enterprises Ltd. - land excavation and earth moving, gravel crushing and trucking, paving and concrete operations.

Winalta Oilfield Rentals

- Winalta Oilfield Rentals Inc., formerly Jeffman Enterprises Ltd., operating as Sundance Rentals – rental of portable oilfield accommodation.
- Winalta Carriers Inc. – transport of oilfield rental and construction equipment.

Winalta Industrial

- Winalta Industrial Inc., formerly Vanguard Inc. – production and marketing of mobile and modular industrial structures and trailers from a plant located in North Battleford, Saskatchewan.

19. SEGMENTED INFORMATION, continued

The accounting policies of the segments are the same as those described in the audited consolidated financial statements for the year ended October 31, 2007. Inter-segment transactions are entered into under terms and conditions similar to those with unrelated third parties and are eliminated on consolidation. All intra-segment sales and unrealized profits have also been eliminated within the segment.

In the following schedules, earnings before income taxes have been calculated for each segment by deducting all directly attributable costs and administrative expenses from the revenues of the segment.

							2007
(Thousands of Canadian dollars)	Homes	Community Development	Industrial	Oilfield Rentals	Construction	Intersegment Eliminations	Total
	$	$	$	$	$	$	$
External revenues	49,720	31,845	9,784	4,077	9,518	-	104,944
Intersegment revenues	4,908	703	701	188	964	(7,464)	-
Total revenues	54,628	32,548	10,485	4,265	10,482	(7,464)	104,944
Cost of sales	41,688	22,565	12,572	1,225	7,133	(7,158)	78,025
Gross profit	12,940	9,983	(2,087)	3,040	3,349	(306)	26,919
General and administrative expenses	7,581	141	1,989	1,038	314	-	11,063
Depreciation and amortization	1,421	-	800	1,346	996	-	4,563
Interest expense	1,400	340	358	468	214	-	2,780
Operating earnings (loss)	2,538	9,502	(5,234)	188	1.825	(306)	8,513
Other	429	59	-	-	28	-	516
Earnings (loss) before income taxes	2,109	9,443	(5,234)	188	1,797	(306)	7,997
Total assets	47,428	20,533	6,569	19,762	25,870	-	120,162
Property, plant and equipment additions	859	-	693	12,151	1,877	-	15,580
Goodwill additions	-	-	-	2,143	210	-	2,353

19. SEGMENTED INFORMATION, continued

							2006
(Thousands of Canadian dollars)	Homes	Community Development	Industrial	Oilfield Rentals	Construction	Intersegment Eliminations	Total
	$	$	$	$	$	$	$
External revenues	55,756	2,966	18,761	-	-	-	77,483
Intersegment revenues	-	182	-	-	-	(182)	-
Total revenues	55,756	3,148	18,761	-	-	(182)	77,483
Cost of sales	50,599	1,765	17,120	-	-	(182)	69,302
Gross profit	5,157	1,383	1,641	-	-	-	8,181
General and administrative expenses	6,009	1,369	2,081	-	-	-	9,459
Depreciation and amortization	1,077	-	573	-	-	-	1,650
Interest expense	1,827	156	458	-	-	-	2,441
Operating earnings (loss)	(3,756)	(142)	(1,471)	-	-	-	(5,369)
Other	-	(910)	-	-	-	-	(910)
Earnings (loss) before income taxes	(3,756)	768	(1,471)	-	-	-	(4,459)
Total assets	40,225	14,850	7,885	-	-	-	62,960
Property, plant and equipment additions	2,612	-	207	-	-	-	2,819
Goodwill additions	-	-	429	-	-	-	429

management strength

2007 has been a year of change and forward momentum led by a dynamic new management team and Board of Directors.

Management Profiles

Artie T. Kos
President and Chief Executive Officer

Mr. Kos began his career in the oilfield transportation business with Mack & Mann Trucking. In 1985 he incorporated Artie T. Kos Trucking Ltd., which he grew into one of North America's largest privately owned oilfield transportation firms, with six offices in Alberta, 250 employees, and $77 million in annual sales.

In 2006 Mr. Kos sold his company and founded Kos Corp. Investments Ltd., a privately owned investment company. The corporation's largest acquisition to date has been the purchase of its interest in Winalta Inc. *Mr. Kos was named President and CEO of Winalta in January 2007.*

Ray Hawrelak
Chief Financial Officer, Winalta Inc.

Mr. Hawrelak has gained experience in finance, accounting, strategic planning and real estate development during his 20-year career in the real estate development industry. His prior role was as Vice President, Finance for Princeton Developments Ltd. in Edmonton, Alberta.

Mr. Hawrelak is a chartered accountant and a member of the Institute of Chartered Accountants of Alberta since 1986. He has completed executive-level training programs through the University of Toronto and the Institute of Chartered Accountants of Ontario. *Mr. Hawrelak joined Winalta in 2006.*

Layne Wilk
Chief Operating Officer and Senior Vice President, Winalta Inc.

Mr. Wilk has been in the well-servicing business since 1978, when he joined Calgary-based CenAlta Oil Well Services Ltd. as a floor hand.

He was field superintendent in 1999 when CenAlta was acquired by Precision Drilling Corporation where Mr. Wilk served as area manager. He brings to Winalta a strong operational background. *Mr. Wilk joined Winalta in 2006.*

Jeff Mangion
President, Winalta Industrial

Mr. Mangion has over 30 years experience in the energy industry. His career began with oil well consultants, Vern Hunter & Associates.

Mr. Mangion is recognized for his knowledge and experience in the industrial accommodation sector. He is a pioneer in the design of well-site trailers and camps; he was the first to design and manufacture the popular engineer/engineer trailer.

He was the founder and president of Sundance Oilfield Rentals, an oil and gas service business acquired by Winalta Inc. in January 2007. *Mr. Mangion was initially appointed as President of the Oilfield Rental Division and assumed responsibilities for the Industrial Division in summer of 2007.*

Clyde Bonnell
Vice President

Mr. Bonnell has worked in safety and operational management in the energy sector for 30 years in Canada and internationally. His last position before joining Winalta was as safety manager at Precision Drilling Corp.

In his first career, Mr. Bonnell was a paratrooper with the Canadian Armed Forces. He served two tours overseas with the United Nations, for which he received two medals.

Mr. Bonnell uses his management experience in health, safety and environment to develop and implement corporate safety policies while achieving operational excellence. *Mr. Bonnell joined Winalta in 2007.*

Rick Nordstrom
Vice President, Winalta Carlton Homes

Mr. Nordstrom has more than 30 years of experience in the housing industry. He has built more than 500 custom-designed homes and developed and built several subdivisions, condominium and adult communities.

He founded and managed Nordal Homes in Grande Prairie, Alberta, and has served on community land development and servicing committees there and in Drayton Valley.

Mr. Nordstrom is a recipient of the Golden Hammer Award. *Mr. Nordstrom joined Winalta Inc. in 2006.*

Garry Wetsch, *BA, LLB, QC*
Vice President, Winalta Community Development
Mr. Wetsch worked as a barrister and solicitor with Hustwick Wetsch Moffat & McCrae for more than 35 years, practicing in most areas of law, including real estate, corporate, and international. He is a director of several companies, including Mayfield Travel Ltd. and San Carlos Investments Ltd.

Mr. Wetsch served as alderman in St. Albert, Alberta. Among his many awards and citations for community development, he received the 2003 Queen's Golden Jubilee Commemorative Medal, a national award for accomplishments in economic development.

Mr. Wetsch is a director of both the Alberta Chamber of Commerce and PowerComm Inc. *Mr. Wetsch joined Winalta in 2007.*

Kevin Hildebrand
Vice President, Winalta Carlton Homes.
Mr. Hildebrand has a business background and almost 35 years of experience in the trades in Alberta.

He received his Carpentry designation in 1973 and since then has founded and operated companies that specialized in home and industrial renovations. Among his many enterprises Mr. Hildebrand has had interests in a car dealership, DV Rentals and Energy High Insulation, among others. *Mr. Hildebrand joined Winalta in 2007.*

Ron Ford
Vice President, Winalta Oilfield Rentals
Mr. Ford has 30 years experience in the oil industry. He began his career with Nabors Drilling as a roughneck and worked his way up to the position of drilling superintendent.

Mr. Ford has also worked as a well-site supervisor for Anderson Exploration. He has substantial understanding of the oil industry and strong operational and leadership skills. *Mr. Ford joined Winalta in 2007.*

Wayne Busby
Senior Vice President, Strategic Planning and Operations
Mr. Busby brings more than 35 years experience in the housing industry to Winalta Inc., both in the site-built and manufactured-homes sectors.

He began his career with Homeco Industries in Calgary, where he became Vice President, Operations for the western division, overseeing manufacturing facilities and retail outlets.

Mr. Busby was involved in other enterprises in western Canada that planned, developed and constructed site-built developments. He also operated a successful modular-home dealership network throughout western Canada. *Mr. Busby joined Winalta in 2003.*

Randy Hayden
Vice President, Marketing,
Industrial and Oilfield Rentals
Mr. Hayden has 30 years of experience in the oil and gas industry. He worked for Precision Drilling for the past 22 years in various roles, most recently in marketing and sales.

Mr. Hayden brings with him sales and marketing experience and extensive professional networks. *Mr. Hayden joined Winalta in 2007.*

Eileen McGinn
Vice President, Marketing and Sales
Ms. McGinn has over 30 years experience in sales, training and marketing. She has worked as sales executive at leading corporate firms throughout Canada and the United Kingdom.

Ms. McGinn and the teams she has led have received prestigious industry awards recognizing the excellence of their work. *Ms. McGinn joined Winalta in 2003.*

Bob Willows
Vice President, Winalta Construction
Mr. Willows received a Business Administration degree from Red Deer College and started in the family-owned heavy construction business, working his way up from equipment operator to field superintendent.

He founded Xtreme Xcavation, a construction company dedicated to employee safety and building long-term relationships with customers. Mr. Willows grew Xtreme Xcavation into a multi-million dollar company with a reputation for completing work safely, professionally and on time. *In June of 2007, Winalta purchased Xtreme Xcavation and Mr. Willows was appointed Vice President of Winalta Construction.*

Mike Neufeld
Vice President, Logistics & Distribution, Winalta Industrial
Mr. Neufeld has his Journeyman Carpenter with Red Seal Part 10 Certificate. He has worked over 16 years in the modular industry, with PTI/ Travco and Alta-Fab Structures, among others.

Mr. Neufeld has worked as a carpenter, lead hand and foreman. He has worked in domestic and international sales and on several large projects in Russia and South America. *Mr. Neufeld joined Winalta in 2006.*

corporate information

Securities Listing Information
Stock Symbol: WTA.A
TSX Venture Exchange

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Legal Counsel
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Transfer Agent
Computershare Investor Services

Annual General Meeting
Winalta Inc. will hold its Annual General Meeting at 10:00 a.m. Thursday, April 24, 2008, in Jasmine Room B in the Hilton Garden Inn West Edmonton, 17610 Stony Plain Road. We encourage shareholders to attend and those unable to do so are requested to complete a Form of Proxy at their earliest possible convenience.

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