
COMMERCIAL SOLUTIONS INC.
MANAGEMENT DISCUSSION AND ANALYSIS
SIX MONTHS ENDED MARCH 31, 2007



INTRODUCTION

The following Management's Discussion and Analysis is as of May 14, 2007 and is provided to assist readers in understanding the financial performance of Commercial Solutions Inc. ("Commercial" or the "Company") during the periods presented and significant trends that may impact future performance of the Company. This discussion should be read in conjunction with the accompanying unaudited interim March 31, 2007 consolidated financial statements and with the audited consolidated financial statements and Management's Discussion and Analysis contained in the Company's annual report for the year ended September 30, 2006.

The financial data presented in this Management's Discussion and Analysis has been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and the Company's reporting currency is the Canadian dollar. Commercial is a reporting issuer in Canada in the provinces of British Columbia, Alberta, Manitoba, Ontario, Quebec, Nova Scotia and New Brunswick. The Company trades on the Toronto Stock Exchange under the symbol CSA. Additional regulatory information relating to Commercial, including the Company's Annual Information Form, can be found at the System for Electronic Document Analysis and Retrieval ("SEDAR") web site at www.sedar.com.

FINANCIAL SUMMARY

INCOME STATEMENT, for the three months ended March 31st						
		2007	2006	Increase (Decrease)		
				\$	%	
Sales		\$ 45,363,206	\$ 34,485,415	\$ 10,877,791	31.5%	
Gross margin \$		12,929,654	9,791,098	3,138,556	32.1%	
Gross margin %		28.5%	28.4%	0.1%		
Operating expenses	a	8,907,545	5,969,687	2,937,858	49.2%	
EBITDA	b	4,022,109	3,821,411	200,698	5.3%	
Interest		443,555	308,275	135,280	43.9%	
Depreciation and amortization		498,180	221,043	277,137	125.4%	
Earnings before tax		3,080,374	3,292,093	(211,719)	-6.4%	
Income taxes		982,532	1,106,801	(124,269)	-11.2%	
Net income		\$ 2,097,842	\$ 2,185,292	\$ (87,450)	-4.0%	
Earnings per share						
	Basic	\$ 0.11	\$ 0.15	\$ (0.04)	-26.7%	
	Diluted	\$ 0.10	\$ 0.13	\$ (0.03)	-23.1%	
Weighted avg. shares outstanding						
	Basic	19,375,670	14,519,870	4,855,800	33.4%	
	Diluted	20,333,497	16,476,329	3,857,168	23.4%	
a See page 16 for a further explanation of this non-GAAP measure						
b Represents earnings before interest, taxes, depreciation and amortization (see page 15 for a further explanation of this non-GAAP measure)						

INCOME STATEMENT, for the six months ended March 31st							
		2007		2006		Increase (Decrease)	
						\$	%
Sales	\$	86,031,801	\$	64,537,317	\$	21,494,484	33.3%
Gross margin \$		24,354,592		18,158,519		6,196,073	34.1%
Gross margin %		28.3%		28.1%		0.2%	
Operating expenses	a	17,564,875		11,705,955		5,858,920	50.1%
EBITDA	b	6,789,717		6,452,564		337,153	5.2%
Interest		883,149		617,057		266,092	43.1%
Depreciation and amortization		857,912		435,513		422,399	97.0%
Earnings before tax		5,048,656		5,399,994		(351,338)	-6.5%
Income taxes		1,605,297		1,815,478		(210,181)	-11.6%
Net income		\$ 3,443,359	\$	3,584,516	\$	(141,157)	-3.9%
Earnings per share							
	Basic	\$ 0.18	\$	0.25	\$	(0.07)	-28.0%
	Diluted	\$ 0.17	\$	0.22	\$	(0.05)	-22.7%
Weighted avg. shares outstanding							
	Basic	19,163,375		14,442,237		4,721,138	32.7%
	Diluted	20,125,560		16,260,955		3,864,605	23.8%
a See page 16 for a further explanation of this non-GAAP measure							
b Represents earnings before interest, taxes, depreciation and amortization (see page 15 for a further explanation of this non-GAAP measure)							

BALANCE SHEET, as at March 31st							
		2007		2006		Increase (Decrease)	
						\$	%
Current assets	\$	58,318,722	\$	49,919,552	\$	8,399,170	16.8%
Property and equipment		3,617,390		2,990,899		626,491	20.9%
Other assets		35,343,963		13,053,372		22,290,591	170.8%
TOTAL ASSETS		97,280,075		65,963,823		31,316,252	47.5%
Current liabilities		34,481,056		14,530,983		19,950,073	137.3%
Current portion of long term debt		4,109,850		2,278,018		1,831,832	80.4%
Long term liabilities		4,490,574		7,246,137		(2,755,563)	-38.0%
TOTAL LIABILITIES		43,081,480		24,055,138		19,026,342	79.1%
Share capital		35,925,041		31,517,821		4,407,220	14.0%
Retained earnings & contributed surplus		18,273,554		10,390,864		7,882,690	75.9%
TOTAL SHAREHOLDERS' EQUITY		54,198,595		41,908,685		12,289,910	29.3%
TOTAL SHAREHOLDERS' EQUITY AND LIAB	\$	97,280,075	\$	65,963,823	\$	31,316,252	47.5%

FORWARD LOOKING STATEMENT

This Management's Discussion and Analysis contains forward-looking statements that involve assumptions and estimates that may not be realized and other risks and uncertainties. The inclusion of this information should not be regarded as a representation of the Company or any other person that the anticipated results will be achieved and investors are cautioned not to place undue reliance on such information. These forward-looking statements are based on current expectations. The results or events predicted in these statements may differ materially from actual results or events.

OVERVIEW OF THE BUSINESS

Headquartered in Edmonton, Alberta, Commercial is one of Canada's leading independent industrial distributors with 40 Services Centres and as at March 31, 2007 had 400 employees located across Canada. Commercial offers more than 160,000 items critical to maintenance repair operations ("MRO") and original equipment manufacturing ("OEM") customers. The Company represents more than 450 leading manufacturers and serves over 11,000 customer accounts within a broad cross-section of industries, including oil and gas, forestry, food processing, chemical processing, mining and utilities, agriculture and construction.

The Company conducts its operations through two separate business segments. The Industrial Supplies segment incorporates seven divisions. The Oilfield Parts and Supplies segment incorporates three divisions. The differentiation between the two segments is due to the differing product offerings. Either segment may service a similar customer base.

Industrial Supplies Segment ("Industrial segment")

The Industrial segment provides approximately 140,000 plus products encompassing bearing, power transmission, industrial safety, agricultural, resource management, survey and janitorial products. In addition, the segment offers technical support, customized inventory controls, materials management services, and customer training, and provides electronic ordering to its larger national accounts through a sophisticated online catalogue application.

Oilfield Parts and Supplies Segment ("Oilfield segment")

The Oilfield segment provides approximately 20,000 plus products, but specializes in hard to find custom products. Principal products distributed are oil well pump liners, valves, fittings, and industrial hand tools.

Mission and Growth Strategy

Commercial will continue to focus on organic growth by expanding the number of its strategic partnership accounts and product lines. Management expects acquisitions to also play a significant role in the Company's growth. Commercial has successfully identified, rationalized, and integrated thirteen acquisitions over the past sixteen years and going forward, management expects to continue its acquisition program. This program is intended to diversify and strengthen the product offering, expand geographical presence and fuel organic sales growth.

Given the three acquisitions performed in the ten months leading up to the end of fiscal 2007 Q2, management is determined to generate operational synergies from these acquired assets before it is prepared to undertake another significant acquisition. Effective the beginning of fiscal 2007 Q3, management believes the necessary steps have been implemented to ensure these synergies are achieved and management is actively pursuing further acquisitions.

FINANCIAL RESULTS

The fiscal 2007 Q2 results reflected a period of acquisition and organic sales growth, offset by the continued slowdown in the Western Canadian oil and gas industry, driven by low commodity prices, and significantly reduced activity in the shallow gas sector.

Acquisition sales growth was due to three acquisitions performed during the ten months leading up to the end of the second quarter of fiscal 2007. Those acquisitions were:

Excel Bearings Inc. (“Excel”): an Eastern Canadian bearing and power transmission distributor historically generating approximately \$3,500,000 in annual sales. This acquisition was completed in June 2006.

Rig Products Inc. (“Rig”): a Western Canadian oilfield parts and supplies distributor generating approximately \$15,000,000 in annual sales. This acquisition was completed in June 2006.

Raeside Equipment Ltd (“Raeside”): a Western Canadian bearing and power transmission distributor historically generating approximately \$20,000,000 in annual sales. This acquisition was completed in October 2006.

Revenue

REVENUE BY BUSINESS SEGMENT, for the three months ended March 31st							
	2007		2006		Change		
	\$	%	\$	%	\$	%	
Industrial supplies	\$ 26,442,524	58.3%	\$ 20,014,986	58.0%	\$ 6,427,538	32.1%	
Oilfield parts & supplies	18,920,682	41.7%	14,470,529	42.0%	4,450,153	30.8%	
Total	\$ 45,363,206	100.0%	\$ 34,485,515	100.0%	\$ 10,877,691	31.5%	

REVENUE BY BUSINESS SEGMENT, for the six months ended March 31st							
	2007		2006		Change		
	\$	%	\$	%	\$	%	
Industrial supplies	\$ 50,987,779	59.3%	\$ 37,745,462	58.5%	\$ 13,242,317	35.1%	
Oilfield parts & supplies	35,044,022	40.7%	26,791,855	41.5%	8,252,167	30.8%	
Total	\$ 86,031,801	100.0%	\$ 64,537,317	100.0%	\$ 21,494,484	33.3%	

3 months ended March 31, 2007

The 31.5 percent consolidated sales growth is made up of 28.1 percent from acquisition growth and 3.5 percent from organic growth. The organic growth is a blend of 10.4 percent from the Industrial segment and a 5.9 percent decrease from the Oilfield segment.

6 months ended March 31, 2007

The 33.3 percent consolidated sales growth is made up of 29.9 percent from acquisition growth and 3.4 percent from organic growth. The organic growth is a blend of 8.7 percent from the Industrial segment and a 4.0 percent decrease from the Oilfield segment.

The Oilfield segment sales decline reflects an industry slowdown, although at a reduced rate relative to the overall Western Canadian drilling activity reduction of 18.0 percent. Given diversification of sales to other industries, the Industrial segment is less impacted by a Western Canadian oil and gas slowdown.

Management maintains accounting systems that are able to track acquisition growth and organic growth.

Segment revenue weighting

The fiscal 2007 Q2 weighting of revenue between segments was similar to that of fiscal 2006 Q2. Although three acquisitions were completed since fiscal 2006 Q2, approximately \$23,500,000 in annual revenues from these acquisitions relate to the Industrial segment, as opposed to approximately \$15,000,000 in annual revenues to the Oilfield segment.

Gross Margin

The consolidated gross margin percentage increased slightly for both the three and six months ended March 31, 2007. The rise can be attributable to the following:

- Two of the three acquisitions performed since fiscal 2006 Q2 had gross profit margins at or above 28.0 percent.
- Management has continued to focus on direct buying and to consolidate its purchasing from manufacturers.

Foreign exchange gains and losses are included in the gross margin figures cited. These fluctuations are driven primarily by US sourced materials.

Operating Expenses

For the three months ended March 31st					
	2007		2006		Change
Operating expenses (\$'s)					*
Salary & wages	\$	6,212,739	\$	3,846,412	61.5%
Selling, general & admin.		1,145,708		778,962	47.1%
Rent, occupancy costs & utilities		1,007,106		671,022	50.1%
Advertising & promotions		335,724		507,381	-33.8%
Professional fees		206,268		165,910	24.3%
	\$	8,907,545	\$	5,969,687	49.2%
	2007		2006		
Operating expenses (as a % of sales)					
Salary & wages		13.7%		11.2%	
Selling, general & admin.		2.5%		2.3%	
Rent, occupancy costs & utilities		2.2%		1.9%	
Advertising & promotions		0.7%		1.5%	
Professional fees		0.5%		0.5%	
Total		19.6%		17.3%	

* See page 16 for a further explanation of this non-GAAP measure

For the six months ended March 31st					
	2007		2006		Change
Operating expenses (\$'s)					*
Salary & wages	\$	12,119,072	\$	7,598,819	59.5%
Selling, general & admin.		2,374,070		1,470,705	61.4%
Rent, occupancy costs & utilities		1,879,206		1,332,348	41.0%
Advertising & promotions		792,160		971,657	-18.5%
Professional fees		400,367		332,426	20.4%
	\$	17,564,875	\$	11,705,955	50.1%
Operating expenses (as a % of sales)	2007		2006		
Salary & wages		14.1%		11.8%	
Selling, general & admin.		2.8%		2.3%	
Rent, occupancy costs & utilities		2.2%		2.1%	
Advertising & promotions		0.9%		1.5%	
Professional fees		0.5%		0.5%	
Total		20.4%		18.1%	
* See page 16 for a further explanation of this non-GAAP measure					

Due to the Excel, Rig and Raeside acquisitions, the dollar value of operating expenses increased approximately 50.0 percent for both fiscal 2007 Q2 and the year to date period over their respective comparatives. As a percentage of sales, the usual downward trend noted in fiscal 2006 and 2005 was reversed. This was due to a shortfall in revenue, as the Company did not undertake any significant investment in its core infrastructure to date in fiscal 2007. The following is an analysis of the major operating expense categories:

Salaries and wages on a dollar basis increased as a result of an additional 71 employees from the various acquisitions (Excel – 9, Rig – 18, Raeside – 44). In addition, annual inflationary wage increases were incurred, particularly in the 19 Alberta locations, where labour is in short supply.

Selling, general and administrative expenses increased due to the acquisitions, as well as increased fuel costs of delivery vehicles in Commercial's Oilfield Parts & Supplies segment. In addition, increased travel costs (related to fuel costs) for outside salespeople was incurred.

Rent, utility and occupancy costs reflect inflationary increases on facilities, as well as the incremental costs of the additional sixteen locations from the Excel, Rig and Raeside acquisitions.

Professional and consulting fees increased as Commercial has undertaken its project to be compliant with Canadian securities regulations regarding internal controls over financial reporting. Commercial's deadline for completing the project is September 30, 2008.

Advertising and promotions decreased in an effort to control costs given the reduced sales activity.

Interest Expense

The increase in fiscal 2007 Q2 and year to date interest expense versus comparative periods reflects the increased draws on Commercial's bank operating line to finance the cash consideration on the three most

recent acquisitions performed since fiscal 2006 Q3. Interest charged on the operating line is at the prime rate.

Income Taxes

The Company's fiscal 2007 effective tax rate is 31.8 percent. Over the past several years, Commercial had available tax loss carryforwards, but as of the end of fiscal 2006, much of these have now been exhausted.

Net Earnings and Earnings Per Share

Although the three acquisitions, coupled with organic growth increased sales by over 31.0 percent in fiscal 2007 Q2 and year to date, operating expenses increased by approximately 50.0 percent during these two periods (primarily due to acquisitions and inflationary increases). This translates into fiscal 2007 Q2 and year to date net earnings reduction of approximately 4.0 percent over comparative periods.

Quarterly and year to date diluted earnings per share decreased by approximately 23.0 percent. Although the earnings from the three acquisitions partially offset lost profit from the oil and gas slowdown, earnings per share was impacted by an approximate 24.0 percent increase in the diluted share count related to the 3,000,000 common shares issued on March 28, 2006, as well as the exercise of stock options and share purchase warrants.

FINANCIAL RESULTS – SUMMARY OF QUARTERLY DATA

Trailing Twelve Months

The above "Financial Results - Summary of Quarterly Data" provides an opportunity for insight into the trailing twelve months growth rates.

	FISCAL 2006		FISCAL 2007		Total
	Q3	Q4	Q1	Q2	
Sales	\$ 33,062,700	\$ 40,900,553	\$ 40,668,595	\$ 45,363,206	\$ 159,995,054
Gross margin (\$)	9,056,801	12,268,699	11,424,938	12,929,654	45,680,092
Gross margin (%)	27.4%	30.0%	28.1%	28.5%	28.6%
Operating expenses	a 6,333,898	7,159,149	8,657,330	8,907,545	31,057,922
EBITDA	b 2,722,903	5,109,550	2,767,608	4,022,109	14,622,170
Net earnings	\$ 1,481,346	\$ 2,885,420	\$ 1,345,517	\$ 2,097,842	\$ 7,810,125
Basic earnings per share	\$ 0.08	\$ 0.16	\$ 0.07	\$ 0.11	\$ 0.42
Diluted earnings per share	\$ 0.07	\$ 0.14	\$ 0.07	\$ 0.10	\$ 0.38

a See page 16 for a further explanation of this non-GAAP measure.

b Represents earnings before interest, taxes, depreciation and amortization. See page 15 for a further explanation of this non-GAAP measure.

	FISCAL 2005		FISCAL 2006		Total
	Q3	Q4	Q1	Q2	
Sales	\$ 25,379,869	\$ 28,891,179	\$ 30,051,902	\$ 34,485,415	\$ 118,808,365
Gross margin (\$)	7,059,529	7,948,001	8,367,421	9,791,098	33,166,049
Gross margin (%)	27.8%	27.5%	27.8%	28.4%	27.9%
Operating expenses	a 5,182,171	5,449,176	5,736,268	5,969,687	22,337,302
EBITDA	b 1,877,358	2,498,825	2,631,153	3,821,411	10,828,747
Net earnings	\$ 926,071	\$ 1,386,444	\$ 1,399,224	\$ 2,185,292	\$ 5,897,031
Basic earnings per share	\$ 0.08	\$ 0.09	\$ 0.10	\$ 0.15	\$ 0.42
Diluted earnings per share	\$ 0.07	\$ 0.09	\$ 0.09	\$ 0.13	\$ 0.38

a See page 16 for a further explanation of this non-GAAP measure.

b Represents earnings before interest, taxes, depreciation and amortization. See page 15 for a further explanation of this non-GAAP measure.

Seasonal Nature of the Business

Although the Company has significant exposure to the energy industry (over 50.0 percent of sales), during the past two years, sales have not displayed material seasonality. Typically, the oil and gas industry slows down in April and May due to spring thaw, but given the growth in this sector, particularly with rig building, this usual downturn has been offset. For fiscal 2007, the recent slow down in the oil and gas sector will result in the seasonal trend returning with activity levels and the Company's revenue expected to decline in Q3.

The mix of sales between the Industrial segment and the Oilfield segment is more noticeable in the third quarter with a greater weighting towards the Industrial segment. The sales increases between quarters are primarily a reflection of acquisition activity rather than seasonality.

FINANCIAL CONDITION AND LIQUIDITY

Cash From Operations

Commercial utilized funds totaling \$2,746,404 from operating activities for the six months ended fiscal 2007 Q2 compared to a use of cash totaling \$731,533 from operating activities in the comparative period. This use of operating cashflow reflects an investment in inventory. The Company had made commitments to honour certain inventory purchases despite the oil and gas slowdown. Inventory levels should return to traditional levels in fiscal 2007 Q3 and Q4.

Working Capital

The Company continues to fund its operating and capital requirements with cash generated from operations and borrowings under its secured, revolving demand facility provided by the Bank of Montreal. The Company's primary capital needs have been the purchase of inventory, fund accounts receivable, fund debt service payments, and the funding of capital expenditures.

WORKING CAPITAL RATIOS	As @ March 31st		As @
	2007	2006	Sept. 30.06
Working capital ratio	1.51	2.97	1.76
Days sales in receivables	54.8	56.1	56.7
Inventory turns	4.9	5.5	5.3
Days purchases in payables	57.6	53.6	54.0

The Company's net working capital position at March 31, 2007 decreased to \$19,727,816 (working capital ratio of 1.51) from \$27,716,812 at September 30, 2006 (working capital ratio of 1.76). This decrease is primarily attributable to the \$14,500,000 cash paid on closing for the purchase of Raeside in October 2006, as well as \$1,751,456 of subordinated debentures becoming due in the next six months (a shift from long term debt to current liabilities).

Intangibles

Intangible assets increased from September 30, 2006 to March 31, 2007 as a result of the Company's acquisition of Raeside, with the majority of the value due to customer relationships, which are being amortized over seven years. Much of the value Commercial paid for Raeside was to gain access to their 44 employees who have extensive experience in the bearings and power transmission industry. In addition, Commercial wanted admission to Raeside's 10 locations in British Columbia and Alberta, eight of which Commercial had no presence in those markets. The value of an acquisition's employees and their locations is reflected in the related goodwill generated by the acquiree and not in the intangible assets produced from the acquisition. Commercial prefers to "buy" into markets, as opposed to grow them organically.

Management will be conducting an annual assessment of intangible assets. Each fair value test of intangibles may incorporate estimates such as normalized earnings, future earnings, price earnings multiples, future cash flows, discount rates, and terminal values. Any impairment of intangible assets would reduce net earnings.

Intangible assets acquired individually or as part of a group of other assets are initially recognized and measured at cost. The cost of a group of intangible assets acquired in a business combination that meet the specified criteria for recognition apart from goodwill is allocated to the individual assets acquired based on their relative fair values.

Intangible assets with finite useful lives are amortized over their useful lives. Intangible assets with infinite useful lives are reviewed for impairment annually.

The amortization methods and estimated useful lives of intangible assets, which are reviewed annually, are as follows:

Customer relationships	Straight-line – 6 - 7 years
Non-competition agreements	Straight-line – 3 - 5 years
Other intangible assets	Straight-line – 1 - 3 year

Goodwill

Fiscal 2007 Q2 goodwill compared to September 30, 2006 increased by \$10,939,245 due to the October 2006 Raeside acquisition.

The goodwill is tested for impairment at least annually by comparing its fair value to its book value. The evaluation for impairment of goodwill is determined by assessing recoverability based on undiscounted future earnings and cash flows of the related business. Estimating the fair value of a reporting unit is a subjective process and requires the use of our best estimates. If our estimates or assumptions change from those used in our current valuation, we may be required to recognize an impairment loss in future periods. Any permanent impairment in the value of goodwill is charged to earnings. For the year-ending September 30, 2006, the Company completed a valuation of the goodwill and the annual goodwill impairment test and determined that there was no impairment to the carrying value of goodwill.

Property and equipment

Commercial's fiscal 2007 Q2 and year to date investment in property and equipment primarily centered on improvements to the management information system and facility upgrades. On March 31, 2007, the Company sold its land and building in Prince Albert, Saskatchewan for a gain of \$86,179. The building had been vacant as the branch operations had been moved to another facility.

Senior operating credit facility and long term debt

As at March 31, 2007, the Company maintained a senior operating credit facility with the Bank of Montreal allowing the Company to draw up to \$25,000,000. Effective April 19, 2007, Commercial consolidated its banking arrangements and completed a new debt facility ("Facility") with the Canadian Imperial Bank of Commerce.

The new consolidated Facility consists of a \$25,000,000 operating loan and a \$10,000,000 acquisition line with flexibility allowing it to increase with the growth of Commercial. The Facility replaces Commercial's mix of operating loans, subordinated debentures and term loans provided by three separate financial institutions. Pricing for the Facility is at prime, with a sliding scale increase based on covenants.

OUTLOOK

The oil and gas sectors in Western Canada are currently undergoing an adjustment to operating costs, which will reverberate through the whole infrastructure pertaining to drilling activity. Industry analysts are continuing to forecast lower activity levels in the spring and summer months of 2007 with estimates ranging from a 10.0 percent to 20.0 percent decline compared to 2006. Although industry activity levels are difficult to forecast, general consensus among industry analysts is that activity levels will see a recovery in the fall of 2007.

This slowdown has afforded management the opportunity to focus on a number of initiatives generating efficiencies, particularly:

- Continuing to assimilate its recent acquisitions. In March 2007, Raeside joined Rig and Excel to be converted onto Commercial's management information system, a critical step towards generating sales, purchasing and operating synergies for Commercial acquired companies.
- In March 2007, Commercial introduced its first ever 600+ page Industrial Supply catalogue. In addition to its external customer value, this catalogue acts as a strong tool for Commercial employees communicating the Company's diverse portfolio of products.
- In March 2007, Commercial consolidated its Quotations Department into its head office, allowing for the leverage of centralized product and pricing knowledge.
- Developing plans for Commercial's 40,000 square foot Nisku superstore which will consolidate and replace three separate Nisku facilities providing a one-stop shop for drilling industry customers. The expected opening date is late calendar 2007/early calendar 2008.

The forestry and agriculture markets have stabilized after several years of decline. Commercial has reduced its operating costs across its branches impacted by these markets. Increased activity in these sectors in fiscal 2007 and 2008 would directly impact operating earnings.

Gross profit margins for fiscal 2007 are expected to be comparable to fiscal 2006. The dilutive effect from the Rig acquisition should be offset by purchasing synergies from the other divisions.

Given the near term anticipated increase in Western Canadian drilling activity levels, management is committed to its core infrastructure. This pledge will see operating costs continue at recent levels for the remainder of fiscal 2007. The Oilfield segment's operating margins are higher than that of the Industrial segment's as it levers from the purchasing volumes of the Industrial segment. Assuming a continuation of sales trends negatively affecting the more profitable Oilfield segment for the remainder of fiscal 2007, management's target EBITDA margin for fiscal 2007 is in the 7.5 percent to 8.5 percent range.

Management continues to seek growth opportunities through acquisitions to widen Commercial's geographic presence and to diversify its portfolio of products. Although there are a limited number of major industry players, the Canadian market for distribution suppliers continues to be fragmented. Many of these organizations are facing succession issues relating to an aging demographic. Assuming a continued strong economic environment, it is anticipated that within the next four quarters at least one acquisition would be completed.

COMMON SHARES AND CONVERTIBLE SECURITIES

Commercial has authorized an unlimited number of common shares with no par value. As at May 14, 2007 the Company had 19,453,276 common shares outstanding.

The Board of Directors may grant options to purchase up to 1,555,206 common shares. As of May 14, 2007, options to purchase 1,081,736 common shares were outstanding at an average exercise price of \$3.35 per common share. Agent's options totaling 189,000 from the equity financing performed in fiscal 2006 are outstanding at an average exercise price of \$5.06. Warrants totaling 355,555 with an exercise price of \$2.25 may be exercised into common shares. These warrants expire on September 11, 2008.

RISK FACTORS

In the normal course of business, the Company's operations continue to be influenced by a number of internal and external factors, and the Company is exposed to risks and uncertainties that can affect its business, financial condition and operating results. All businesses are subject to risk and the board and management of the Company take prudent measures to mitigate any risks by which the Company may be affected.

Dependence on Market Economic Conditions

The demand for the products distributed by the Company can vary in accordance with general economic cycles. In addition, the industry sectors that are served by the Company, including the construction, oil & gas, forestry, agricultural and mining sectors, are cyclical in nature. The strategy of the Company is to mitigate these risks by operating in various regions of the country, serving various business sectors of the industrial supply industry and maintaining tight controls over operating expenses. Also, since such markets are sensitive to cyclical changes in the economy, future downturns in the economy or lack of further improvement in the economy would have a material adverse effect on the Company's financial condition and results of operations.

Supply-Side Risks

The Company distributes industrial products manufactured or supplied by a number of major suppliers. As is customary in the industrial products distribution industry, the Company does not have long-term contracts with any of its major suppliers. Although the Company believes that it has access to similar products from competing suppliers, any disruption in the Company's sources of supply, particularly of the most commonly sold items or any material fluctuation in the quality, quantity or cost of such supply, could have a material adverse effect upon the Company's results of operations and financial condition. Also, supply shortages occur at times as a result of unanticipated demand, production difficulties or delivery delays. In such cases, suppliers often allocate products among distributors. Future supply shortages may occur from time to time and may have a short-term material adverse effect on the Company's results of operations and financial condition.

Customer Risk

Although the Company distributes industrial products to more than 11,000 customers, the Company's largest customer comprises approximately 11.0 percent of the Company's total sales for the six months ended March 31, 2007. As is customary in the industrial products distribution industry, the Company does not have long-term contracts with any of its major customers. As a result, the loss of any of the Company's major customers could have a material adverse effect upon the Company's results of operations and financial condition.

Credit Risk

The Company extends credit facilities to its customers which are generally unsecured. Although the Company has a system of credit management in place, there is a risk that some of the Company's customers may not be able to meet their obligations when they become due. The loss of a large receivable would have a substantial adverse effect on the Company's profitability.

CRITICAL ACCOUNTING ESTIMATES

In preparing the Company's consolidated financial statements in conformity with Canadian generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. The most significant estimates included in these financial statements are the valuations of accounts receivable, inventory and future tax assets, carrying value of goodwill, intangibles and accrued liabilities. Actual results could differ from these estimates.

CHANGES IN ACCOUNTING POLICIES

Effective October 1, 2006, the Company adopted the new provisions prescribed by the AcSB, "Financial Instruments – Recognition and Measurement", "Hedges", and "Comprehensive Income". The application of these new standards did not have a significant effect on the Company's financial position, earnings, or cash flows.

RELATED PARTY TRANSACTIONS

During the March 31, 2007 second quarter, the Company entered into related party transactions. Examples of these types of transactions are listed in note 18 of the September 30, 2006 consolidated financial statements. In management's opinion, related party transactions are all in the normal course of operations and are conducted at fair market value.

DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining disclosure controls and procedures for the Company. The Chief Executive Officer and Chief Financial Officer have designed such disclosure controls and procedures, or caused them to be designed under their supervision, to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to them by others within those entities on a timely basis in order to make disclosure decisions. In addition, these disclosure controls and procedures have been designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under provincial and territorial securities legislation is recorded, processed, summarized and reported within time periods specified in the provincial and territorial securities legislation.

The Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of these disclosure controls and procedures as at March 31, 2007 and conclude that they are effective to provide reasonable assurance of achieving their design objectives based on that evaluation.

It should be noted that while the Company's Chief Executive Officer and Chief Financial Officer believe that the Company's disclosure controls and procedures provide reasonable assurance, they do not guarantee that the disclosure controls and procedures will prevent all errors and fraud because those controls and procedures can only provide reasonable assurance, not absolute assurance. A control system, no matter how well conceived or operated cannot provide absolute assurance because there are inherent limitations in all control systems. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

MEASURES NOT IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The following measures included in this report do not have a standardized meaning under Canadian generally accepted accounting principles and, therefore, are unlikely to be comparable to similar measures presented by other companies:

EBITDA (Earnings before interest, taxes, depreciation and amortization) is not a concept recognized by generally accepted accounting principles, however is recognized in industry as an indirect measure for operating cash flow, a significant indicator of the success of any business. The following is a reconciliation of EBITDA to net earnings for each of the periods presented in this MD&A:

	For the three months ended March 31st	
	2007	2006
Net earnings	\$ 2,097,842	\$ 2,185,292
Add:		
Income taxes	982,532	1,106,801
Depreciation and amortization	498,180	221,043
Interest	443,555	308,275
EBITDA	\$ 4,022,109	\$ 3,821,411

	For the six months ended March 31st	
	2007	2006
Net earnings	\$ 3,443,359	\$ 3,584,516
Add:		
Income taxes	1,605,297	1,815,478
Depreciation and amortization	857,912	435,513
Interest	883,149	617,057
EBITDA	\$ 6,789,717	\$ 6,452,564

Operating expenses as presented on page 6 and 7 is not a concept recognized by generally accepted accounting principles as it does not include amortization expense related to operations. The following is a reconciliation of operating expenses as presented in this MD&A to total expenses as presented in the March 31, 2007 consolidated financial statements:

	For the three months ended March 31st	
	2007	2006
Operating expenses	\$ 8,907,545	\$ 5,969,687
Add:		
Depreciation and amortization	498,180	221,043
Interest	443,555	308,275
Total expenses	\$ 9,849,280	\$ 6,499,005

	For the six months ended March 31st	
	2007	2006
Operating expenses	\$ 17,564,875	\$ 11,705,955
Add:		
Depreciation and amortization	857,912	435,513
Interest	883,149	617,057
Total expenses	\$ 19,305,936	\$ 12,758,525

CORPORATE INFORMATION

Officers and Directors

Jim Barker
President, Chairman & Director
Edmonton, Alberta

Eric Sauze, CA CFA
Chief Financial Officer
Edmonton, Alberta

Dr. Ken Harrison
Director
Edmonton, Alberta

Richard Smith
Director
Calgary, Alberta

Stephen Kent
Director
Edmonton, Alberta

Don Caron
Secretary and Director
Edmonton, Alberta

Bill Rosser
Director
Edmonton, Alberta

Daryl Kruper
Director
Edmonton, Alberta

Corporate Office

4203 - 95 Street
Edmonton, Alberta T6E 5R6
Ph.: (780) 432-1611
Fax: (780) 462-0807

Auditors

Grant Thornton LLP
1401 Scotia Place 2
10060 Jasper Avenue
Edmonton, Alberta T5J 3R8

Shares Listed

Toronto Stock Exchange
Trading Symbol – “CSA”

Bankers

Canadian Imperial Bank of Commerce
10102 Jasper Avenue
Edmonton, Alberta
T5J 1W5

Transfer Agent

Computershare Trust Company of Canada
600, 530 - 8th Avenue SW
Calgary, AB
T2P 3S8

Share Capital

Issued: 19,453,276 common shares

Investor Relations

Genoa Management Limited
10 King Street East
Suite 1250
Toronto, Ontario
M5C 1C3
Attention: Ali Mahdavi
Phone: (416) 962-3300

Website

www.csinet.ca