
COMMERCIAL SOLUTIONS INC.

MANAGEMENT DISCUSSION AND ANALYSIS

THREE MONTHS ENDED DECEMBER 31, 2006

INTRODUCTION

The following Management's Discussion and Analysis is as of February 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 December 31, 2006 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.

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 December 31, 2006 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

The Industrial Supplies 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

The Oilfield Parts and Supplies 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 eight months leading up to the end of fiscal 2007 Q1, management is determined to generate operational synergies from these acquired assets before it is prepared to undertake another significant acquisition.

FINANCIAL SUMMARY

INCOME STATEMENT, for the three months ended December 31st						
	2006		2005		Increase (Decrease)	
					\$	%
Sales	\$	40,668,595	\$	30,051,902	\$	10,616,693 35.3%
Gross margin \$		11,424,938		8,367,421		3,057,517 36.5%
Gross margin %		28.1%		27.8%		0.3%
Operating expenses	a	8,657,330		5,736,268		2,921,062 50.9%
EBITDA	b	2,767,608		2,631,153		136,455 5.2%
Interest		439,594		308,782		130,812 42.4%
Depreciation and amortization		359,732		214,470		145,262 67.7%
Earnings before tax		1,968,282		2,107,901		(139,619) -6.6%
Income taxes		622,765		708,677		(85,912) -12.1%
Net income		\$ 1,345,517		\$ 1,399,224		\$ (53,707) -3.8%
Earnings per share						
	Basic	\$ 0.07	\$ 0.10	\$ (0.03)		-30.0%
	Diluted	\$ 0.07	\$ 0.09	\$ (0.02)		-22.2%
Weighted avg. shares outstanding						
	Basic	18,955,694	14,366,291	4,589,403		31.9%
	Diluted	20,023,503	16,047,826	3,975,677		24.8%
a	See page 12 for a further explanation of this non-GAAP measure					
b	Represents earnings before interest, taxes, depreciation and amortization (see page 12 for a further explanation of this non-GAAP measure)					

BALANCE SHEET, as at December 31st	2006		2005		Increase (Decrease)		
					\$	%	
Current assets	\$	52,682,888	\$	37,815,664	\$	14,867,224	39.3%
Property, plant and equipment		4,278,264		2,927,023		1,351,241	46.2%
Other assets		35,017,898		13,307,686		21,710,212	163.1%
TOTAL ASSETS		91,979,050		54,050,373		37,928,677	70.2%
Current liabilities		32,485,226		19,130,325		13,354,901	69.8%
Current portion of long term debt		4,145,442		2,316,183		1,829,259	79.0%
Long term liabilities		4,387,932		7,518,207	-	3,130,275	-41.6%
TOTAL LIABILITIES		41,018,600		28,964,715		12,053,885	41.6%
Share capital		34,849,984		17,144,829		17,705,155	103.3%
Retained earnings & contributed surplus		16,110,466		7,940,829		8,169,637	102.9%
TOTAL SHAREHOLDERS' EQUITY		50,960,450		25,085,658		25,874,792	103.1%
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	\$	91,979,050	\$	54,050,373	\$	37,928,677	70.2%

FINANCIAL RESULTS

The fiscal 2007 Q1 results reflected a period of acquisition and organic sales growth which was offset by a slow down in the oilfield sector due to low commodity prices in the shallow gas sector.

Acquisition sales growth was due to three acquisitions performed during the eight months leading up to the end of the first 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 December 31st									
	2006		2005		Change				
	\$	%	\$	%	\$	%			
Industrial supplies	\$	24,545,255	60.4%	\$	17,730,576	59.0%	\$	6,814,679	38.4%
Oilfield parts & supplies		16,123,340	39.6%		12,321,326	41.0%		3,802,014	30.9%
Total	\$	40,668,595	100.0%	\$	30,051,902	100.0%	\$	10,616,693	35.3%

The fiscal 2007 Q1 35.3 percent consolidated sales growth is made up of 32.1 percent from acquisition growth and 3.2 percent from organic growth. The Oilfield Parts and Supplies segment incurred a 1.8

percent organic growth reduction due to the recent slowdown in the Western Canadian oil and gas industry. In fiscal 2006 Q1, this segment experienced 29.7 percent organic growth. The Industrial Supplies segment experienced 6.8 percent organic growth for the period, a slight decrease over the prior period (7.2 percent in fiscal 2006 Q1). Due to diversification of sales to other industries, the Industrial Supplies segment is less impacted by an oil and gas slowdown.

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

Segment revenue weighting

The fiscal 2007 Q1 weighting of revenue between segments was similar to that of fiscal 2006 Q1. Although three acquisitions were done since fiscal 2006 Q1, the revenues from these acquisitions were slightly weighted towards the Industrial Supplies segment, over the Oilfield Parts and Supplies segment.

Gross Margin

The consolidated gross margin percentage increased from 27.8 percent in fiscal 2006 Q1 to 28.1 percent in fiscal 2007 Q1. The increase can be attributable to the following:

- Two of the three acquisitions performed since fiscal 2006 Q1 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 December 31st					
	2006		2005		Change
Operating expenses (\$'s)					*
Salary & wages	\$	5,906,333	\$	3,752,407	57.4%
Selling, general & admin.		1,228,363		691,743	77.6%
Rent, occupancy costs & utilities		872,100		661,326	31.9%
Advertising & promotions		456,435		464,276	-1.7%
Professional fees		194,099		166,516	16.6%
	\$	8,657,330	\$	5,736,268	50.9%
Operating expenses (as a % of sales)	2006		2005		
Salary & wages		14.5%		12.5%	
Selling, general & admin.		3.0%		2.3%	
Rent, occupancy costs & utilities		2.1%		2.2%	
Advertising & promotions		1.1%		1.5%	
Professional fees		0.5%		0.6%	
Total		21.3%		19.1%	
* See page 12 for a further explanation of this non-GAAP measure					

Due to the Excel, Rig and Raeside acquisitions, the dollar value of operating expenses increased by 50.9 percent for fiscal 2007 Q1 versus fiscal 2006 Q1. As a percentage of sales, the usual downward trend noted in the previous eight quarters was reversed. This was due to a shortfall in revenue, as the Company did not undertake any significant investment in its core infrastructure in fiscal 2007 Q1. 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, as well, as increased travel costs (related to fuel costs) for outside salespeople.

Rent, utility and occupancy costs reflect inflationary increases on our facilities, as well as the incremental costs of the additional sixteen locations from our 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 remained relatively the same, as the marketing programs reflected those of the comparative quarter..

Interest Expense

The increase in fiscal 2007 Q1 interest expense versus fiscal 2006 Q1 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 Q1 effective tax rate was 31.6 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

The three acquisitions, coupled with organic growth translated into fiscal 2007 Q1 net earnings of \$1,345,517, a reduction of 3.8 percent from the comparative period.

Quarter over quarter earnings per share on a basic and diluted basis decreased by 30.0 percent and 22.2 percent respectively. Although the earnings from the three acquisitions offset lost profit from the oil and gas slowdown, earnings per share was impacted by a 24.8 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

	FISCAL 2006			FISCAL 2007	
	Q2	Q3	Q4	Q1	Total
Sales	\$ 34,485,415	\$ 33,062,700	\$ 40,900,553	\$ 40,668,595	\$ 149,117,263
Gross margin (\$)	9,791,098	9,056,801	12,268,699	11,424,938	42,541,536
Gross margin (%)	28.4%	27.4%	30.0%	28.1%	28.5%
Operating expenses	a 5,969,687	6,333,898	7,159,149	8,657,330	28,120,064
EBITDA	b 3,821,411	2,722,903	5,109,550	2,767,608	14,421,472
Net earnings	\$ 2,185,292	\$ 1,481,346	\$ 2,885,420	\$ 1,345,517	\$ 7,897,575
Basic earnings per share	\$ 0.15	\$ 0.08	\$ 0.16	\$ 0.07	\$ 0.46
Diluted earnings per share	\$ 0.13	\$ 0.07	\$ 0.14	\$ 0.07	\$ 0.41

a See page 12 for a further explanation of this non-GAAP measure.

b Represents earnings before interest, taxes, depreciation and amortization. See page 12 for a further explanation of this non-GAAP measure.

	FISCAL 2005			FISCAL 2006	
	Q2	Q3	Q4	Q1	Total
Sales	\$ 22,599,686	\$ 25,379,869	\$ 28,891,179	\$ 30,051,902	\$ 106,922,636
Gross margin (\$)	6,501,459	7,059,529	7,948,001	8,367,421	29,876,410
Gross margin (%)	28.8%	27.8%	27.5%	27.8%	27.9%
Operating expenses	a 4,714,948	5,182,171	5,449,176	5,736,268	21,082,563
EBITDA	b 1,786,511	1,877,358	2,498,825	2,631,153	8,793,847
Net earnings (loss)	\$ 873,333	\$ 926,071	\$ 1,386,444	\$ 1,399,224	\$ 4,585,072
Basic earnings per share	\$ 0.09	\$ 0.08	\$ 0.09	\$ 0.10	\$ 0.36
Diluted earnings per share	\$ 0.08	\$ 0.07	\$ 0.09	\$ 0.09	\$ 0.33

a See page 12 for a further explanation of this non-GAAP measure.

b Represents earnings before interest, taxes, depreciation and amortization. See page 12 for a further explanation of this non-GAAP measure.

Trailing Twelve Months

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

Seasonal Nature of the Business

Although the Company has significant exposure to the energy industry (over 50.0 percent of sales), over 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 may result in the seasonal trend returning.

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

FINANCIAL CONDITION AND LIQUIDITY

Cash From Operations

Commercial generated funds totaling \$1,224,850 from operating activities in fiscal 2007 Q1 compared to a generation of cash totaling \$762,496 from operating activities in fiscal 2006 Q1. This improvement in operating cashflow reflects a decrease in working capital investment.

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 @ Dec. 31		As @
	2006	2005	Sept. 30.06
Working capital ratio	1.44	1.76	1.76
Days sales in receivables	59.9	57.6	56.7
Inventory turns	5.3	5.0	5.3
Days purchases in payables	59.7	57.7	54.0

The Company's net working capital position at December 31, 2006 decreased to \$16,052,220 (working capital ratio of 1.44) from \$27,716,812 at September 30, 2006 (working capital ratio of 1.76). This decrease is mostly attributable to the \$14,500,000 cash paid on closing for the purchase of Raeside in October 2006.

Intangibles

Intangible assets increased from September 30, 2006 to December 31, 2006 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 six 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 access 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 years
Non-competition agreements	Straight-line - 5 years
Other intangible assets	Straight-line - 1 year

Goodwill

The fiscal 2007 Q1 goodwill increased by \$11,672,236 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 Q1 investment in property and equipment mostly centered on improvements to the management information system and facility upgrades.

Senior operating credit facility

The Company maintains a senior operating credit facility with the Bank of Montreal allowing the Company to draw up to \$25 million. As at December 31, 2006, the Company was operating within its covenants.

OUTLOOK

Management remains confident in Commercial's revenue and earnings growth for fiscal 2007 and beyond. Particularly, management expects continued organic sales growth due to the opportunities afforded by Commercial's three most recent acquisitions. Specifically, the opportunity to have them sell an additional suite of products for which previously they did not have access. In addition, as Commercial assimilates the operations, of the acquired companies, operating synergies should begin to emerge. Key to the assimilation process is the conversion of the management information systems which will take place over the next quarters, therefore, management expects to realize these synergies in the latter part of fiscal 2007.

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. Commercial's ability to provide one stop shop procurement solutions will be beneficial towards helping the energy sector reduce

procurement costs. This leads us to believe we will remain well positioned to maintain our standing as a premier distributor to this industry sector.

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. As a percentage of sales on an annual basis, operating expenses are expected to continue to decrease, following the trend of prior years. Management's target EBITDA margin for fiscal 2007 is in the 9.5 percent - 10.5 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 February 14, 2007 the Company had 19,418,076 common shares outstanding.

The Board of Directors may grant options to purchase up to 1,117,470 common shares. As of February 14, 2007, options to purchase 1,055,936 common shares were outstanding at an average exercise price of \$3.23 per common share. Agent's options totaling 210,000 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 7.9 percent of the Company's total sales for the fiscal 2007 first quarter ended December 31, 2006. 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 December 31, 2006 first 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 December 31, 2006 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 December 31st	
	2006	2005
Net earnings	\$ 1,345,517	\$ 1,399,224
Add:		
Income taxes	622,765	708,677
Depreciation and amortization	359,732	214,470
Interest	439,594	308,782
EBITDA	\$ 2,767,608	\$ 2,631,153

Operating expenses as presented on page 5 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 December 31, 2006 consolidated financial statements:

	For the three months ended December 31st	
	2006	2005
Operating expenses	\$ 8,657,330	\$ 5,736,268
Add:		
Depreciation and amortization	359,732	214,470
Interest	439,594	308,782
Total expenses	\$ 9,456,656	\$ 6,259,520

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
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Bill Rosser
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Shares Listed

Toronto Stock Exchange
Trading Symbol – “CSA”

Bankers

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Transfer Agent

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Share Capital

Issued: 19,418,076 common shares

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