POLARIS INDUSTRIES INC/MN
Form 8-K
October 18, 2012
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): October 18, 2012

POLARIS INDUSTRIES INC.
(Exact name of Registrant as specified in its charter)

Minnesota	**1-11411**	**41-1790959**
(State of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

2100 Highway 55
Medina, Minnesota 55340
(Address of principal executive offices)
(Zip Code)

(763) 542-0500
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition.

On October 18, 2012, Polaris Industries Inc. (the "Company") issued a press release announcing the Company's third quarter 2012 financial results for the reporting period ended September 30, 2012. On October 18, 2012, the Company also hosted its quarterly earnings conference call, which was accessible to the public. A recording of the conference call will be available through the end of the business day on October 25, 2012 by dialing 855-859-2056 in the U.S. and Canada, or 404-537-3406 for international calls and entering passcode 65258311, and on the Company's website, **www.polarisindustries.com/irhome**.

A copy of the Company's press release is furnished as Exhibit 99.1 attached hereto and a copy of the presentation materials discussed during the conference call is being furnished as Exhibit 99.2 to this Current Report on Form 8-K.

Item 7.01 Regulation FD Disclosure.

The disclosures set forth in Item 2.02 above are hereby incorporated by reference into this Item 7.01.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

99.1 Press Release dated October 18, 2012 of Polaris Industries Inc.

99.2 Presentation materials dated October 18, 2012 of Polaris Industries Inc.

The information contained in this Current Report is furnished and not deemed to be filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section. The information in this Current Report shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: October 18, 2012

POLARIS INDUSTRIES INC.

/s/ Michael W. Malone
Michael W. Malone
Vice President – Finance and
Chief Financial Officer of Polaris Industries Inc.

EXHIBIT INDEX

Exhibit Number	Description
99.1	Press Release dated October 18, 2012 of Polaris Industries Inc.
99.2	Presentation materials dated October 18, 2012 of Polaris Industries Inc.

$ 300,000

Working capital

$ 300,000

Total (including Offering Costs)

$3,000,000

At December 31, 2006, we had negative working capital of $3,756,715 and cash of $54,624. We expect that we will need to raise an additional $3,000,000 in order to fund our activities over the 12 month period ending March 31,

2008. We intend to raise these funds through the sale of our equity securities. There can be no assurance that we will be able to raise any of these funds.

We currently anticipate that we will generate revenues in the long-term as we increase our sales and marketing activities and our product development is completed and they gain industry acceptance. We have implemented cost control strategies and expect to keep our operating costs to a minimum until cash is available through financing or operating activities.

Due to the uncertainty of our ability to meet our current operating and capital expenses, in their report on the annual consolidated financial statements for the year ended December 31, 2006, our independent registered public accounting firm included an explanatory paragraph in their report regarding substantial doubt about our ability to continue as a going concern.

Our ability to continue as a going concern as the continuation of our business is dependent upon obtaining further financing, successful and sufficient market acceptance of our current products and any new products that we may introduce, the continuing successful development of our products and related technologies, and, finally, achieving a profitable level of operations. The issuance of additional equity securities by us could result in a significant dilution in the equity interests of our current stockholders. Obtaining commercial loans, assuming those loans would be available, will increase our liabilities and future cash commitments.

There are no assurances that we will be able to obtain further funds required for our continued operations. We are pursuing various financing alternatives to meet our immediate and long-term financial requirements. There can be no assurance that additional financing will be available to us when needed or, if available, that it can be obtained on commercially reasonable terms. If we are not able to obtain the additional financing on a timely basis, we will be forced to scale down or perhaps even cease the operation of our business.

New Accounting Pronouncements

In February 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 155, Accounting for Certain Hybrid Financial Instruments an Amendment of FASB Statements No. 133 and 140. Among other things, SFAS No. 155 permits the election of fair value measurement for certain hybrid financial instruments that would otherwise require bifurcation under Statement 133, Accounting for Derivative Instruments and Hedging Activities . These hybrid financial instruments would include both assets and liabilities. SFAS No. 155 is effective for fiscal years beginning after September 15, 2006. We are currently evaluating the impact of the provisions of SFAS No. 155.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. The provisions of SFAS 157 are effective for fiscal years beginning after November 15, 2007. We are currently evaluating the impact of the provisions of SFAS No. 157.

In June 2006, FASB issued interpretation No. 48, Accounting for Uncertainty in Income Taxes-an interpretation of FASB Statement No. 109 (FAS No. 109) (FIN 48). This interpretation prescribes a recognition threshold and measurement attribute for tax positions taken or expected to be taken in a tax return. This interpretation also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The evaluation of a tax position in accordance with this interpretation is a two-step process. In the first step, recognition, we determine whether it is more-likely-than-not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The second step addresses measurement of a tax position that meets the more-likely-than-not criteria. The tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Differences between tax positions taken in a tax return and amounts recognized in the financial statements will generally result in a) an increase in a liability for income taxes payable or a reduction of an income tax refund receivable, b) a reduction in a deferred tax asset or an increase in a deferred tax liability or c) both a) and b). Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be de-recognized in the first subsequent financial reporting period in which that threshold is no longer met. Use of a valuation allowance as described in FAS No. 109 is not an appropriate substitute for the de-recognition of a tax position. The requirement to assess the need for a valuation allowance for deferred tax assets based on sufficiency of future taxable income is unchanged by this interpretation. This Interpretation is effective for fiscal years beginning after December 15, 2006. We are currently evaluating the impact FIN 48 will have on our consolidated balance sheet and statement of operations.

On September 13, 2006, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 108 which provides interpretive guidance on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a current year misstatement. SAB 108 is effective for fiscal years ending after November 15, 2006. The adoption of SAB 108 did not have a material impact on our consolidated financial statements.

Application of Critical Accounting Policies

Research and development

We follow SFAS No. 86, *Accounting for Costs of Computer Software to be Sold, Leased or Otherwise Marketed* and expense all software development costs until technical feasibility is established. Thereafter, the costs incurred are capitalized until the software is commercially available. Capitalized costs are assessed and amortized on a product-by-product basis. The annual amortization shall be the greater of the amount computed using (a) the ratio that current gross revenues for a product compare to the total of current and anticipated future gross revenues for that product or (b) the straight-line method over the remaining estimated economic life of the product.

In September 2006, our management revisited the allocation of the purchase price among net assets of the predecessor company acquired in respect of software and goodwill. We had previously allocated no value to computer software acquired and approximately $4.3 million to goodwill. As a result, we restated our 2005 and 2004 consolidated financial statements, assigning a value of $2,178,339 to software. The useful life of this software was estimated at 2 years from the date of acquisition due to effects of obsolescence, technology and competition concerning this acquired software. At the present time, the straight-line method results in greater amortization than the revenue-based method above.

All costs pertaining to general research and development are charged to expense as incurred.

Stock Options

Beginning January 1, 2006, we adopted the recommendations of the Statement of Financial Accounting Standards No. 123R, "Accounting for Stock-based Compensation" (SFAS 123R), and have applied the recommendations of this standard using the modified prospective method. Under this application, we are required to record compensation expense for all awards granted after the date of adoption and for the unvested portion of previously granted awards that remain outstanding at the date of adoption. Prior to the adoption of SFAS 123(R), we followed the SFAS 123 Accounting for Stock-Based Compensation to account for all stock-based compensation. Since we had previously been using the fair value based method in accounting for all stock-based compensation, the adoption of the new standard did not have a material effect on the consolidated financial statements. No prior periods were restated or cumulative adjustments recorded upon the adoption of this standard.

Revenue Recognition

Revenues are primarily derived from sales of products and the provision of consulting services. Accounting for revenue recognition is complex and affected by interpretations of guidance provided by several sources, including the Financial Standards Accounting Board (FASB) and the Securities and Exchange Commission (SEC). This guidance is subject to change. We follow the guidance established by the SEC in Staff Accounting Bulletin No. 104, as well as generally accepted criteria for revenue recognition, which require that, before revenue is recorded, there is persuasive evidence of an arrangement, the fee is fixed or determinable, collection is reasonably assured, and delivery to our customer has occurred. Applying these criteria to certain of our revenue arrangements requires us to carefully analyze the terms and conditions of our agreements. Revenue from our software license agreements is generally recognized at the time we enter into a contract and provide our customer with the licensed software. We believe that this is the point at which we have performed all of our obligations under the agreement; however, this remains a highly interpretive area of accounting and future license agreements may result in a different method of revenue recognition. Revenue from the sale of GPS systems, which includes hardware and software, are deferred and recognized when the whole system is delivered. Amounts collected prior to satisfying the above revenue recognition criteria are reflected as customer deposits.

Impairment of Long-lived Assets

We apply the recommendations of SFAS 144, Accounting for the Impairment of Disposal of Long-Lived Assets. SFAS 144 requires that companies (1) recognize an impairment loss only if the carrying amount of a long-lived asset is not recoverable based on its undiscounted cash flows and (2) measure an impairment loss as the difference between the carrying value and fair value of the asset. We revisit the carrying amount of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recognition of impairment of long-lived assets will be required in the event that the net book value of such assets exceeds the estimated future undiscounted cash flows attributable to such assets or the business to which such assets relate. Based on our analysis, we believe that there was no impairment of our property and equipment as at December 31, 2006 and 2005. While our assumptions are based on the best estimates available, however, given that we have no history of profitability, there is no assurance that our estimates will reflect the actual future cash flows. We will revise our assumptions and reassess our long-lived assets for impairment when future events or changes in circumstances indicate that carrying amount may not be recoverable.

Item 7. Financial Statements.

Our financial statements are stated in United States dollars and are prepared in accordance with United States Generally Accepted Accounting Principles.

The Report of BDO Dunwoody LLP on the audited financial statements for the years ended December 31, 2006 and 2005 is included herein immediately preceding the audited financial statements.

NAVITRAK INTERNATIONAL CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in US dollars)

DECEMBER 31, 2006 and DECEMBER 31, 2005

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Report of Independent Registered Public Accounting Firm

To the Directors and Stockholders of

Navitrak International Corporation

We have audited the accompanying consolidated balance sheets of Navitrak International Corporation as of December 31, 2006 and 2005 and the consolidated statements of operations, comprehensive loss, changes in capital deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects the financial position of Navitrak International Corporation as of December 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company had an accumulated deficit of $19,745,169 and negative working capital at December 31, 2006. These conditions raise substantial doubt about the Company s ability to continue as a going concern. Management s plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The consolidated financial statements as of December 31, 2005 and for the year then ended have been restated to correct errors in the accounting for the acquisition of the predecessor company, the presentation of long-term debt and for additional stock option compensation as described in Note 14.

/s/ BDO Dunwoody LLP

Chartered Accountants

Vancouver, Canada

March 2, 2007

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NAVITRAK INTERNATIONAL CORPORATION

CONSOLIDATED BALANCE SHEETS

(Expressed in US dollars)

	December 31, 2006	December 31, 2005 (Restated)*
ASSETS		
Current		
Cash (Note 3)	$ 54,624	$ 521,987
Accounts receivable	24,417	-
Inventory (Note 3)	310,039	162,948
Prepaid expenses and deposits	84,736	74,220
	473,816	759,155
Property and equipment (Note 4)	213,897	241,612
Investment in Invisa, Inc. (Note 5)	16,875	37,500
Software acquired, net of accumulated amortization of $2,178,339 and $1,238,371, respectively	-	939,968
	$ 704,588	$ 1,978,235
LIABILITIES AND CAPITAL DEFICIT		
Current		
Accounts payable and accrued liabilities	$ 331,772	$ 319,797
Customer deposits	147,191	140,652
Advances payable (Note 6)	607,475	393,475
Bridge loans, shareholders	4,287	4,288
Payable to related parties (Note 7)	1,229,388	149,844
Current portion of long-term debt (Note 8)	1,910,418	295,447
	4,230,531	1,303,503
Long-term debt (Note 8)	214,190	1,454,186
	4,444,721	2,757,689
Capital deficit		
Capital stock (Note 9)		
Authorized		
100,000,000 common shares, each with par value of $0.001		
10,000,000 preferred shares, each with a par value of $0.001		
Issued		
31,952,430 (December 31, 2005 30,702,430) common shares	31,953	30,703
Additional paid-in capital	15,114,363	12,822,077
Shares to be issued (Note 9)	862,500	125,000
Accumulated other comprehensive loss foreign currency translation	(3,780)	(18,734)

Accumulated deficit	(19,745,169)	(13,738,500)
	(3,740,133)	(779,454)
	$ 704,588	$ 1,978,235

*See Note 14

The accompanying notes are an integral part of these consolidated financial statements.

NAVITRAK INTERNATIONAL CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(Expressed in US dollars)

	Year Ended December 31, 2006	Year Ended December 31, 2005 (Restated)*
SALES	$ 199,195	$ 73,314
OPERATING COSTS AND EXPENSES		
Cost of sales	202,722	83,678
General and administrative (Note 10)	3,873,453	6,329,411
Depreciation and amortization	1,028,699	1,148,588
Product development	873,289	682,795
Selling	198,866	355,317
	6,177,029	8,599,789
Loss from operations	(5,977,834)	(8,526,475)
OTHER ITEMS		
Interest income	1,207	1,518
Loss on settlement of advances payable (Note 9)	-	(142,611)
Write-down of Investment in Invisa, Inc. (Note 5)	(20,625)	(18,750)
Foreign exchange (loss) gain	(4,007)	30,872
Interest expense	(5,410)	(26,400)
	(28,835)	(155,371)
Net loss for the year	$ (6,006,669)	$ (8,681,846)
Loss per share basic and diluted	$ (0.19)	$ (0.32)
Weighted average shares outstanding basic and diluted	31,105,818	27,094,199

*See Note 14

The accompanying notes are an integral part of these consolidated financial statements.

NAVITRAK INTERNATIONAL CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Expressed in US dollars)

	Year Ended December 31, 2006	Year Ended December 31, 2005 (Restated)*
Net loss for the year	$ (6,006,669)	$ (8,681,846)
Foreign currency translation gain/(loss)	14,954	(72,306)
Comprehensive loss for the year	$ (5,991,715)	$ (8,754,152)

*See Note 14

The accompanying notes are an integral part of these consolidated financial statements.

NAVITRAK INTERNATIONAL CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN CAPITAL DEFICIT

(Expressed in US dollars)

	Common Stock						
	Number of Shares	Amount	Additional Paid-in Capital	Shares to be issued	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
Balance, January 1, 2005 Restated *	24,559,630	$ 24,560	$ 5,321,160	$ 98,528	$ (5,056,654)	$ 53,572	$ 441,166
Shares issued to employees and management of predecessor company							
- accrued in November 2004 and issued in January 2005	150,000	150	74,850	(75,000)	-	-	-
Shares issued to directors of predecessor company							
- accrued in November 2004 and issued in January 2005	46,800	47	23,353	(23,400)	-	-	-
Shares issued for Blackstone acquisition accrued in September 2004 and issued in March 2005	2,000	2	126	(128)	-	-	-
Shares to be issued for cash June 2005 at $0.50 per share (Note 9)	660,000	660	329,340	-	-	-	330,000
Shares issued for cash							
-August 2005 at $0.50 per share (Note 9)	4,348,000	4,348	2,169,652	-	-	-	2,174,000
Share and warrants issued for settlement of advances payable at $1.02 per share and fair value of $0.40 per warrant in August 2005 (Note 9)	200,000	200	243,970	-	-	-	244,170
Shares issued for cash							
-September 2005 at $0.50 per share (Note 9)	736,000	736	367,264	-	-	-	368,000
Shares to be issued to key employee (Note 9)	-	-	-	125,000	-	-	125,000
Stock-based compensation (Note 9)	-	-	4,579,562	-	-	-	4,579,562
Finders fee (Notes 10)	-	-	(287,200)	-	-	-	(287,200)
Net loss for the year	-	-	-	-	(8,681,846)	-	(8,681,846)
Foreign exchange translation	-	-	-	-	-	(72,306)	(72,306)
Balance, December 31, 2005 Restated *	30,702,430	30,703	12,822,077	125,000	(13,738,500)	(18,734)	(779,454)

Shares issued for cash August 2006 at $0.75 per share (Note 9)	960,000	960	719,040	-	-	-	720,000
Shares issued for cash December 2006 at $0.75 per share (Note 9)	290,000	290	217,210	-	-	-	217,500
Stock-based compensation (Note 9)	-	-	1,449,786	-	-	-	1,449,786
Shares to be issued (Note 9)	-	-	-	737,500	-	-	737,500
Finders fees (Note 9)	-	-	(93,750)	-	-	-	(93,750)
Net loss for the year	-	-	-	-	(6,006,669)	-	(6,006,669)
Foreign exchange translation	-	-	-	-	-	14,954	14,954
Balance, December 31, 2006	**31,952,430**	**$ 31,953**	**$ 15,114,363**	**$ 862,500**	**$ (19,745,169)**	**$ (3,780)**	**$ (3,740,133)**

*See Note 14

The accompanying notes are an integral part of these consolidated financial statements.

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NAVITRAK INTERNATIONAL CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in US dollars)

	Year Ended December 31, 2006	Year Ended December 31, 2005 (Restated)*
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	$ (6,006,669)	$ (8,681,846)
Adjustments to reconcile net loss for the year to cash used in operating activities		
Loss on settlement of advances payable	-	142,611
Accrued interest on advances (Note 6)	4,000	14,975
Write-down of investment	20,625	18,750
Loss on write-off of long-term asset	-	6,972
Depreciation and amortization	1,028,699	1,148,588
Stock-based compensation	1,449,786	4,579,562
Shares to be issued to one employee as per employment agreement	737,500	125,000
Increase in prepaid expenses and deposits	(10,516)	(52,499)
(Increase) decrease in accounts receivable	(24,417)	11,071
Decrease in refundable tax credit	-	111,603
Increase in inventory	(147,091)	(37,299)
Increase in accounts payable and accrued liabilities	11,975	(84,813)
Decrease in customer deposits	6,539	-
Cash used in operating activities	(2,929,569)	(2,697,325)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment to bridge loans / shareholders	-	(24,500)
Repayment of bank indebtedness	-	(90,818)
Repayment of long-term debt	(60,563)	(41,201)
Repayment of notes payable	-	(133,000)
Repayment of related party advances	(193,750)	(94,797)
Repayment of advances payable	-	(100,000)
Proceeds from advances payable	210,000	50,000
Proceeds from long-term debt	451,238	1,204,016
Proceeds from related party advances	1,273,294	-
Issuance of capital stock, net of finders fees	843,750	2,584,800
Cash provided by financing activities	2,523,969	3,354,500
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(61,016)	(167,881)
Cash used in investing activities	(61,016)	(167,881)
Net increase (decrease) in cash	(466,616)	489,294
Cash, beginning of year	521,987	44,161
Effect of foreign exchange on cash	(747)	(11,468)
Cash, end of the year	$ 54,624	$ 521,987
Supplemental Information:		
Taxes paid	$ -	$ -
Interest paid	$ 1,410	$ 24,343

Non-cash investing and financing activities		
Shares and warrants issued for settlement of advances payable	$ -	$ 244,170

The accompanying notes are an integral part of these consolidated financial statements.

NAVITRAK INTERNATIONAL CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2006 and DECEMBER 31, 2005

(Expressed in US dollars)

1. COMPANY HISTORY AND NATURE OF OPERATIONS

The Company (formerly Flashpoint International, Inc.) was incorporated in 1998 under the laws of the State of Nevada to engage in any lawful business or activity for which operations may be organized under the laws of the state of Nevada. Through a series of events and agreements, on November 12, 2004, the Company acquired the net assets of Navitrak International Corporation (an unrelated Canadian company) through the issuance of cash, notes payable and common shares. The Company changed its name and now operates under the name of Navitrak International Corporation.

The Company is actively engaged in the business of developing and marketing advanced GPS-based navigation, mapping and tracking solutions for use by airborne and ground personnel in law enforcement, military, police, fire-fighting, search and rescue and other applications. These navigation systems provide real time positioning information through proprietary software, moving map display technology and location-based information.

Currently, all of the Company's operational activities are conducted from its facilities in Halifax, Canada. For financial statement purposes Navitrak International Corporation (the unrelated Canadian company) is the predecessor.

2. ABILITY TO CONTINUE AS A GOING CONCERN

These accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. As at December 31, 2006, the Company has a working capital deficit of $3,756,715 (December 31, 2005 - $544,348), incurred a loss during 2006 of $6,006,669 and has an accumulated deficit of $19,745,169 at December 31, 2006. The continuation of the Company is dependent upon the successful completion of development and marketing of its navigation systems, the continuing support of creditors and stockholders as well as achieving and maintaining a profitable level of operations. These conditions raise substantial doubt about the Company s ability to continue as a going concern. The Company had cash on hand of $54,624 at December 31, 2006. Management anticipates that it requires approximately $3 million over the twelve months ended December 31, 2007 to continue operations. To the extent that cash needs are not achieved from operating cash flow and existing cash on hand, the Company plans to raise necessary cash through equity issuances and/or debt financing. Amounts raised will be used to continue the development of the Company's products, roll out the Company's products to market and for other working capital purposes. Management cannot provide any assurances that the Company will be successful in any of its plans.

Although there are no assurances that management's plans will be realized, management believes that the Company will be able to continue operations in the future. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets or the amounts of and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

NAVITRAK INTERNATIONAL CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2006 and DECEMBER 31, 2005

(Expressed in US dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America

Basis of Presentation

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, and include the accounts of the Company and its wholly-owned subsidiaries, Navitrak Engineering Incorporated, Navitrak Sales Corporation and 0705951 BC Ltd. On September 1, 2005, the Company allowed Navitrak Sales Corporation to be revoked by the Secretary of State of the State of Nevada for failure to file its annual list. A fourth subsidiary, Navitrak Technologies Inc. was incorporated October 7, 2005 to hold future software licenses acquired from U.S. corporations. All inter-company transactions and balances are eliminated upon consolidation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires the Company s management to make estimates and assumptions which affect the amounts reported in these consolidated financial statements, the notes thereto, and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Foreign Currency Translation and Transactions

The Company s functional currency is the United States dollar; however, the functional currency of Navitrak Engineering Inc. is the Canadian dollar as substantially all of its operations are in Canada.

Assets and liabilities of the subsidiary denominated in Canadian dollars are translated at the exchange rate in effect at the period end. Revenue and expenses are translated at the average rates of exchange prevailing during the periods. The cumulative effect of any translation gains or losses is to be included in the Accumulated Other Comprehensive Loss account in Capital Deficit.

Transactions undertaken in currencies other than the respective functional currencies are translated using the exchange rate in effect on the transaction date. At the end of the period, monetary assets and liabilities are translated to the respective functional currencies using the exchange rate in effect at the period end date. Transaction gains and losses are included in the Consolidated Statements of Operations.

Fair Value of Financial Instruments

The fair value of the Company s financial instruments, which consist of cash, accounts receivable, investment in Invisa, Inc., accounts payable and accrued liabilities, advances payable, bridge loans, amounts payable to related parties and long-term debt, approximate their carrying values due to their short term or demand nature, except for long-term debt. It is not practical to assess the fair value of long-term debt.

Cash

Included in cash is $52,918 (2005 $378,284) denominated in the Canadian dollar.

NAVITRAK INTERNATIONAL CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2006 and DECEMBER 31, 2005

(Expressed in US dollars)

3. Summary of significant accounting policies - Continued

Revenue Recognition

Revenues are predominantly derived from sales of products and the provision of consulting services. The Company recognizes revenue in accordance with Staff Accounting Bulletin No. 104 *Revenue Recognition* and Statement of Position (SOP) 97-2 *Software Revenue Recognition*. The Company sells mainly GPS systems which include computer hardware and software but occasionally, sales consist of software licenses only. When selling only software licenses, the Company is responsible for installing the software onto specific hardware components that meet the specified system requirements. Revenue from the sales of GPS systems, which include hardware and software, is deferred and recognized when the complete system including the software is delivered, the fees are fixed and determinable, the resulting receivable is deemed collectible by management and any uncertainties with regard to customer acceptance are insignificant. Revenue from the sale of software licenses is recognized when the software is delivered, the fees are fixed and determinable and the resulting receivable is deemed collectible by management. The Company considers the software license to have been delivered when the software is properly installed in the specific hardware and customer acceptance has been obtained. In an arrangement with multiple deliverables, the Company allocates fees to various elements based on vendor-specific objective evidence of fair value as defined in SOP 97-2. Revenue from the consulting services is recognized when the services are provided. Amounts collected prior to satisfying the above revenue recognition criteria are reflected as customer deposits.

Accounts receivable

Accounts receivable are presented net of an allowance for doubtful accounts. The allowance was $Nil at December 31, 2006 and 2005.

Management evaluates the collectibility of accounts receivable balances based on a combination of factors on a periodic basis. In cases where we are aware of circumstances that may impair a specific customer's ability to meet its financial obligations, we record a specific allowance against amounts due, and thereby reduce the net recognized receivable to the amount management reasonably believes will be collected. For all other customers, the Company recognizes allowances for doubtful accounts based on the length of time the receivables are outstanding, industry and geographic concentrations, the current business environment and historical experience.

Inventory

Inventory, consisting of finished goods and work-in-progress, is recorded at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis.

The following inventory was on hand at December 31, 2006 and 2005:

	2006	2005
Finished goods	**$ 147,191**	$ -
Work-in-process	**162,848**	162,948
	$ 310,039	$ 162,948

NAVITRAK INTERNATIONAL CORPORATION

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3. Summary of significant accounting policies - Continued

Property and Equipment

Property and equipment is recorded at cost less accumulated depreciation. Depreciation of equipment is provided on a declining-balance basis over the estimated useful life of the assets at the following annual rates:

Computer software	100%
Equipment	33%
Computer equipment	30%
Furniture and fixtures	20%
Assets under capital lease	20%
Map library	20%

Leasehold improvements are depreciated over the lesser of the lease term and the expected useful life of the improvements.

Depreciation of property and equipment is recorded at one-half of the above rates in the year of acquisition.

Impairment of Long-Lived Assets

The Company applies the recommendations of the SFAS 144, Accounting for the Impairment or Disposal of Long-Lived Assets . SFAS 144 requires that companies (1) recognize an impairment loss only if the carrying amount of a long-lived asset is not recoverable based on its undiscounted future cash flows and (2) measure an impairment loss as the difference between the carrying amount and fair value of the asset. No impairment writedowns were determined necessary at December 31, 2006 and 2005.

Investment in Invisa, Inc.

The Company follows SFAS 115 Accounting for Certain Investments in Debts and Equity Securities in its accounting for the securities held in Invisa, Inc. These shares are recorded at cost, are classified as securities available-for-sale and are reported at fair value, with unrealized gains and losses charged to comprehensive income (loss). In the event that management determines that a decline in value of the securities is other-than-temporary, an impairment loss would be recognized. Management recorded an impairment loss relating to its investment in Invisa, Inc. shares of $20,625 for the year ended December 31, 2006 (2005 - $18,750).

Investment tax credits

Investment tax credits, which are earned as a result of qualifying research and development expenditures, are recognized when the expenditures are made and their realization is reasonably assured. They are applied to reduce related capital costs and research and development expenses in the year recognized.

The Company s claim for Scientific Research and Experimental Development (SR&ED) deductions and related investment tax credits for income tax purposes are based upon management s interpretation of the applicable legislation in the Income Tax Act (Canada). These amounts are subject to review and acceptance by the Canada Revenue Agency prior to collection.

NAVITRAK INTERNATIONAL CORPORATION

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3. Summary of significant accounting policies - Continued

Stock-Based Compensation

Prior to 2006, the Company applied SFAS No. 123, Accounting for Stock-Based Compensation ("SFAS 123") and SFAS 148 Accounting for Stock-Based Compensation Transition and Disclosure, an amendment to SFAS No. 123 to account for all stock based compensation arrangements granted using the fair value based method prescribed in SFAS 123. Stock-based compensation for non-employees was re-measured on each balance sheet date until such options vest. Compensation expense was recognized immediately for past services and pro-rata for future services over the option-vesting period. See note 9 for details concerning the fair value determination, including assumptions.

Beginning January 1, 2006, the Company adopted the recommendations of the Statement of Financial Accounting Standards No. 123R, "Accounting for Stock-based Compensation" (SFAS 123(R)), and has applied the recommendations of this standard using the modified prospective method. Under this application, the Company is required to record compensation expense for all awards granted after the date of adoption and for the unvested portion of previously granted awards that remain outstanding at the date of adoption. Prior to the adoption of SFAS 123(R), the Company followed SFAS 123 Accounting for Stock-Based Compensation to account for all stock-based compensation. Accordingly, no prior periods were restated or cumulative adjustments recorded upon the adoption of this standard. Since the Company had previously been using the fair value based method in accounting for all stock-based compensation, the adoption of the new standard did not have a material effect on the consolidated financial statements.

Research and Development

Research and development costs are charged to product development in the Statement of Operations as incurred.

Software Development Costs

The Company follows SFAS No. 86, *Accounting for Costs of Computer Software to be Sold, Leased or Otherwise Marketed* and expenses all software development costs until technological feasibility is established. Thereafter, the costs incurred are capitalized until the software is commercially available. Capitalized costs are amortized on a product-by-product basis. The annual amortization shall be the greater of the amount computed using (a) the ratio that current gross revenues for a product compare to the total of current and anticipated future gross revenues for that product or (b) the straight-line method over the remaining estimated economic life of the product.

The Company acquired software technology from the Predecessor on November 11, 2004. The amount capitalized on the acquisition date, based upon independent valuation, was $2,178,339 (Note 14). The useful life of this software is estimated at 2 years from the date of acquisition due to effects of obsolescence, technology and competition concerning this acquired software. As the straight-line method results in greater amortization than the revenue-based method above, the Company recognized amortization expense of $939,968 for the year ended December 31, 2006 (2005 $1,089,170). Accumulated amortization at December 31, 2006 was $2,178,339 (2005 - $1,238,371).

NAVITRAK INTERNATIONAL CORPORATION

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3. Summary of significant accounting policies - Continued

Advertising expense

The cost of advertising is expensed as incurred. Advertising expense included in selling expense, totalled $7,791 for the year ended December 31, 2006 (2005 - $20,257)

Earnings (Loss) Per Share

Loss per share is computed in accordance with SFAS No. 128, Earnings per Share . Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. In loss periods, dilutive common equivalent shares are excluded, as the effect would be anti-dilutive.

The impact on dilution of the potential exercise of options and warrants and the bonus shares to be issued was 12,672,000 for the year ended December 31, 2006 (2005 11,692,000).

Comprehensive Income

SFAS No. 130, "Reporting Comprehensive Income", establishes standards for reporting and presentation of comprehensive income (loss). This standard defines comprehensive income as the changes in equity of an enterprise except those resulting from stockholder transactions.

Income Taxes

Income taxes are accounted for using the asset and liability method which requires the recognition of income taxes payable or refundable for the current year and deferred tax liabilities and assets for the future consequences of events that have been recognized in the Company s financial statements or tax returns. Under this method, tax liabilities and assets are determined based on the temporary differences between the financial statement carrying amounts and tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. A valuation allowance is recorded to reduce deferred income tax assets recognized by the amount of any deferred income tax benefits that, based on available evidence, are not more-likely-than-not to be realized.

NAVITRAK INTERNATIONAL CORPORATION

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3. Summary of significant accounting policies - Continued

New accounting pronouncements

In February 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 155, Accounting for Certain Hybrid Financial Instruments an Amendment of FASB Statements No. 133 and 140. Among other things, SFAS No. 155 permits the election of fair value measurement for certain hybrid financial instruments that would otherwise require bifurcation under Statement 133, Accounting for Derivative Instruments and Hedging Activities . These hybrid financial instruments would include both assets and liabilities. SFAS No. 155 is effective for fiscal years beginning after September 15, 2006. The Company is currently evaluating the impact of the provisions of SFAS No. 155.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. The provisions of SFAS 157 are effective for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of the provisions of SFAS No. 157.

In June 2006, FASB issued interpretation No. 48, Accounting for Uncertainty in Income Taxes-an interpretation of FASB Statement No. 109 (FAS No. 109) (FIN 48). This interpretation prescribes a recognition threshold and measurement attribute for tax positions taken or expected to be taken in a tax return. This interpretation also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The evaluation of a tax position in accordance with this interpretation is a two-step process. In the first step, recognition, the Company determines whether it is more-likely-than-not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The second step addresses measurement of a tax position that meets the more-likely-than-not criteria. The tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Differences between tax positions taken in a tax return and amounts recognized in the financial statements will generally result in a) an increase in a liability for income taxes payable or a reduction of an income tax refund receivable, b) a reduction in a deferred tax asset or an increase in a deferred tax liability or c) both a) and b). Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be de-recognized in the first subsequent financial reporting period in which that threshold is no longer met. Use of a valuation allowance as described in FAS No. 109 is not an appropriate substitute for the de-recognition of a tax position. The requirement to assess the need for a valuation allowance for deferred tax assets based on sufficiency of future taxable income is unchanged by this interpretation. This Interpretation is effective for fiscal years beginning after December 15, 2006. The Company is currently evaluating the impact FIN 48 will have on the Company s consolidated balance sheet and statement of operations.

On September 13, 2006, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 108 which provides interpretive guidance on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a current year misstatement. SAB 108 is effective for fiscal years ending after November 15, 2006. The adoption of SAB 108 did not have a material impact on the Company s consolidated financial statements.

NAVITRAK INTERNATIONAL CORPORATION

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4. PROPERTY AND EQUIPMENT

	December 31, 2006			December 31, 2005		
	Cost	**Accumulated Depreciation**	**Net Book Value**	Cost	Accumulated Depreciation	Net Book Value
Computer equipment	**$ 169,475**	**$ 66,751**	**$ 102,724**	$ 130,667	$ 31,141	$ 99,526
Equipment	**28,025**	**12,293**	**15,732**	27,841	4,594	23,247
Map library	**34,187**	**13,203**	**20,984**	34,207	7,978	26,229
Computer software	**52,464**	**40,158**	**12,306**	30,374	15,508	14,866
Furniture and fixtures	**34,604**	**13,947**	**20,657**	34,624	8,803	25,821
Assets under capital lease	**2,171**	**867**	**1,304**	2,174	544	1,630
Leasehold improvements	**56,390**	**16,200**	**40,190**	56,413	6,120	50,293
	$ 377,316	**$ 163,419**	**$ 213,897**	$ 316,300	$ 74,688	$ 241,612

5. INVESTMENT IN INVISA, INC.

In April 2004, in contemplation of acquiring the net assets of the predecessor business, the Company agreed to sell the rights to a spark plug patent back to the original vendors in exchange for 375,000 common shares of Invisa Inc. (Invisa) (a US public company quoted on the NASD:OTC Bulletin Board) and the surrender for cancellation of the 28,000,000 originally issued common shares of the Company. The transaction was recorded as a non-pro rata split-off. The proceeds on disposal were based on the quoted market prices of Invisa shares and the 28 million Company s shares on the date of the transaction.

As management believes that the decline in value of the Invisa, Inc. shares was other than temporary, the value of the Invisa shares as of December 31, 2006 and December 31, 2005 has been reflected at approximately $0.045 and $0.10 per share, respectively. The resulting loss on write-down of investment reflected in the Consolidated Statement of Operations for the year ended December 31, 2006 was $20,625 (2005 - $18,750).

NAVITRAK INTERNATIONAL CORPORATION

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(Expressed in US dollars)

6. ADVANCES PAYABLE

	December 31, 2006	December 31, 2005
1199684 Ontario Inc. and others (including accrued interest)	**$ 216,475**	$ 212,475
Tiger Eye Holdings Ltd.	**150,000**	150,000
Kallur Enterprises Ltd.	**241,000**	31,000
	$ 607,475	$ 393,475

The advances received from Tiger Eye Holdings Ltd. and Kallur Enterprises Ltd. are non-interest bearing, unsecured and have no specific terms of repayment.

Of the remaining balance of initial advances received from 1199684 Ontario Inc., the Company believes $50,000 bears interest at 8% per annum, $125,000 is non-interest bearing and the balance is accumulated interest. The advances are unsecured and have no specific terms of repayment. Accrued interest on the advances for the year ended December 31, 2006 totalled $4,000 (2005 - $14,975). A statement of claim has been filed against the Company in respect of these advances (Note 15).

7. PAYABLE TO RELATED PARTIES

	December 31, 2006	December 31, 2005
Knight Financial Ltd. (controlled by director)	**$ 114,316**	$ 27,187
GM Capital Partners, Ltd. (major shareholder)	**1,095,011**	102,590
Express Systems Corporation (common director)	**3,000**	3,000
Advances from other shareholders	**17,061**	17,067
	$ 1,229,388	$ 149,844

The above advances are unsecured, non-interest bearing and have no specific terms of repayment.

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8. LONG TERM DEBT

	December 31, 2006	December 31, 2005 (Restated)*
Atlantic Canada Opportunities Agency (ACOA) project funding loan, unsecured. The loan is non-interest bearing unless payments are past due, at which time interest is charged at the Bank of Canada discount rate plus 3% per annum. Repayment of principal was deferred to January 1, 2005, since then monthly principal payments are approximately $1,950 (CDN $2,274). The Company is currently in default of certain of the financial covenants and therefore the debt is considered as due on demand.	**$ 9,757**	$ 23,772
ACOA project funding loan, unsecured. The loan is non-interest bearing unless payments are past due, at which time interest is charged at the Bank of Canada discount rate plus 3% per annum. Repayment of principal is due in monthly instalments of approximately $7,127 (CDN$8,313) commencing July 1, 2007. The amount of funds available under this facility as at March 31, 2006 is approximately $435,000 (CDN$498,750). The Company is currently in default of certain of the financial covenants and therefore the debt is considered as due on demand.	**270,002**	270,095
ACOA project funding loan, unsecured. The loan is non-interest bearing unless payments are past due, at which time interest is charged at the Bank of Canada discount rate plus 3% per annum. The principal of the loan is repayable annually commencing September 1, 2008 at a rate equal to 5.0% of gross revenue. The maximum project funding under this facility is approximately $1,885,000 (CDN $2,100,000). The Company is currently in default of certain of the financial covenants and therefore the debt is considered as due on demand.	**1,620,371**	1,191,232
Program for Export Market Development (PEMD) project funding loan unsecured and bears interest at prime plus three percent. Arrears of $34,800 (CDN$40,021) are repayable in 39 monthly instalments of $892 (CDN$1,000) plus one instalment of $912 (CDN$1,021), commenced November 15, 2004. The Company started making quarterly payments of $2,572 (CDN$3,000) in late December 2005 to repay the loan.	**45,061**	55,530

Industrial Regional Assistance Program (IRAP) project funding loan, unsecured and non-interest bearing. The loan is repayable quarterly in arrears commenced January 1, 2005 at a rate equal to 1.25% of gross revenue. The Company paid all payments in the first quarter of 2006 relating to 1.25% of gross revenue for 2004 and 2005.

	179,417	209,004
	2,124,608	1,749,633
Less: current portion	**1,910,418**	295,447
	$ 214,190	$ 1,454,186

Scheduled principal repayments until maturity are due as follows:

2007	$ 242,225
2008	1,716,183
2009	95,813
2010	70,387
	$ 2,124,608

*See Note 14

NAVITRAK INTERNATIONAL CORPORATION

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8. Long Term Debt - Continued

Included in the 2007 scheduled principal repayments is the full repayment of the IRAP project-funding loan. Principal repayments are based on 1.25% of gross revenue commencing January 1, 2005. Included in the 2008 scheduled principal repayments is the full repayment of the $1,620,371 ACOA project-funding loan. This loan has undefined principal repayments as the repayments are based on a percentage of sales, with the first payment commencing in the 2008 year.

As at December 31, 2006, a number of the loans are in default of certain of the financial covenants and therefore the debt is now considered as due on demand. All of the above project funding is subject to project verification and audit by the lending agency.

9. CAPITAL STOCK

On June 25, 2005, the Company approved the creation of a new class of shares. 10,000,000 preferred shares were authorized, each with a par value of $0.001. As at December 31, 2006 and 2005, no preferred shares were issued and outstanding

In June 2005, the Company issued 660,000 units at a price of $0.50 per unit for aggregate gross proceeds of $330,000. Each unit was comprised of one common share and one-half of one non-transferable share purchase warrant, for a total of 330,000 whole share purchase warrants. Each whole share purchase warrant is exercisable into one common share of the Company s stock at an exercise price of $1.00 per share for a two year period. A finder s fee of $33,000 was paid to GM Capital Partners, Ltd. in respect of this transaction (Note 10).

On August 29, 2005, the Company issued an aggregate of 14,883,215 shares of our common stock to all of the holders of its common shares who were holders of record on August 26, 2005, in connection with a 2 for 1 stock split effected by way of a stock dividend. The effect of these splits has been applied on a retroactive basis to all related disclosures and calculations in these consolidated financial statements.

In August 2005, the Company issued 4,348,000 units at a price of $0.50 per unit for aggregate gross proceeds of $2,174,000. Each unit was comprised of one common share and one-half of one non-transferable share purchase warrant, for a total of 2,174,000 whole share purchase warrants. Each whole share purchase warrant is exercisable into one common share of the Company s common stock at an exercise price of $1.00 per share on or before June 14, 2007. A finder s fee of $217,400 was paid to GM Capital Partners, Ltd. in respect of this transaction (Note 10).

On August 31, 2005, the Company issued 200,000 shares of common stock and 100,000 share purchase warrants to an investor as settlement of advances in the amount of $100,000. The shares were valued at the quoted market price of the common stock on the date of agreement and the fair value of the warrants was calculated using the Black Scholes option pricing model based on assumptions as described elsewhere in this note. As a result, a loss on settlement of advances payable of $144,170 was recorded on the Consolidated Statements of Operations for the year ended December 31, 2005.

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9. Capital Stock - Continued

In September 2005, the Company issued 736,000 units at a price of $0.50 per unit for aggregate gross proceeds of $368,000. Each unit was comprised of one common share and one-half of one non-transferable share purchase warrant, for a total of 368,000 whole share purchase warrants. Each whole share purchase warrant is exercisable into one common share of the Company s common stock at an exercise price of $1.00 per share on or before June 14, 2007. A finder s fee of $36,800 was paid to GM Capital Partners, Ltd. in respect of this transaction (Note 10).

The employment agreement of an employee specifies that he will be entitled to a bonus of 500,000 shares of common stock on each of June 30, 2006 (not yet issue), June 30, 2007 and June 30, 2008 so long as he continues to be employed by the Company at those dates. Compensation expense associated with the bonus payments was determined based upon the quoted market price of the underlying common stock on the grant date and is being amortized on a straight-line basis over the requisite service period, which is the period from the date of grant to June 30, 2008. For the year ended December 31, 2006, the Company has recognized $737,500 (2005 - $125,000) in respect of shares to be issued related to these bonus payments. As of December 31, 2006, there was $862,500 (December 31, 2005 - $1,600,000) of total unrecognized compensation cost related to these bonus payments. This unrecognized compensation cost is expected to be recognized over the remaining requisite service period of 18 months ending June 30, 2008.

In August 2006, the Company issued 960,000 units at a price of $0.75 per unit for aggregate gross proceeds of $720,000. Each unit was comprised of one common share and one-half of one non-transferable share purchase warrant, for a total of 480,000 whole share purchase warrants. Each whole share purchase warrant is fully vested and exercisable into one common share of the Company s common stock at an exercise price of $1.25 per share on or before August 28, 2008. A finder s fee of $72,000 was accrued to GM Capital Partners Ltd. (Note 10) in respect of this transaction.

In December 2006, the Company issued 200,000 units at a price of $0.75 per unit for aggregate gross proceeds of $150,000. Each unit was comprised of one common share and one-half of one non-transferable share purchase warrant, for a total of 100,000 whole share purchase warrants. Each whole share purchase warrant is fully vested and exercisable into one common share of the Company s common stock at an exercise price of $1.25 per share until July 24, 2008. A finder s fee of $15,000 was accrued to GM Capital Partners Ltd. (Note 10) in respect of this transaction.

In December 2006, the Company also issued 90,000 common shares at a price of $0.75 per share for aggregate gross proceeds of $67,500. A finder s fee of $6,750 was accrued to GM Capital Partners Ltd. (Note 10) in respect of this transaction.

Stock options

On December 6, 2004 the Company s Board of Directors approved the 2004 Officer, Director, Employee, Consultant and Advisor Stock Compensation Plan (2004 Incentive Plan) pursuant to which a total of 4,000,000 of our shares could be issued. The plan is administered by the Board of Directors and expires in 10 years from its effective date.

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9. Capital Stock Continued

Stock options Continued

On September 27, 2005, the Company s Board of Directors approved the 2005 Incentive Plan pursuant to which the Company may grant an aggregate of up to 4,000,000 common shares or options to purchase common shares to employees, consultants or directors of our company or of any of our subsidiaries. The purpose of the 2005 Incentive Plan is to give the Company the ability to motivate participants to contribute to our growth and profitability. The Company s Board of Directors administers the 2005 Incentive Plan. It will continue in effect until the earlier of the (a) date that all of the securities that can be issued pursuant to its terms have been granted or (b) September 27, 2015.

Awards under the 2005 Incentive Plan will vest as determined by the Company s Board of Directors and as established in stock option agreements to be entered into between the Company and each participant receiving an award. Options granted under the 2005 Incentive Plan will have a term of 10 years from the date of grant but are subject to earlier termination in the event of death, disability or the termination of the employment or consulting relationship.

The exercise price of options granted under the 2005 Incentive Plan shall be determined by the Company s board of directors but shall not be less than 85% of the fair market value of the Company s common stock on the grant date. (In the case of options granted to a holder of more than 10% of the Company s common stock, the option price must not be less than 110% of the market value of the common stock on the grant date.)

Stock options become exercisable at dates determined by the Company s Board of Directors at the time of granting the option.

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number of Options	Weighted Average Exercise Price	Aggregate Intrinsic Value
Balance, January 1, 2005	2,830.000	$ 0.425	
Granted	2,320,000	0.92	
Forfeited	(430,000)	0.425	
Balance, December 31, 2005	4,720,000	0.67	
Cancelled	(230,000)	0.46	

Forfeited	(120,000)	0.85	
Balance December 31, 2006	4,370,000	$ 0.68	$ -
Options exercisable, as at December 31, 2006	3,450,000	$ 0.71	$ -
Options exercisable, as at December 31, 2005	2,255,000	$ 0.52	

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9. Capital Stock - Continued

Stock options (continued)

There were no options granted during the year ended December 31, 2006. For the year ended 2005 the weighted average fair value of options on the date of grant was $0.77 per share.

On December 6, 2004, options to purchase 2,830,000 common shares were granted to directors, officers and employees under the Company s 2004 Incentive Plan. One quarter of the options vested immediately and the remaining 3/4 of these options granted vest in 1/4 increments every six months thereafter.

On June 1, 2005, the Company granted 1,500,000 stock options to an employee of the Company at an exercise price of $0.96 per share for a period of ten years. Of these options, 125,000 vested immediately upon grant and the remaining 1,375,000 of these options granted vest in 125,000 increments every three months, which commenced on December 1, 2005. These options were granted pursuant to the Company s 2005 Incentive Plan.

On September 1, 2005, the Company granted a further 820,000 stock options to various employees, directors, officers and consultants of the Company at an exercise price of $0.85 per share for a period of five years. One quarter of these options granted vested immediately and the remaining 3/4 of these options granted vest in 1/4 increments every six months thereafter. These options were granted pursuant to the Company s 2005 Incentive Plan.

The following stock options were outstanding at December 31, 2006:

Expiry date	Exercise Price	Number of Options

December 6, 2014 for 2004 Incentive Plan	$ 0.425	2,190,000
August 31, 2010 for 2005 Incentive Plan	$ 0.85	680,000
May 31, 2015 for 2005 Incentive Plan	$ 0.96	1,500,000

A summary of status of the Company s unvested stock options as of December 31, 2006 and 2005 and changes during the years then ended, is presented below:

	Number of Options	Weighted Average Exercise Price ($USD)	Weighted Average Grant Date Fair Value
Unvested at January 1, 2005	2,122,500	$ 0.425	$ 0.35
Granted	2,320,000	0.92	0.77
Vested	(1,870,000)	0.54	0.49
Forfeited	(107,500)	0.425	0.35
Unvested at December 31, 2005	2,465,000	0.67	0.67
Vested	(1,425,000)	0.72	0.67
Forfeited	(120,000)	0.85	0.77
Unvested at December 31, 2006	920,000	$ 0.56	$ 0.65

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9. Capital Stock - Continued

Warrants

On December 1, 2004, the Company issued 4,000,000 share purchase warrants to a consultant for financial public relation services and other consulting services. 3,000,000 of these share purchase warrants initially vested on January 15, 2006, while the remaining 1,000,000 were to vest on September 15, 2006. 2,000,000 of the share purchase warrants (First Engagement Warrant) that vested on January 15, 2006 had an exercise price of $0.25 and were to expire on November 30, 2006. The balance of the share purchase warrants (Second Engagement Warrant) that vested on January 15, 2006 had an exercise price of $0.50 and were to expire on November 30, 2007. The 1,000,000 share purchase warrants (Third Engagement Warrant) that were to vest on September 15, 2006 have an exercise price of $1.00 and expire on November 30, 2009.

Effective September 16, 2006 the Company and the consultant entered into an agreement to extend the life of the First Engagement Warrants and the Second Engagement Warrants. As amended, the First Engagement Warrant gives the warrant holder the right to acquire 2,000,000 shares of the Company s common stock at $0.25 per share for a period of one year from the date that the Securities and Exchange Commission declared the Company s registration statement on Form SB-2 to be effective (January 22, 2007). Therefore, the right to exercise the First Engagement Warrant had not yet vested at December 31, 2006 and will expire January 22, 2008. As amended, the Second Engagement Warrant gives the warrant holder the right to acquire 1,000,000 shares of the Company s common stock at a price of $0.50 per share from the date that they vest (which is the date upon which the consultant purchases the last of the 2,000,000 common shares underlying the First Engagement Warrant) until January 22, 2010. Warrant transactions and the number of warrants outstanding at December 31, 2006 and 2005 are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price ($USD)
Balance, January 1, 2005	4,000,000	$ 0.50
Granted	2,972,000	1.00
Balance, December 31, 2005	6,972,000	0.71
Granted	580,000	1.25
Balance, December 31, 2006	7,552,000	$ 0.74

Warrants exercisable, as at December 31, 2006	4,552,000	$	1.04
Warrants exercisable, as at December 31, 2005	2,972,000	$	1.00

NAVITRAK INTERNATIONAL CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2006 and DECEMBER 31, 2005

(Expressed in US dollars)

9. Capital Stock Continued

Warrants (Continued)

Number of Warrants	Exercise Price	Expiry Date
2,000,000	$ 0.25	January 22, 2008
1,000,000	$ 0.50	January 22, 2010
1,000,000	$ 1.00	November 30, 2009
2,972,000	$ 1.00	June 14, 2007
480,000	$ 1.25	August 28, 2008
100,000	$ 1.25	July 24, 2008

Stock-based compensation

Stock Options

During the year ended December 31, 2006, 120,000 options previously granted to employees with a weighted average exercise price of $0.85 were forfeited. During the year ended December 31, 2005, 2,320,000 options were granted to employees and, 430,000 options previously granted to employees were forfeited.

As discussed in Note 3, compensation expense for options granted during the period is recognized in accordance with SFAS No. 123(R) which requires all options granted to be measured at fair value. Such compensation is amortized over the contract services period or, if none exists, from the date of grant until the options vest for non-employees. For employees, the compensation expense is amortized over the requisite service period which approximates the vesting period. Compensation associated with unvested options granted to non-employees is remeasured on each balance sheet date using the Black-Scholes option pricing model. Prior to the adoption of SFAS 123(R), the Company followed SFAS 123 Accounting for Stock-Based Compensation to account for all stock options granted. The fair value of stock options granted during 2005 estimated at the date of grant using the fair value method prescribed in SFAS 123 used the following weighted average assumptions:

NAVITRAK INTERNATIONAL CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2006 and DECEMBER 31, 2005

(Expressed in US dollars)

9. Capital Stock Continued

Stock-based compensation - Continued

Stock Options - Continued

		Year Ended December 31, 2005
Risk-free interest rate		4.37%
Expected term of options		9 years
Expected volatility of the Company s common shares		71%
Dividend	-%	

Expected volatilities are based on historical volatility of the Company s stock using available data and other factors. The Company uses historical data to estimate option exercise, forfeiture and employees termination within the valuation model. For non-employees, the expected term of the options approximates the full term of the options.

An officer resigned from all of his positions with the Company, effective May 18, 2006 pursuant to an Agreement and Mutual Release which provides, among other terms, that the stock options that were available to the officer on May 18, 2006 will continue to be available until they expire on December 31, 2010. The Company also agreed to register with the Securities and Exchange Commission the shares that might be issued upon exercise of the stock options if and when the Company filed such a registration statement to register shares underlying stock options granted to other employees, officers and directors of the Company. The modification of the options to the former officer resulted in additional compensation of $157,621 using the following weighted average assumptions:

		Year Ended December 31, 2006
Risk-free interest rate		4.96%
Expected term of options		4.6 years
Expected volatility of the Company s common shares		100%
Dividend	-%	

There were no options granted in the year ended December 31, 2006. The grant date fair value of options granted during the year ended December 31, 2005 was approximately $0.77 per share. In respect to the options granted in 2004 and 2005, the Company charged to stock based compensation expense of $939,994 (including the $157,621 of additional compensation resulting from the modification of options discussed above) during the year ended December 31, 2006 (2005 - $1,739,767).

NAVITRAK INTERNATIONAL CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2006 and DECEMBER 31, 2005

(Expressed in US dollars)

9. Capital Stock - Continued

Stock-based compensation - Continued

Stock Options - Continued

Options granted to non-employees that were unvested are subsequently remeasured at each balance sheet and vesting date using the fair value method. As of December 31, 2006, there was $197,928 (December 31, 2005 - $1,024,827) of total unrecognized compensation cost related to all options granted and outstanding. This unrecognized compensation cost is expected to be recognized over a weighted-average period of approximately one year. The total grant-date fair value of options vested during the year ended December 31, 2006 and 2005 was $954,750 and $916,300, respectively.

Warrants

No compensation expense is required for the warrants issued during the years ended December 31, 2006 and 2005. Compensation expense for warrants issued in December 2004 was recognized in accordance with SFAS No. 123 (prior to the adoption of SFAS 123(R)) which requires such warrants to be measured at fair value using the Black-Scholes option pricing model. Such compensation is being amortized over the contract services period or, if none exists, from the date of grant until the warrants vest. The original fair value of warrants issued during 2004 was estimated at the date of grant and, for warrants granted to non-employees, subsequently remeasured at each balance sheet and vesting date using the fair value method prescribed in SFAS 123 used the following weighted average assumptions:

	2004
Risk-free interest rate	3.40%
Expected term of warrants	3 years
Expected volatility of the Company s common shares	63%
Dividend	-%

The weighted average grant-date fair value of warrants issued in 2004 was $0.71 per share.

As discussed above, in September 2006 the Company and the consultant entered into an agreement to modify the vesting and expiration dates of the warrants. Additional compensation expense of $17,000 was recognized in respect of the modification based on the incremental increase in value of the warrants as result of the modification. Such compensation relating to the incremental increase was recognized immediately upon modification. The fair value of the modified warrants was estimated at the date of modification using the fair value method prescribed in SFAS 123(R) with the following weighted average assumptions. Such compensation will be re-measured and charged to the Consolidated Statement of Operations on a quarterly basis until the warrants vest

NAVITRAK INTERNATIONAL CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2006 and DECEMBER 31, 2005

(Expressed in US dollars)

9. Capital Stock - Continued
Stock-based compensation - Continued

Warrants - Continued

	2005
Risk-free interest rate	4.06%
Expected term of warrants	1.7 years
Expected volatility of the Company s common shares	173%
Dividend	-%

The total stock-based compensation recognized and charged to expense under the fair value method in respect of these warrants during the year ended December 31, 2006 was $509,792 (including the $17,000 of additional compensation resulting from the modification of warrants discussed above) (2005 - $2,839,795) using the Black-Scholes option-pricing model.

10. RELATED PARTY TRANSACTIONS

Related party transactions not disclosed elsewhere in these consolidated financial statements include:

a) Management fees accrued during the year ended December 31, 2006 of $60,000 (2005 - $60,000) to two companies controlled by a director.

b) The Company entered into a written consulting agreement with GM Capital Partners, Ltd., effective December 1, 2004 (subsequently changed to October 27, 2005), pursuant to which, GM Capital Partners, Ltd. has agreed to provide corporate counselling and advice. The term of the agreement was for a period of twenty-four months commencing December 1, 2004. The Company agreed to pay GM Capital Partners Ltd. an initial payment of $10,000 (paid in December 2004), and commencing after January 1, 2005, $10,000 per month. During the year ended December 31, 2006, $120,000 (2005 - $120,000) in consulting fees were accrued to GM Capital Partners, Ltd., pursuant to this agreement The agreement expired on December 1, 2006 and a formal extension has not yet been drafted.

GM Capital Partners, Ltd. also received 4,000,000 share purchase warrants in 2004 in connection with the consulting agreement (Note 9). In addition, if during the twenty-four month period of the agreement, any extension thereof, or for a period of two years following the termination of the agreement, the Company shall consummate a financing, whether in the form of equity, cash or other consideration, with any person or entity directly or indirectly introduced to the Company by GM Capital Partners, Ltd. then GM Capital Partners, Ltd. is entitled to receive a finders fee equal to 10% of gross proceeds of the private financing. The Company accrued finders fees for the year ending December 31, 2006 of $208,750 (2005- $287,200). This amount consists of $93,750 (2005 - $287,200) from the issuance of equity and $115,000 (2005 - $Nil) from the issuance of related party advances.

NAVITRAK INTERNATIONAL CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2006 and DECEMBER 31, 2005

(Expressed in US dollars)

10. Related Party Transactions - Continued

The agreement also specifies that if during the twenty-four month period of the agreement, any extension thereof, or for a period of two years following the termination of the agreement, the Company shall consummate a business combination with any person or entity directly or indirectly introduced to the Company by GM Capital Partners, Ltd., GM Capital Partners, Ltd. is entitled to additional compensation as follows: 5% of the 1st \$1,000,000 of consideration paid; plus 4% of the 2nd \$1,000,000 of consideration paid; plus 3% of the 3rd \$1,000,000 of consideration paid; plus 2% of the 4th \$1,000,000 of consideration paid; plus 1% of all consideration paid in excess of \$5,000,000.

c) A director of the Company resigned all of his positions in the Company. Pursuant to the Agreement and Mutual Release, which became effective on May 18, 2006, the Company agreed to pay the director the sum of \$131,685 (CDN \$147,500) over the period from within two business days of the effective date of the agreement to December 31, 2006. In addition, stock options available to the officer on May 18, 2006 will continue to be available until they expire on December 31, 2010. The balance amount owed of \$64,300 (CDN \$75,000) as of December 31, 2006 was accrued in these consolidated financial statements.

The above transactions are in the normal course of operations and are recorded at amounts established and agreed to between the related parties.

11. SALES INFORMATION

Management has determined that it operates in one industry segment.

For the year ended December 31, 2006 and 2005, the Company s sales were distributed as follows:

	Year Ended December 31, 2006		Year Ended December 31,2005	
Canada	**$ 17,649**	**9%**	$ -	- %
United States	**181,546**	**91%**	73,314	100%

$ 199,195	**100%**	$ 73,314	100%

For the year ended December 31, 2006 United States sales were derived from two customers, representing 12% and 88% of the Company s sales to the United States. No significant amounts were included in accounts receivable as at December 31, 2006. For the year ended December 31, 2005 approximately 85% of sales were derived from one customer.

NAVITRAK INTERNATIONAL CORPORATION

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(Expressed in US dollars)

12. INCOME TAXES

The tax effects of temporary differences that give rise to deferred tax assets at December 31, 2006 and 2005 are presented below:

		2006		2005
				(Restated)
Operating losses	**$**	**2,226,000**	$	1,392,000
Unclaimed SR&ED expenditures		**1,266,000**		1,052,000
Investment		**249,000**		242,000
Property and equipment		**94,000**		72,000
Software		**741,000**		421,000
		4,576,000		3,179,000
Valuation allowance		**(4,576,000)**		(3,179,000)
	$	**-**	$	-

The Company evaluates its valuation allowance requirements based on projected future operations. When circumstances change and this causes a change in management s judgment about the recoverability of deferred tax assets, the impact of the change on the valuation allowance is reflected in current income.

The provision for income taxes differs from the amount estimated using the United States federal statutory income tax rate as follows:

	For the year ended December 31,2006		For the year ended December 31,2005 (Restated)	
Provision (recovery) based on federal US statutory rates	**$**	**(2,042,000)**	$	(2,952,000)
Non-deductible stock-based compensation and bonus shares to be issued to employee		**744,000**		1,600,000
Income tax rate differential of subsidiaries		**(59,000)**		(32,000)
Other non-deductible expenses		**(40,000)**		235,000
Increase in valuation allowance		**1,397,000**		1,149,000
	$	**-**	$	**-**

At December 31, 2006, the Company had estimated losses carried forward of approximately $6.1 million that may be available to offset future income tax purposes, if unused, the losses will expire on various dates during the period from 2009 to 2026. The potential tax benefits have been fully allowed for in the valuation allowance in these financial statements.

NAVITRAK INTERNATIONAL CORPORATION

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DECEMBER 31, 2006 and DECEMBER 31, 2005

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13. COMMITMENTS

(a) The Company has entered into two lease agreements for offices in Halifax, Nova Scotia and Washington, DC. Total rental expense for the year ended December 31, 2006 was $122,591 (2005 - $109,064). Minimum lease payments under the leases (excluding operating expenses) over the remaining terms of the respective leases are as follows:

Twelve months ended

December 31		
2007	$	48,829
2008	$	38,274
2009	$	39,718
2010	$	20,220

After July 1, 2007, provided that the Company is not in default of the Lease, the Company has the option to terminate the Halifax lease within a six-month period.

(b) For certain of the Company s employees, their employment agreement specifies that they are entitled to severance pay upon termination based on a pre-determined number of months salary. As at December 31, 2006, the obligation for the severance payments should they be terminated was approximately $120,000 (CDN $139,650) and $228,000 denominated in USD (December 31, 2005 - $354,000 (CDN $412,500) and $225,000 denominated in USD)).

14. RESTATEMENTS

(a) Revision of Purchase Price of Predecessor

On November 12, 2004, the Company closed the acquisition agreement with Navitrak International Corporation (an unrelated Canadian company and our predecessor company) to acquire the net assets (excluding shares of certain of its inactive subsidiaries) in exchange for cash, debt, and the issuance of common shares. The acquisition was accounted for using the purchase method as the net assets acquired constituted the entire business of the predecessor company. Subsequent to the issuance of December 31, 2005 financial statements, management revisited the allocation of the purchase price among net assets acquired in respect of software and goodwill. The Company had previously allocated no value to computer software acquired and approximately $4.3 million to goodwill. As a result, the Company has restated its 2005 consolidated financial statements assigning a determined value of $2,178,339 to software. The remaining excess of purchase price over fair value of identifiable assets attributable to goodwill was determined to be impaired. Accordingly, $2,120,866 was charged as an expense to the Company s Consolidated Statement of Operations for the period from November 12, 2004 to December 31, 2004. The software was amortized over its estimated useful life of two years.

NAVITRAK INTERNATIONAL CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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14. RESTATEMENTS Continued

(b) Reclassification of Loans previously disclosed as due on demand

The Company had previously disclosed in its 2005 consolidated financial statements that various of its loans payable to ACOA (Note 8) were in default, and thus currently due, resulting from its interpretation of certain conditions of the various loan agreements. Subsequent to the issuance of December 31 2005 financial statements, based on additional clarification with ACOA, the Company determined that it was not in violation of these conditions as previously thought, and, accordingly has restated the presentation of the ACOA loans from current to long-term on the Company s consolidated balance sheet as at December 31, 2005. However, at December 31, 2006, the Company is in default of certain of the financial covenants of these loans and therefore the debt is now considered as due on demand.

(c) Recognition of additional stock-based compensation

Subsequent to the issuance of December 31, 2005 consolidated financial statements, the Company has corrected an error in the omission of stock-based compensation resulting from a contract with an employee (signed in 2005) that entitles the employee to bonus shares upon completion of a service period. The Company has now recognized stock-based compensation in the amount of $125,000 during the year ended December 31, 2005.

	January 1, 2005
Accumulated Deficit	
As previously recorded	$ (2,786,587)
Revision to allocation of purchase price for Predecessor (a)	(2,270,067)
As restated	$ (5,056,654)

	December 31, 2005
Software acquired	
As previously recorded	$ -
Revision to allocation of purchase price for Predecessor (a)	939,968
As restated	$ 939,968
Goodwill	
As previously recorded	$ 2,543,219
Revision to allocation of purchase price for Predecessor (a)	(2,543,219)
As restated	$ -

Total Assets	
As previously recorded	$ 3,581,486
Revision to allocation of purchase price for Predecessor (a)	(1,603,251)
As restated	$ 1,978,235
Current portion of Long-Term Debt	
As Previously recorded	$ 1,749,264
Reclassification of loans previously presented as due on demand (b)	(1,453,817)
As restated	$ 295,447

NAVITRAK INTERNATIONAL CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(Expressed in US dollars)

14. RESTATEMENTS - Continued

Long-Term Debt	
As Previously recorded	$ 369
Reclassification of loans previously presented as due on demand (b)	1,453,817
As restated	$ 1,454,186
Accumulated Deficit	
As previously recorded	$ (12,010,249)
Revision of allocation of purchase price for Predecessor (a) and recognition of additional stock-based compensation for shares due under bonus arrangement (c)	(1,728,251)
As restated	$ (13,738,500)
Stockholders Equity (Capital Deficit)	
As previously recorded	$ 823,797
Revision of allocation of purchase price for Predecessor (a)	(1,603,251)
As restated	$ (779,454)

The following represents the Company s net loss as previously reported and after giving effect to the restatement adjustments for the year ended December 31, 2005:

	December 31, 2005
Net Loss for the period	
As previously recorded	$ (9,223,662)
Revision to allocation of purchase price for Predecessor (a)	1,755,986
Recognition of additional stock-based compensation for shares due under bonus arrangement (c)	(125,000)

Amortization of acquired software, upon revision to allocation of purchase price of Predecessor (a)	(1,089,170)
As restated	$ (8,681,846)
Loss per share basic and diluted	
As previously recorded	$ (0.34)
Revision of allocation of purchase price for Predecessor (a) and recognition of additional stock-based compensation for shares due under bonus arrangement (c)	0.02
As restated	$ (0.32)

There was no impact on the totals of operating, financing and investing activities in the Consolidated Statement of Cash Flows as a result of the restatements.

NAVITRAK INTERNATIONAL CORPORATION

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15. CONTINGENT LIABILITY

On November 29, 2006, a statement of claim was filed against the Company in the Ontario Superior Court of Justice by 1199684 Ontario Inc. and Ken Sawatzky alleging that they are owed money by the Company in respect of previous advances. The Company was served with this statement of claim on December 4, 2006. The Company has previously recognized such advances as owing to 1199684 Ontario Inc. (Note 6) and has made payments on these advances accordingly. The amount claimed is $187,000 plus interest at 8% per annum from November 2003 until paid plus interest at 8% per annum on $63,000 from November 10, 2003 to August 9, 2005. The Company does not believe additional amounts to be payable as a result of this claim. In the opinion of legal counsel, the outcome of this claim is not determinable. Any additional amounts payable arising from this claim will be recognized in the period a negative outcome becomes likely.

16. SUBSEQUENT EVENTS

(a) Debt Settlement and Subscription Agreement

On February 27, 2007, the Company entered into a Debt Settlement and Subscription Agreement with G.M. Capital Partners Ltd. whereby it agreed to apply $350,000 of the related party payable (Note 7) to G.M. Capital Partners towards the payment of 35,000,000 common shares at a purchase price of $0.01 per share. The transaction will be recorded based on the quoted market price of the Company s common share on the date of the debt settlement and subscription agreement which will result in a loss of settlement of approximately $4.9 million in the first quarter of 2007.

(b) 1-for-100 reverse stock split

On March 2, 2007, the Company s shareholders approved a 1-for-100 reverse split of the issued and outstanding common stock, whereby each holder of shares of common stock will receive one (1) share of common stock for every one hundred (100) shares of common stock owned. This corporate action is subject to regulatory approval and is not yet effective.

(c) Name change

On March 2, 2007, subject to regulatory approval, the Company amended the Articles of Incorporation to change the name of the Company to Vectr Systems, Inc.

Item 8. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure.
None.

Item 8A. Controls and Procedures.

We have effected a restatement of our financial results for the year ended December 31, 2005.

(a) The restatement

This restatement was effected to correct errors in our accounting treatment of:

(i) the allocation of purchase price on acquisition of net assets of the Canadian Navitrak;

(ii) the classification of loans where covenants were breached; and

(iii) the recognition of additional stock-based compensation

As a result of our review of these transactions, the effect on the amended accounting for the (non-cash) adjustments above is discussed in Note 14 to our consolidated financial statements.

(b) Evaluation of disclosure controls and procedures and remediation

In connection with the restatement of our financial results for the year ended December 31, 2005, under the direction of our management, we have reevaluated certain disclosure controls and procedures and internal controls over financial reporting. In connection with the restatement we identified a material weakness in our internal controls and procedures relating to the accounting treatment of our purchase price allocation and stock-based compensation calculations.

To our knowledge, as of the date of this filing, we have remediated such material weakness in our internal controls and procedures.

As required by Rule 13(a)-15 under the Exchange Act, in connection with this annual report on Form 10-KSB, under the direction of our Chief Executive Officer, we have evaluated our disclosure controls and procedures as of December 31, 2006, including the remedial actions discussed above, and we have concluded that, as of December 31, 2006, our disclosure controls and procedures are effective.

It should be noted that while our management believes our disclosure controls and procedures provide a reasonable level of assurance, they do not expect that our disclosure controls and procedures or internal controls will prevent all error and all fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. 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 management override of the controls. The design of any system of internal control 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. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

No change in our internal control over financial reporting occurred during the fourth quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 8B. Other Information.

None.

PART III

Item 9. Directors, Executive Officers, Promoters, Control Persons and Corporate Governance; Compliance with Section 16(a) of the Exchange Act.

Directors and Executive Officers, Promoters and Control Persons

All directors of our company hold office until the next annual meeting of the security holders or until their successors have been elected and qualified. The officers of our company are appointed by our board of directors and hold office until their death, resignation or removal from office. Our directors and executive officers, their ages, positions held, and duration as such, are as follows:

Name	Position Held with the Company	Age	Date First Elected or Appointed
Robert Knight	Director and President Director and President of Navitrak Engineering Incorporated	50	July 10, 1998
Richard Brown	Director, Chief Financial Officer	47	November 12, 2004
Randle Barrington-Foote	Director	54	November 12, 2004
Herbert Lustig	General Manager, Navitrak International Corporation	54	June 15, 2005
Randall Cohn	Vice President of Marketing and Program Management	48	June 12, 2006

Business Experience

The following is a brief account of the education and business experience of each director and executive officer during at least the past five years, indicating each person's principal occupation during the period, and the name and principal business of the organization by which he/she was employed.

Robert Knight, Director and President

Mr. Knight was a Director of our company from July 10, 1998 until September 1, 1998. He was also our President, Secretary and Treasurer from July 10, 1998 until September 1, 1998. He was re-appointed as a director of our company on August 24, 2001. He was re-appointed as the President, Secretary and Treasurer of our company on May 10, 2004.

Mr. Knight has 15 years of experience in corporate finance and has served in various capacities for a number of public companies over that same period of time. He served as our President, Treasurer and Secretary from May 10, 2004 and, though he resigned from the offices of Treasurer and Secretary on November 12, 2004, he continues to serve as our President. From September 1998 until January 12, 2005, Mr. Knight served as the President, Secretary-Treasurer and a Director of Synova Healthcare Group, Inc. (PK: SNVH.PK), a U.S. reporting company formerly known as Advanced Global Industries Ltd. and Centaur BioResearch Corp., which distributes non-invasive medical diagnostic tools mainly for women. Mr. Knight has served as a Director of Invisa, Inc. (OTC-BB: INSA.OB), a

reporting company in the United States whose shares trade on the OTC Bulletin Board, from September, 1998 until April, 2005. Invisa, Inc. manufactures and distributes safety sensing equipment used mainly for parking gate closure devices. Mr. Knight served as President, Secretary and Treasurer of Invisa, Inc. from 1998 until February 2000. From July 1998 to December 22, 2005, Mr. Knight served as a Director of Heartland Oil and Gas Corp. (OTC-BB: HOGC.OB), a reporting company in the United States whose shares are quoted on the OTC Bulletin Board. Heartland Oil and Gas Corp. is involved in the exploration and development of coal bed methane gas properties in the United States. Mr. Knight served as President of Heartland Oil and Gas Corp. from July, 1998 until September 2002, as its Chief Financial Officer from September 2002 until November 2004 and as its corporate Secretary from July 1998 until November 2004. Mr. Knight served as Treasurer and Director of Advertain On-Line Inc. from March 2000 until June 2003. Advertain On-Line Inc. is an on-line advertising software development firm. On December 4, 2005, Mr. Knight was appointed as President and as a member of the board of directors of Mexoro Minerals Ltd. (OTC-BB: MXOM.OB), a reporting company in the United States whose shares are quoted on the OTC Bulletin Board.

Mr. Knight was awarded an MBA degree, from Herriot-Watt University in December, 1998.

Richard Brown ,Chief Financial Officer and Director

Mr. Brown has been a Director since November 12, 2004. He was appointed our Chief Financial Officer on November 10, 2005.

Since November of 2001, Mr. Brown has been a partner with Osprey Capital Partners, located in Toronto, Ontario, Canada. Osprey Capital provides financing, merger and acquisition services and government funding assistance to mid-market private and public companies. From February 1998 until February 2002, Mr. Brown was the Chief Financial Officer of Navitrak International Corporation (our predecessor), the Canadian company whose assets we acquired in November 2004. While with the Canadian Navitrak International Corporation, Mr. Brown participated in raising over $6 million in equity financing, negotiated bank facilities, acquisitions and developed business strategy. Prior to his tenure with Navitrak, Mr. Brown spent ten years with the Bank of Nova Scotia and Scotia Capital Markets in New York City. Mr. Brown also serves as President and Director of Phoenician Holdings Corporation, a reporting company in Canada, and as Chairman and Director of Grandview Gold Inc. (CNQ: GVGI), a Canadian reporting company engaged in the business of mineral exploration, since May 10, 2004. Since March 16, 2005, Mr. Brown has served as a director, Chief Financial Officer and Treasurer of Express Systems Corporation, a reporting company in the United States engaged in the business of managing databases and distributing third party newsletters.

Mr. Brown completed a Masters degree in Finance from the Daniels School of Business at the University of Denver in December 1982 and a BA in Economics from the University of Guelph (Ontario, Canada) in May 1988.

Randle Barrington-Foote, Director

Mr. Barrington-Foote has been a Director since November 12, 2004.

Mr. Barrington-Foote worked with HSBC Bank Canada from February, 1982 until December, 2004. During his last five years with HSBC Bank Canada, Mr. Barrington-Foote was an Assistant Vice-President & Manager. Since January 1, 2005, Mr. Barrington-Foote has been an independent mortgage broker with Meridian Financial Services in Vancouver, Canada. Since March 16, 2005, he has been the President and a director of Express Systems Corporation, a reporting company in the United States engaged in the business of managing databases and distributing third party newsletters. Since January 12, 2006, Mr. Barrington-Foote has been the sole director and officer of Logo Industries Corporation (PK: LGDC.PK), a company that has no current business activity.

Herbert M. Lustig, General Manager

Mr. Lustig has been the General Manager of Navitrak International Corporation since June 2005. From June to December 2003, he was Chief Operating Officer of Invisa Inc. (OTC-BB: INSA), a U.S. reporting company engaged in the business of manufacturing and distributing safety sensing equipment for parking gate closure devices. In December of 2003 he joined the Invisa Board of Directors and from January 2004 through April 2005, he was President and CEO of Invisa Inc. He resigned as a director of Invisa Inc. in May 2005. Prior to that, from November 2002 to October 2003, Mr. Lustig was principal of Techmark Group, a consulting firm providing technology and market development assistance for corporations. Earlier, Mr. Lustig held executive positions at Expanse Networks, Honeywell International, General Instrument Corporation and Booz Allen Hamilton.

Mr. Lustig was awarded an MBA from the Wharton School of the University of Pennsylvania and a Bachelor of Science degree from the University of Massachusetts at Amherst.

Randall Cohn, Vice President of Marketing and Program Management

Mr. Cohn has been our Vice President of Marketing and Program Management since June 12, 2006. From September 2002 to June 2006 Mr. Cohn was General Manager for Wyle Laboratories, where he specialized in flight test engineering, program management and business process improvement. Prior to that, from April 2002 to September 2002, as Senior Director of Testing for Applied Research Associates, he played a key coordinating role in the technology demonstration phase of high profile weapons and sensor system programs.

Mr. Cohn served in the U.S. Navy from May of 1981 to December 2001. As Commanding Officer of Sea Control Squadron Two-Four, he led the squadron through combat operations in two different theaters of operation. He also served as Air Officer on the USS Harry S. Truman (CVN-75) during her maiden deployment. His experience with airborne sensors includes being lead Test Pilot for Flying Qualities and Performance as well as System Integration Testing on the ES-3A, a sophisticated carrier-based aircraft performing roles in electronic warfare and intelligence, reconaissance and surveillance.

Mr. Cohn is a graduate of the U.S. Naval Test Pilot School (1989) and he holds a B.S. degree in Ocean Engineering from the US Naval Academy (1981) as well as a M.S. in Aerospace Systems Engineering from the University of Tennessee (1990).

Identification of Certain Significant Employees

Our significant employees, their ages and positions held are as follows:

Name	**Position Held with the Company**	**Age**
Dr. Adam Wolinski	Director of Technology, Research and Development	54
Dr. Tam-Anh Chu	Director of Advanced Product Development	49
Yulia Lazukova	Software Development Manager and Airborne Product Development Director	38
Robert Gallant	Controller	44

<u>Dr. Adam Wolinski; Director of Technology, Research and Development</u>

Dr. Wolinski joined Navitrak Engineering Incorporated in 1999 as a senior engineer. Responsible for overseeing development of much of Navitrak s proprietary technology Dr. Wolinski is currently leading research and development efforts at Navitrak Engineering Incorporated.

Ph. D. of Engineering Sciences, Technological University of Poznan, Poland, 1980; Masters Degree in Mechanical Engineering, University of Nitra, Czechoslovakia, 1975

Dr. Tam-Anh Chu, Director of Advanced Product Development

Dr. Chu joined Navitrak International Corp. in February of 2006. Based in our Falls Church, Virginia office, he is responsible for the development of our proprietary hardware platform. He reports to Dr. Wolinski.

Ph.D. in Electrical Engineering, Massachusetts Institute of Technology, Boston Massachusetts, 1987; Master of Science in Electrical Engineering & Computer Science, Massachusetts Institute of Technology, Boston, Massachusetts, 1981; Bachelor of Science in Electrical Engineering, Catholic University, Washington, D.C., 1979.

Yulia Lazukova, Software Development Manager and Airborne Product Development Director

Ms. Lazukova joined Navitrak Engineering Incorporated in November 1999 and currently leads Navitrak Engineering Incorporated s software development team. She is responsible for all aspects of the design, development and maintenance of Navitrak Engineering Incorporated s software and data resources. Since November 24, 2006 she has been responsible for our product design, integration and implementation efforts.

Masters Degree in Mechanical Engineering, Institute of Chemical Machine Building, Moscow, Russia; additional Masters level studies in Computer Science, Dalhousie University, Halifax, Canada.

Robert Gallant, Controller

Mr. Gallant joined our company in June 2005. He is a Certified Management Accountant and holds Bachelor s degrees in Computer Science and in Business. Since 1987 he has worked in increasingly senior financial positions at Schlumberger, International Paper, Federal Mogul and PolyCello.

BS Computer Science and BA Business Administration, 1987, from the University of Moncton, New Brunswick, Canada.

Family Relationships

There are no family relationships between any director or executive officer.

Involvement in Certain Legal Proceedings

Our directors, executive officers and control persons have not been involved in any of the following events during the past five years:

1. any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
2. any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offences);
3. being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; or
4. being found by a court of competent jurisdiction (in a civil action), the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

Audit Committee Financial Expert

As our company is relatively small, our Board of Director s audit committee does not have a member that qualifies as an "audit committee financial expert" as defined in Item 401(e) of Regulation S-B, and is "independent" as the term is used in Item 7(d)(3)(iv) of Schedule 14A under the Securities Exchange Act of 1934, as amended. We believe that the members of our Board of Directors are collectively capable of analyzing and evaluating our financial statements and understanding our internal controls and procedures, including those pertaining to financial reporting. In addition, we believe that retaining an independent director who would qualify as an "audit committee financial expert" would be overly costly and burdensome and is not warranted in light of the current size of our company.

Committees of the Board

On November 10, 2005, the audit committee of our board of directors was formed with its one current member. The audit committee will be comprised of three directors and will operate under a written charter adopted by the board. All members of the audit committee (i) will meet the criteria for independence as set forth in the Securities Exchange Act, (ii) will not have participated in the preparation of our financial statement at any time during the past three years and (iv) will be able to read and understand fundamental financial statements. Our audit committee is currently comprised of one director Randle Barrington-Foote. We are currently in the process of identifying two other candidates who will meet the criteria for membership established above.

The responsibilities of the audit committee include recommending to the board an accounting firm to be engaged as our independent registered public accounting firm. Our management has primary responsibility for our internal controls and financial reporting process. The independent registered public accounting firm is responsible for performing an independent audit of our consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) and for issuing a report thereon. The audit committee s responsibility is to oversee these processes and the activities of our internal accounting department. Since it was formed in November, 2005, our Audit Committee has convened one meeting, which was attended by our auditor.

We do not have a compensation committee at this time.

Compliance with Section 16(a) of the Securities and Exchange Act of 1934

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our executive officers and directors and persons who own more than 10% of a registered class of our equity securities to file with the Securities and Exchange Commission initial statements of beneficial ownership, reports of changes in ownership and annual reports concerning their ownership of our common stock and other equity securities, on Forms 3, 4 and 5 respectively. Executive officers, directors and greater than 10% shareholders are required by the Securities and Exchange Commission regulations to furnish us with copies of all Section 16(a) reports they file.

Based solely on our review of the copies of such forms received by us, or written representations from certain reporting persons that no Form 5s were required for those persons, we believe that, during the year ended December 31, 2006, all filing requirements applicable to its officers, directors and greater than ten percent beneficial owners were complied with.

Code of Ethics

On March 23, 2006, we adopted a code of business conduct and ethics policy (the Code of Ethics). The adoption of the Code of Ethics allows us to: (i) describe our core values and beliefs; (ii) provide the foundation for all business conduct; and (iii) provide guidance to each of our directors and officers to assist them in recognizing and dealing with ethical issues and risks, providing mechanisms to report unethical conduct and helping foster a culture of honesty and accountability. A copy of the Code of Ethics may be obtained from our Secretary at no charge upon request.

Procedure for Submitting Shareholder Proposals

We encourage shareholders to submit proposals, questions or concerns to us by writing to president or any member of our Board of Directors. All written communications with Board members are treated as confidential. Instructions and contact information for president and the Board of Directors can be found by visiting our website at www.navitrak.com. Once a proposal, question or concern is received by president or a Board member, the communication is reviewed and addressed accordingly.

Procedure for Submitting Shareholder Proposals Related to Nominee as Director

See *Procedures for Submitting Shareholder Proposals* above.

Item 10. Executive Compensation.

The particulars of compensation paid to the following persons:

our principal executive officer;

each of our two most highly compensated executive officers who were serving as executive officers at the end of the year ended December 31, 2006; and

up to two additional individuals for whom disclosure would have been provided under (b) but for the fact that the individual was not serving as our executive officer at the end of the most recently completed financial year,

who we will collectively refer to as the named executive officers, of our year ended December 31, 2006, is set out in the following summary compensation table:

SUMMARY COMPENSATION TABLE

Name and Principal Position	**Year**	**Salary ($)**	**Bonus ($)**	**Stock Awards ($)**	**Option Awards ($)**	**Non-Equity Incentive Plan Compensa-tion ($)**	**Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)**	**All Other Compensa-tion ($)**	**Total ($)**
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Robert Knight President & CEO	2006	$60,000	Nil	Nil	$47,450	Nil	Nil	Nil	$107,450
Joel Strickland(1) Former President & CEO Navitrak Engineering Incorporated	2006	$159,375	Nil	Nil	$216,933	Nil	Nil	$1,983	$376,308
Richard Brown CFO & Director	2006	Nil	Nil	Nil	$35,587	Nil	Nil	Nil	$35,587
Herbert Lustig(2) General Manager Navitrak International Corporation	2006	$219,250	$737,500	Nil	$420,202	Nil	Nil	Nil	$1,376,952

(1) Mr. Strickland resigned from all of his positions with our company and our wholly-owned subsidiary, Navitrak Engineering Incorporated, effective May 18, 2006 pursuant to an Agreement and Mutual Release. Pursuant to the agreement, among other things, the stock options held by Mr. Strickland will continue to be available to him until they expire on December 31, 2010. Additional stock option compensation of $157,621 has been recognized for the year ended December 31, 2006.

(2) Pursuant to the employment agreement, Mr. Lustig is entitled to receive 500,000 bonus shares at June 30, 2006. These shares have not been issued yet but compensation expense of $737,500 related to these bonus shares has been recognized during the year ended December 31, 2006.

Pursuant to an employment agreement dated June 1, 2005, we agreed to pay Mr. Lustig a salary of $200,000 per year in cash, a stock bonus of 500,000 common shares per year (as adjusted for the 2:1 stock split that took place effective August 29, 2005), a stipend equal to $7,800 to cover the costs of health insurance and a stipend equal to $4,500 per year to cover the cost of long term disability insurance. In addition, we agreed to grant to Mr. Lustig options to purchase 1,500,000 of our common shares under the terms of our 2005 Incentive Plan. These share purchase options have an exercise price of $0.96 (equal to the 10 trading-day average before June 1, 2005, as adjusted for the 2:1 stock split that took place effective August 31, 2005). Although we had orally agreed to grant these options to Mr. Lustig on June 1, 2005 (the date that his employment with our company actually commenced), these share purchase options were not actually granted by our board until November 10, 2005, which is the day that we signed Mr. Lustig s written employment agreement. 125,000 of these share purchase options vested immediately upon grant. The second instalment of 125,000 options vested on December 1, 2005, the third instalment of 125,000 options vested on March 1, 2006, the fourth instalment of 125,000 options vested on June 1, 2006 and the fifth instalment vested on September 1, 2006. The remainder will vest in instalments of 125,000 options on each of December 1, 2006, March 1, 2007, June 1, 2007, September 1, 2007, December 1, 2007, March 1, 2008 and June 1, 2008.

Pursuant to an Agreement and Mutual Release dated effective May 18, 2006, we agreed to pay Mr. Strickland the sum of approximately $131,685 ($147,500 CDN) in a number of payments over time in connection with his resignation from all of his positions with our company and our wholly-owned subsidiary, Navitrak Engineering Inc. The first of these payments, in the amount of approximately $8,927 ($10,000 CDN), was to be paid to Mr. Strickland within two business days of the effective date of the agreement. Five subsequent payments, each in the amount of approximately $6,695 ($7,500 CDN), were to be paid on May 31, 2006, June 30, 2006, July 31, 2006, August 31, 2006 and September 30, 2006. We are to make a final payment of approximately $89,277 ($100,000 CDN) on December 31, 2006, unless prior to that date we close a sale of debt or equity (except a sale of debt or equity to the Atlantic Canada Opportunities Agency) in which event we have agreed to make earlier payments on account of this $89,277 payment, each in the amount of approximately $22,319 ($25,000 CDN), for each approximately $446,388 ($500,000 CDN) (in the aggregate) that we raise through such sale. Pursuant to the Agreement, the stock options held by Mr. Strickland will continue to be available to him until they expire on December 31, 2010. The Agreement contains a mutual release of claims whereby each of Mr. Strickland and our company release the other from any claims either had against the other except those arising under the Agreement and Mutual Release dated effective May 18, 2006. We have paid the initial payment of approximately $8,927 ($10,000 CDN), the payments due for May 31, 2006, June 30, 2006, July 31, 2006, August 31, 2006 and September 30, 2006, and one payment of $22,319 ($25,000 CDN) resulting from a sale of equity.

Outstanding Equity Awards at Fiscal Year-End

The particulars of unexercised options, stock that has not vested and equity incentive plan awards for the following persons:

our principal executive officer;

each of our two most highly compensated executive officers who were serving as executive officers at the end of the year ended December 31, 2006; and

up to two additional individuals for whom disclosure would have been provided under (b) but for the fact that the individual was not serving as our executive officer at the end of the most recently completed financial year, who we will collectively refer to as the named executive officers, of our year ended December 31, 2006, is set out in the following outstanding equity awards table:

	Options Awards					Stock Awards			
Name	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested (#)**	**Market Value of Shares or Units of Stock That Have Not Vested ($)**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)**	**Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)**
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Robert Knight President & CEO	400,000	Nil	Nil	$0.425	December 6, 2014	Nil	N/A	N/A	N/A
Joel Strickland(1) Former President & CEO Navitrak Engineering Incorporated	500,000	Nil	Nil	$0.425	December 6, 2014	Nil	N/A	N/A	N/A
Richard Brown CFO & Director	300,000	Nil	Nil	$0.425	December 6, 2014	Nil	N/A	N/A	N/A
Herbert Lustig(2) General Manager Navitrak International Corporation	750,000	750,000	Nil	$0.96	May 31, 2015	1,000,000	$550,000	N/A	N/A

(1) Mr. Strickland resigned from all of his positions with our company and our wholly-owned subsidiary, Navitrak Engineering Incorporated, effective May 18, 2006 pursuant to an Agreement and Mutual Release

(2) These options will vest such that Mr. Lustig will receive an additional 125,000 options on each of March 1, June 1, September 1 and December 1, 2007 and on March 1 and June 1, 2008. Pursuant to the employment agreement, Mr. Lustig is also entitled to receive 500,000 bonus shares of common stock on each of June 30, 2006, June 30, 2007 and June 30, 2008 so long as he continues to be employed by the Company at those dates. As at December 31, 2006, 500,000 bonus shares have vested and 1,000,000 shares remain unvested.

Director Compensation

The particulars of compensation paid to our directors for our year ended December 31, 2006, is set out in the following director compensation table:

Name	**Fees Earned or Paid in Cash ($)**	**Stock Awards ($)**	**Option Awards ($)**	**Non-Equity Incentive Plan Compensation ($)**	**Change in Pension Value and Nonqualified Deferred Compensation Earnings**	**All Other Compensation ($)**	**Total ($)**
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Robert Knight	$60,000	Nil	$47,450	Nil	Nil	Nil	$107,450
Richard Brown	Nil	Nil	$35,587	Nil	Nil	Nil	$35,587
Randle Barrington-Foote	Nil	Nil	$35,587	Nil	Nil	Nil	$35,587

Stock Option Plan

On December 6, 2004 our Board of Directors approved the 2004 Officer, Director, Employee, Consultant and Advisor Stock Compensation Plan pursuant to which a total of 4,000,000 of our shares could be issued. On September 27, 2005, our Board of Directors approved our 2005 Incentive Plan pursuant to which we may grant an aggregate of up to 4,000,000 common shares or options to purchase common shares to employees, consultants or directors of our company or of any of our subsidiaries. The purpose of the 2004 Incentive Plan and the 2005 Incentive Plan was to give our company the ability to motivate participants to contribute to our growth and profitability.

Our 2005 Incentive Plan is administered by our Board of Directors. It will continue in effect until the earlier of the (a) date that we have granted all of the securities that can be issued pursuant to its terms or (b) September 27, 2015.

Awards under our 2005 Incentive Plan will vest as determined by our Board of Directors and as established in stock option agreements to be entered into between our company and each participant receiving an award. Options granted under the 2005 Incentive Plan will have a term of 10 years from the date of grant but are subject to earlier termination in the event of death, disability or the termination of the employment or consulting relationship.

The exercise price of options granted under our 2005 Incentive Plan shall be determined by our board of directors but shall not be less than 85% of the fair market value of our company s common stock on the grant date. (In the case of options granted to a holder of more than 10% of our company s common stock, the option price must not be less than 110% of the market value of the common stock on the grant date.)

Stock options become exercisable at dates determined by the Board of Directors at the time of granting the option.

Item 11. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Beneficial Ownership

We have set forth in the following table certain information regarding our shares of common stock beneficially owned as of March 21, 2007 for: (i) each shareholder we know to be the beneficial owner of 5% or more of shares of our common stock; (ii) each of our executive officers and directors; and (iii) all executive officers and directors as a group. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange

Commission. In computing the number of shares beneficially owned by a person, we have included shares for which the named person has sole or shared power over voting or investment decisions. Except as otherwise noted below, the number of shares beneficially owned includes common stock which the named person has the right to acquire, through conversion or option exercise, or otherwise, within 60 days after December 31, 2006. Beneficial ownership calculations for 5% stockholders are based solely on publicly filed Schedule 13Ds or 13Gs, which 5% stockholders are required to file with the Securities and Exchange Commission. As of March 21, 2007, we had 66,952,430 common shares issued and outstanding.

To the best of our knowledge, there are no voting arrangements with any of our other shareholders.

Address of Beneficial Owner	**Amount and Nature of Beneficial Ownership**	**Percentage of Class**[(1)]
Robert Knight 114 West Magnolia Street, Suite 446, Bellingham, WA 98225	400,000[(2)]	*
Randle Barrington-Foote 114 West Magnolia Street, Suite 446, Bellingham, WA 98225	300,000[(3)]	*
Richard Brown Suite 1705 55 University Avenue Toronto, Ontario M5J 2H7	508,674[(4)]	*
Herbert M. Lustig 400 - 1190 Barrington Street Halifax, Nova Scotia, Canada B3H 2R4	1,375,000[(5)]	2.01%
Joel Strickland[(6)] 400 - 1190 Barrington Street Halifax, Nova Scotia, Canada B3H 2R4	1,325,000[(7)]	1.96%
Randall Cohn 252 North Washington St Falls Church, VA 22046	Nil	Nil
G.M. Capital Partners Ltd.[(8)] 2, Rue Thalberg CP 1507 CH-1211 Geneve 1 Switzerland	38,416,412	55.39%
Directors and Executive Officers as a Group (6 people)	**3,908,674**[(9)]	**5.52%**

*less than 1%

(1) Based on 66,952,430 shares of common stock issued and outstanding as of March 21, 2007 and, as to a specific person, shares issuable pursuant to the exercise of share purchase warrants and options exercisable within 60 days. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Except as otherwise indicated, we believe that the beneficial owners of the common stock listed above, based on information furnished by such owners, have sole investment and voting power with respect to such shares, subject to community property laws where applicable.

(2) Consists of fully vested options to acquire an aggregate of 400,000 shares of common stock.

(3) Consists of fully vested options to acquire an aggregate of 300,000 shares of common stock.

(4) Includes fully vested options to acquire an aggregate of 300,000 shares of common stock.

(5) Consists of fully vested options to acquire an aggregate of 875,000 shares of common stock and 500,000 shares issuable to Mr. Lustig under his employment agreement which have not yet been issued.

(6) Mr. Strickland resigned from all of his positions with our company and our wholly-owned subsidiary, Navitrak Engineering Incorporated, effective May 18, 2006 pursuant to an Agreement and Mutual Release which provides, among other terms, that the stock options that were available to Mr. Strickland on May 18, 2006 will continue to be available to Mr. Strickland until they expire on December 31, 2010.

(7) Includes fully vested options to acquire an aggregate of 500,000 shares of common stock.

(8) Includes 36,016,412 common shares and 2,400,000 common shares issuable upon exercise of share purchase warrants but excludes 1,000,000 share purchase warrants which have not yet vested. J. A. Michie, the Managing Director of G.M. Capital Partners Ltd., and Marc Angst, a director of G.M. Capital Partners Ltd., exercise dispositive and voting power with respect to the shares of our common stock that are beneficially owned by G.M. Capital Partners Ltd.

(9) Includes fully vested options to acquire an aggregate of 2,375,000 shares of common stock.

Changes in Control

On February 27, 2007, G.M. Capital Partners Ltd. purchased 35,000,000 shares of our common stock for a purchase price of $350,000, or $0.01 per share. Payment was made by way of a reduction in the principal balance of debt owed by our company to G.M. Capital Partners Ltd. After this reduction, our company still owes to G.M. Capital Partners Ltd. the sum of approximately $717,867. Upon completion of this share purchase, G.M. Capital Partners Ltd. became the registered owner of 35,016,412 shares of our common stock entitled to cast approximately 52.3% of the votes that may be cast by holders of issued and outstanding shares of our common stock. J.A. Michie, the Managing Director of G.M. Capital Partners Ltd., and Marc Angst, a director of G.M. Capital Partners Ltd., exercise dispositive and voting power with respect to the securities of our company that are registered in the name of G.M. Capital Partners Ltd.

We are unaware of any other contract or other arrangement the operation of which may at a subsequent date result in a change in control of our company.

Item 12. Certain Relationships and Related Transactions, and Director Independence.

We entered into a written consulting agreement with G.M. Capital Partners Ltd., a British Virgin Islands company, effective December 1, 2004, pursuant to which G.M. Capital Partners Ltd. has agreed to provide corporate counselling and advice. The term of the agreement is for a period of 24 months commencing December 1, 2004, though we have recently orally agreed to extend the original term for an additional two years. We agreed to pay G.M. Capital Partners Ltd. an initial payment of $10,000 and, commencing after January 1, 2005, $10,000 per month. We also agreed to issue G.M. Capital Partners Ltd. three engagement warrants. The first engagement warrant gives the warrant holder the right to acquire 1,000,000 (pre-split) shares of our company s common stock at $0.50 (pre-split) per share for a period of two years from the date of issuance of the engagement warrant; the second engagement warrant gives the warrant holder the right to acquire 500,000 (pre-split) shares of our company s common stock at a price of $1.00 (pre-split) per share for a period of three years from the date of issuance of the engagement warrant and the third engagement warrant gives the warrant holder the right acquire up to 500,000 (pre-

split) shares of our company s common stock at a price of $2.00 (pre-split) per share for a period of five years from the date of issuance of the engagement warrant. On October 27, 2005 we amended and restated our consulting agreement with G.M. Capital Partners, Ltd. to account for the stock split effective August 29, 2005 and, effective September 16, 2006 we amended the agreement to change the vesting and expiration provisions of the first and second engagement warrants effective from the date of the original consulting agreement (December 1, 2004). As amended, the first engagement warrant gives the warrant holder the right to acquire 2,000,000 shares of our company s common stock at $0.25 per share for a period of one year from the date that the Securities and Exchange Commission declares our registration statement on Form SB-2 to be effective (this registration statement was declared effective January 23, 2007). Therefore, the right to exercise the first engagement warrant vested on January 23, 2007. As amended, the second engagement warrant gives the warrant holder the right to acquire 1,000,000 shares of our company s common stock at a price of $0.50 per share from the date that they vest (which is the date upon which the consultant purchases the last of the 2,000,000 common shares underlying the first engagement warrant) until November 30, 2008. Therefore, the right to exercise the second engagement warrant can vest only after the Securities and Exchange Commission has declared our registration statement on Form SB-2 effective and the consultant has purchased all 2,000,000 of the common shares underlying the first engagement warrant; although the Securities and Exchange Commission declared our registration statement on Form SB-2 effective January 23, 2007, the right to exercise the second engagement warrant will not vest until the consultant has purchased all 2,000,000 of the common shares underlying the first engagement warrant. Finally, the third engagement warrant gives to the holder the right to acquire up to 1,000,000 shares of our company s common stock at a price of $1.00 per share for a period of five years from the date of issuance of the warrant. The right to exercise the third engagement warrant vested on September 15, 2006.

Our consulting agreement with G.M. Capital Partners Ltd. provides that the holders of 50% of the engagement warrants may demand that we register the common shares underlying the engagement warrants with the Securities and Exchange Commission, at our expense. If we fail to file a registration statement within 90 days of the date of demand for such a registration, the consulting agreement provides that we will sell to G.M. Capital Partners Ltd., for each day beyond the 90 day period that the registration statement remains unfiled, 5,000 common shares of our company at a sale price of $0.001 per share. Although we have not yet received such a demand for registration of the common shares underlying these warrants, these common shares comprise a portion of the securities registered pursuant to our registration statement declared effective on January 23, 2007.

In addition to the consulting services described in the main body of our consulting agreement with G.M. Capital Partners Ltd., G.M. Capital Partners Ltd. agreed to provide certain additional services, in exchange for certain additional fees, in schedules that are attached to the consulting agreement. In Schedule B to the consulting agreement, G.M. Capital Partners Ltd. agrees to assist our company in the event of any business combinations (including sales, mergers and other types of business combination), in exchange for a percentage of the value of the transaction (5% of the first $1,000,000, 4% for the second $1,000,000, 3% of the third $1,000,000, 2% of the fourth $1,000,000 and 1% of all consideration in excess of $5,000,000). In Schedule C to the consulting agreement, G.M. Capital Partners Ltd. agreed to use it best efforts to introduce our company to potential sources of financing, and we agreed to pay to G.M. Capital Partners Ltd. a cash success fee equal to 10% of the gross proceeds of any private financing. Although the term of this consulting agreement has expired, we continue to renew it on a month by month basis.

We entered into a written employment agreement with Herbert M. Lustig dated as of June 1, 2005, pursuant to which Mr. Lustig agreed to serve as our General Manager for a period of 36 months from June 1, 2005. In the employment agreement, we agreed to pay Mr. Lustig a salary of $200,000 per year in cash, a stock bonus of 500,000 common shares per year (as adjusted for the 2:1 stock split that took place effective August 29, 2005), a stipend equal to $7,800 to cover the costs of health insurance and a stipend equal to $4,500 per year to cover the cost of long term disability insurance. In addition, we agreed to grant to Mr. Lustig options to purchase 1,500,000 of our common shares under the terms of our 2005 Incentive Plan. These share purchase options have an exercise price of $0.96 (equal to the 10 trading-day average before June 1, 2005, as adjusted for the 2:1 stock split that took place effective August 31, 2005). Although we had orally agreed to grant these options to Mr. Lustig on June 1, 2005 (the date that his employment with our company actually commenced), these share purchase options were not actually granted by our board until November 10, 2005, which is the day that we signed Mr. Lustig s written employment agreement. 125,000 of these share purchase options vested immediately upon grant. The second instalment of 125,000 options vested on December 1, 2005, the third instalment of 125,000 options vested on March 1, 2006, the fourth instalment of 125,000 options vested on June 1, 2006 and the fifth instalment vested on September 1, 2006. The remainder will vest in instalments of 125,000 options on each of December 1, 2006, March 1, 2007, June 1, 2007, September 1, 2007, December 1, 2007, March 1, 2008 and June 1, 2008.

We entered into an Agreement and Mutual Release with Joel Strickland effective May 18, 2006, wherein Mr. Strickland resigned all of his positions with our company and our wholly-owned subsidiary, Navitrak Engineering Inc., effective May 18, 2006. In the Agreement we agreed to pay Mr. Strickland the sum of approximately $131,685 ($147,500 CDN) in a number of payments over time. The first of these payments, in the amount of approximately $8,927 ($10,000 CDN), was to be paid to Mr. Strickland within two business days of the effective date of the agreement. Five subsequent payments, each in the amount of approximately $6,695 ($7,500 CDN), were to be paid on May 31, 2006, June 30, 2006, July 31, 2006, August 31, 2006 and September 30, 2006. We are to make a final payment of approximately $89,277 ($100,000 CDN) on December 31, 2006, unless prior to that date we close a sale of debt or equity (except a sale of debt or equity to the Atlantic Canada Opportunities Agency) in which event we have agreed to make earlier payments on account of this $89,277 payment, each in the amount of approximately $22,319 ($25,000 CDN), for each approximately $446,388 ($500,000 CDN) (in the aggregate) that we raise through such sale. Pursuant to the Agreement, the stock options held by Mr. Strickland will continue to be available to him until they expire on December 31, 2010. In addition, we have agreed to register with the Securities and Exchange Commission the shares that might be issued upon exercise of Mr. Strickland s stock options on Form S-8 if and when we file such a registration statement to register shares underlying stock options that we have granted to other employees, officers and directors of our company. The Agreement contains a mutual release of claims whereby each of Mr. Strickland and our company release the other from any claims either had against the other except those arising under the Agreement and Mutual Release dated effective May 18, 2006. We have paid the initial payment of approximately $8,927 ($10,000 CDN), the payments due for May 31, 2006, June 30, 2006, July 31, 2006, August 31, 2006 and September 30, 2006, and one payment of $22,319 ($25,000 CDN) resulting from a sale of equity.

We entered into a written employment letter with Randall Cohn dated May 22, 2006, pursuant to which Mr. Cohn has agreed to serve as our Vice President of Marketing and Program Management effective June 12, 2006. In the employment agreement, we agreed to pay Mr. Cohn a salary of $160,000 per year, subject to a cost-of-living adjustment which we will address in his first annual review. We have also agree to pay Mr. Cohn a minimum cash bonus of $40,000 on July 2, 2007. Our agreement requires that Mr. Cohn relocate to the Washington, D.C. area at our expense.

On February 27, 2007, G.M. Capital Partners Ltd. purchased 35,000,000 shares of our common stock for a purchase price of $350,000, or $0.01 per share. Payment was made by way of a reduction in the principal balance of debt owed by our company to G.M. Capital Partners Ltd. After this reduction, our company still owes to G.M. Capital Partners Ltd. the sum of approximately $717,867. Upon completion of this share purchase, G.M. Capital Partners Ltd. became the registered owner of 35,016,412 shares of our common stock entitled to cast approximately 52.3% of the votes that may be cast by holders of issued and outstanding shares of our common stock.

Except as disclosed in the preceding discussion, we have not been a party to any transaction, proposed transaction, or series of transactions in which the amount involved exceeds $60,000, and in which any of our directors, officers, five percent beneficial security holder, or any member of the immediate family of the foregoing persons has had or will have a direct or indirect material interest.

Director Independence

Currently, Randle Barrington-Foote is our only independent director as that term is defined by Rule 4200(a) (15) of the National Association of Securities Dealers' listing standards.

Item 13. Exhibits.

Exhibits required by Item 601 of Regulation S-B

Exhibit Number and Exhibit Title

Exhibit Number	Description
3.1	Articles of Incorporation (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)
3.2	By-laws (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)
3.3	Articles of Amendment of Articles of Incorporation filed with the Nevada Secretary of State July 29, 1999 (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)
3.4	Articles of Amendment of Articles of Incorporation filed with the Nevada Secretary of State August 29, 2001 (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)
3.5	Articles of Merger filed with the Nevada Secretary of State October 4, 2001 (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)
3.6	Articles of Merger filed with the Nevada Secretary of State October 10, 2001 (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)
3.7	Certificate of Articles of Amendment filed with the Nevada Secretary of State October 18, 2001 (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)
3.8	Articles of Merger filed with the Nevada Secretary of State November 3, 2004 (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)
3.9	Certificate of Amendment filed with the Nevada Secretary of State July 21, 2005 (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)
4.1	Form of Share Certificate (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)
10.1	2005 Incentive Plan (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)
10.2	Amended and Restated 2005 Incentive Plan (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)
10.3	2004 Incentive Plan (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)
10.4	Amended and Restated 2004 Incentive Plan (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)
10.5	Employment Agreement with Herbert Lustig (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)
10.6	Consulting Agreement with AD Butler and Associates (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)
10.7	Employment Agreement with Ping Chen (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)
10.8	Employment Agreement with Yulia Lazukova (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)
10.9	Employment Agreement with Robert D. Gallant (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)
10.10	Employment Agreement with Dr. Adam Wolinski (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)
10.11	Consulting Agreement with G.M. Capital Partners (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)

10.12	2005 Form of Stock Option Agreement (Non-Qualified) (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)
10.13	2004 Form of Stock Option Agreement (Non-Qualified) (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)
10.14	2005 Form of Offshore Offering Subscription Agreement (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)
10.15	2004 Form of Offshore Offering Subscription Agreement (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)
10.16	Amended and Restated Consulting Agreement with G.M. Capital Partners, Ltd.
10.17	Atlantic Canada Opportunities Agency Business Development Program Contract dated January 20, 1999 with Navitrak Engineering Incorporated (Project # 6004-60-30,916-1) (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)
10.18	Amendment #1 dated July 18, 2000 to Atlantic Canada Opportunities Agency Business Development Program Contract (Project #6004-60-30,916-1) (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)
10.19	Amendment #2 dated August 22, 2002 to Atlantic Canada Opportunities Agency Business Development Program Contract (Project #6004-60-30,916-1) (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)
10.20	Amendment #3 dated April 9, 2003 to Atlantic Canada Opportunities Agency Business Development Program Contract (Project #6004-60-30,916-1) (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)
10.21	Amendment #4 dated November 4, 2003 to Atlantic Canada Opportunities Agency Business Development Program Contract (Project #6004-60-30,916-1) (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)
10.22	Amendment #5 dated July 5, 2004 to Atlantic Canada Opportunities Agency Business Development Program Contract (Project #6004-60-30,916-1) (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)
10.23	Amendment #6 dated January 10, 2005 to Atlantic Canada Opportunities Agency Business Development Program Contract (Project #6004-60-30,916-1) (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)
10.24	Contract dated March 9, 2004 between Atlantic Canada Opportunities Agency and Navitrak Engineering Incorporated, Navitrak International Corporation and Navitrak Systems Inc. (Project #183782) (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)
10.25	Amendment #1 dated February 8, 2005 to Contract between Atlantic Canada Opportunities Agency and Navitrak Engineering Incorporated and Navitrak International Corporation (Project #183782) (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)
10.26	Evaluation Agreement (North America) between NAVTEQ North America and Navitrak International Corporation (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)
10.27	Data License and Reseller Agreement effective March 30, 2001 between Navigation Technologies Corporation and Navitrak International Corporation (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)
10.28	Third Amendment to Data License Agreement and Territory Licenses No. 1 and 2 between NAVTEQ North America, LLC and Navitrak International Corporation (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)
10.29	Fourth Amendment to Data License Agreement and Territory Licenses No. 1 and 2 between NAVTEQ North America, LLC and Navitrak International Corporation (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)
10.30	Amendment No. 1 to NRC Contribution Agreement No. 376225PA (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)
10.31	Consent of Atlantic Canada Opportunities Agency for Projects 165474, 166156, 181936 and 183782 (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)

10.32	Industrial Research Program Repayable Contribution Agreement, Project #376225, effective January 4, 2000 (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)
10.33	Amendments to PEMD Project No. N470834 (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)
10.34	Amendment No. 3 to NRC Contribution Agreement No. 376225PA (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)
10.35	Amendment No. 4 to NRC Contribution Agreement No. 376225PA (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)
10.36	Amendment No. 5 to NRC Contribution Agreement No. 376225PA (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)
10.37	Amendment No. 6 to NRC Contribution Agreement No. 376225PA (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)
10.38	Amendment No. 7 to NRC Contribution Agreement No. 376225PA (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)
10.39	Second Amendment to Data License Agreement and Territory Licenses No. 1 and 2 between NAVTEQ North America, LLC and Navitrak International Corporation (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)
10.40	ACOA Business Development Program Contract, Project No: 6004-60-29-678-1 (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)
10.41	ACOA Business Development Program Loan, Project No. 6004-60-29-687-1 (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)
10.42	Schedule 1 to Agreement for Market Development Strategies, Project No. 7997-470834 (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005)
10.43	Atlantic Innovation Fund Contract between Atlantic Canada Opportunities Agency and Navitrak Engineering Incorporated and Navitrak International Corporation, Contract Number 181936, dated December 22, 2004 (incorporated by reference from our Registration Statement on Form SB-2/A filed on March 28, 2006)
10.44	Approval of Request for Payment, Project #181936, dated 2005/02/24 (payment No. 1) (incorporated by reference from our Registration Statement on Form SB-2/A filed on March 28, 2006)
10.45	Approval of Request for Payment, Project #181936, dated 2005/03/22 (payment No. 2) (incorporated by reference from our Registration Statement on Form SB-2/A filed on March 28, 2006)
10.46	Approval of Request for Payment, Project #181936, dated 2005/08/08 (payment No. 3) (incorporated by reference from our Registration Statement on Form SB-2/A filed on March 28, 2006)
10.47	Approval of Request for Payment, Project #181936, dated 2005/08/18 (payment No. 4) (incorporated by reference from our Registration Statement on Form SB-2/A filed on March 28, 2006)
10.48	Approval of Request for Payment, Project #181936, dated 2005/09/15 (payment No. 5) (incorporated by reference from our Registration Statement on Form SB-2/A filed on March 28, 2006)
10.49	Amendment No. 8 to NRC Contribution Agreement No. 376225(incorporated by reference from our Registration Statement on Form SB-2/A filed on March 28, 2006)
10.50	Amendment No. 1 to Atlantic Innovation Fund Contract between Atlantic Canada Opportunities Agency and Navitrak Engineering Incorporated and Navitrak International Corporation, Contract Number 181936 (incorporated by reference from our Registration Statement on Form SB-2/A filed on July 24, 2006)
10.51	Employment Agreement with Randall Cohn (incorporated by reference from our Registration Statement on Form SB-2/A filed on July 24, 2006)

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10.52	Agreement and Mutual Release between Navitrak International Corporation and Joel Strickland (incorporated by reference from our Registration Statement on Form SB-2/A filed on July 24, 2006)
10.53	Amendment #3 dated June 8, 2006 to Atlantic Canada Opportunities Agency Business Development Program Contract (Project #183782) (incorporated by reference from our Registration Statement on Form SB-2/A filed on July 24, 2006)
10.54	Amendment #1 to Atlantic Innovation Fund Contract (Project #181836) (incorporated by reference from our Registration Statement on Form SB-2/A filed on July 24, 2006)
10.55	Amendment to Second Amendment and Restated Consulting Agreement with G. M. Capital Partners, Ltd. (incorporated by reference from our Registration Statement of Form SB-2/A filed on November 9, 2006)
10.56	Consulting Services Agreement with ASMI Advance Systems Marketing International Inc. (incorporated by reference from our Registration Statement on Form SB-2/A filed on December 29, 2006)
10.57*	Distributor Agreement dated effective December 15, 2006 with EuroAvionics Navigationssysteme GmbH & Co. KG **
10.58*	Dealer Agreement dated September 25, 2006 with Deep Development Corp. **
21.1	Subsidiaries of Navitrak International Corporation (incorporated by reference from our Registration Statement on Form SB-2 filed on December 30, 2005) Navitrak Engineering Incorporated Navitrak Sales Corporation 0705951 B.C. Ltd. Navitrak Technologies Inc.
31.1*	Section 302 Certification of the Sarbanes-Oxley Act of 2002
31.2*	Section 302 Certification of the Sarbanes-Oxley Act of 2002
32.1*	Section 906 Certification of the Sarbanes-Oxley Act of 2002
32.2*	Section 906 Certification of the Sarbanes-Oxley Act of 2002

* Filed herewith

** Certain parts of this document have not been disclosed and have been filed separately with the Secretary, Securities and Exchange Commission, and is subject to a confidential treatment request pursuant to Rule 24b-2 of the Securities Exchange Act of 1934.

Item 14. Principal Accountant Fees and Services.

Audit Fees

The aggregate fees billed by BDO Dunwoody LLP for professional services rendered for the audit of our annual financial statements, our SB-2 registration statement and related amendments, for review of our quarterly interim financial statements and in connection with statutory and regulatory filings were $237,999 for the year ended December 31, 2006 and $248,492 for the year ended December 31, 2005.

Audit Related Fees

For the year ended December 31, 2006, BDO Dunwoody LLP billed $nil for fees relating to the performance of the audit of our financial statements which are not reported under the caption Audit Fees above and $nil for the year ended December 31, 2005.

Tax Fees

For the year ended December 31, 2006, BDO Dunwoody LLP billed $nil, for fees for tax compliance, tax advice and tax planning services and $nil for the year ended December 31, 2005.

We do not use BDO Dunwoody LLP for financial information system design and implementation. These services, which include designing or implementing a system that aggregates source data underlying the financial statements or

generates information that is significant to our financial statements, are provided internally or by other service providers. We do not engage BDO Dunwoody LLP to provide compliance outsourcing services.

Effective May 6, 2003, the Securities and Exchange Commission adopted rules that require that before an audit firm is engaged by us to render any auditing or permitted non-audit related service, the engagement be:

- approved by our audit committee; or
- entered into pursuant to pre-approval policies and procedures established by the board of directors, provided the policies and procedures are detailed as to the particular service, the board of directors is informed of each service, and such policies and procedures do not include delegation of the board of directors' responsibilities to management.

Our audit committee pre-approves all services provided by our independent auditors. All of the above services and fees were reviewed and approved by the audit committee either before or after the respective services were rendered.

The audit committee has considered the nature and amount of fees billed by BDO Dunwoody LLP and believes that the provision of services for activities unrelated to the audit is compatible with maintaining BDO Dunwoody LLP s independence.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NAVITRAK INTERNATIONAL CORPORATION

a Nevada corporation

By: /s/ Robert Knight

Robert Knight, President and Director

(Principle Executive Officer)

Date: April 17, 2007

By: /s/ Richard Brown

Richard Brown, Chief Financial Officer and Director

(Principle Financial Officer and Principle Accounting Officer)

Date: April 17, 2007

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Robert Knight

Robert Knight, President and Director

(Principle Executive Officer)

April 17, 2007

By: /s/ Richard Brown

Richard Brown, Chief Financial Officer and Director

(Principle Financial Officer and Principal Accounting Officer)

April 17, 2007

By: /s/ Randle Barrington-Foote

Randle Barrington-Foote, Director

April 17, 2007