

**HODGINS AUCTIONEERS INC.**

**INTERIM FINANCIAL STATEMENTS**

**FOR THE NINE MONTHS ENDED  
SEPTEMBER 30, 2007**

(Unaudited – Prepared By Management)

Notice to reader: The interim financial statements for the nine months ended September 30, 2007 have not been reviewed by an auditor.

**HODGINS AUCTIONEERS INC.**  
**INTERIM BALANCE SHEETS**  
**As at September 30, 2007 and December 31, 2006**

	<b>2007</b>	<b>2006</b>
	<b>Sept. 30</b>	<b>Dec. 31</b>
		<b>(Audited)</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	557,023	106,926
Accounts receivable	630,696	128,472
Inventory	31,038	32,900
Prepays	31,008	48,027
	<u>1,249,765</u>	<u>316,325</u>
PROPERTY AND EQUIPMENT (Note 3)	688,853	645,981
	<u>1,938,618</u>	<u>962,306</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Bank indebtedness	-	105,729
Accounts payable and accruals	454,036	159,496
Income taxes payable	182,756	114,349
Current portion of long-term debt (Note 4)	81,002	80,091
Due to shareholders	41,653	41,653
	<u>759,447</u>	<u>501,318</u>
TERM LOANS (Note 4)	316,619	320,738
	<u>1,076,066</u>	<u>822,056</u>
<b>SHAREHOLDERS' EQUITY</b>		
SHARE CAPITAL (Note 5)	233,566	233,566
CONTRIBUTED SURPLUS (Note 5)	69,741	69,741
RETAINED EARNINGS (DEFICIT)	559,245	(163,057)
	<u>862,552</u>	<u>140,250</u>
	<u>1,938,618</u>	<u>962,306</u>

**HODGINS AUCTIONEERS INC.****INTERIM STATEMENTS OF INCOME AND RETAINED EARNINGS****For the nine months ended September 30, 2007 and 2006**

	For the Three Months ended Sep 30, 2007	For the Three Months ended Sep 30, 2006	For the Nine Months ended Sep 30, 2007	For the Nine Months ended Sep 30, 2006
REVENUE				
Auction revenues	912,272	600,833	3,595,126	2,778,633
Rental income	65,348	44,033	98,283	71,677
Other income	52,057	25,430	114,783	39,650
	1,029,677	670,296	3,808,192	2,889,960
DIRECT COSTS	513,815	520,153	1,703,815	1,610,345
GROSS MARGIN	515,862	150,143	2,104,377	1,279,615
EXPENSES				
Wages and benefits	265,180	240,708	793,257	860,086
General and administrative	95,654	74,499	321,068	258,403
Professional fees	15,509	-	42,001	26,771
Interest and bank charges	14,644	15,072	34,821	30,975
Amortization	15,446	11,367	46,338	51,475
Directors fees	2,700	4,050	8,100	12,150
Stock based compensation	-	-	-	2,450
Insurance	8,666	7,897	45,404	36,042
	417,799	353,593	1,290,989	1,278,352
INCOME BEFORE INCOME TAXES	98,063	(203,450)	813,388	1,263
INCOME TAXES				
Current	(23,342)	(4,527)	91,086	-
NET INCOME	121,405	(198,923)	722,302	1,263
RETAINED EARNINGS (DEFICIT) - BEGINNING OF PERIOD	437,840	222,920	(163,057)	22,734
RETAINED EARNINGS (DEFICIT) - END OF PERIOD	559,245	23,997	559,245	23,997
INCOME PER SHARE				
Basic and diluted	\$ 0.0100	\$ (0.0200)	\$ 0.0800	\$ -

**HODGINS AUCTIONEERS INC.**  
**INTERIM STATEMENT OF CASH FLOWS**

**For the nine months ended September 30, 2007 and 2006**

	For the Three Months ended Sep 30, 2007	For the Three Months ended Sep 30, 2006	For the Nine Months ended Sep 30, 2007	For the Nine Months ended Sep 30, 2006
<b>CASH PROVIDED BY (USED IN):</b>				
<b>OPERATING ACTIVITIES</b>				
Net income for the period	121,405	(198,923)	722,302	1,263
Add item not affecting cash				
Amortization	15,446	11,367	46,338	51,475
Stock based compensation	-	-	-	2,450
	<u>136,851</u>	<u>(187,556)</u>	<u>768,640</u>	<u>55,188</u>
Net change in non-cash working capital balance related to operations				
Accounts receivable	1,281,316	1,349,852	(502,224)	164,690
Inventory	23,266	5,164	1,862	(7,310)
Prepays	4,789	(7,277)	17,019	(15,927)
Accounts payable and accrued liabilities	(5,632,587)	(6,432,039)	294,540	(229,620)
Income taxes payable	(47,783)	(4,527)	68,407	-
	<u>(4,234,148)</u>	<u>(5,276,383)</u>	<u>648,244</u>	<u>(32,979)</u>
<b>FINANCING ACTIVITIES</b>				
Term loan advances	63,525	-	63,525	-
Repayment of term loans	(17,685)	(17,011)	(66,733)	(51,571)
Due to shareholders	-	(70,000)	-	-
	<u>45,840</u>	<u>(87,011)</u>	<u>(3,208)</u>	<u>(51,571)</u>
<b>INVESTING ACTIVITY</b>				
Purchase of property and equipment	(39,904)	(14,546)	(89,210)	(58,543)
Redemption of shares	-	-	-	(7,362)
	<u>(39,904)</u>	<u>(14,546)</u>	<u>(89,210)</u>	<u>(65,905)</u>
<b>CHANGE IN CASH</b>	<u>(4,228,212)</u>	<u>(5,377,940)</u>	<u>555,826</u>	<u>(150,455)</u>
<b>CASH - BEGINNING OF THE PERIOD</b>	<u>4,785,235</u>	<u>5,695,997</u>	<u>1,197</u>	<u>468,512</u>
<b>CASH - END OF THE PERIOD</b>	<u><u>557,023</u></u>	<u><u>318,057</u></u>	<u><u>557,023</u></u>	<u><u>318,057</u></u>

**HODGINS AUCTIONEERS INC.**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**For the nine months ended September 30, 2007**

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

The interim unaudited financial statements of Hodgins Auctioneers Inc. (“the Company”), have been prepared by management in accordance with accounting policies generally accepted in Canada. The interim unaudited financial statements have been prepared following the same accounting policies and methods of computation as the financial statements for the fiscal year ended December 31, 2006. The interim financial statements should be read in conjunction with the financial statements and the notes thereto in the Company’s annual report for the year ended December 31, 2006.

**NOTE 2 – CHANGE IN ACCOUNTING POLICIES**

In 2007 we adopted the Canadian Institute of Chartered Accountants Handbook Section 1530, “Comprehensive Income”, Section 3251, “Equity”, Section 3855, “Financial Instruments – Recognition and Measurement”, Section 3861, “Financial Instruments – Disclosure and Presentation” and Section 3865 “Hedges”.

Section 1530 establishes standards for disclosure and presentation of comprehensive income, which represents the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net earnings calculated in accordance with Canadian GAAP. Other comprehensive income has been excluded from our statements as we do not currently have any transactions affecting these accounts.

Section 3861 establishes standards for disclosure and presentation of financial instruments and non-financial derivatives. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and therefore, comparative figures are not restated.

Section 3865 describes when and how hedge accounting can be applied as well as disclosure requirements. Section 3855 prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet, and the amount at which these items should be recorded. Under the new standard, financial instruments must be classified into one of five categories: held-for-trading, held-to-maturity; loans and receivables; other financial liabilities or available-for-sale.

All financial instruments, including derivatives, are measured in the balance sheet at fair value, except loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized costs. The subsequent measurement and accounting for changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value with changes in fair value recognized in net earnings; and available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired, at which time the amounts are recognized in net earnings.

Upon the adoption of these standards, we designated our cash and cash equivalents as held-for-trading, which are measured at fair value and change in fair value are recognized in net earnings. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and term loans are classified as other financial liabilities, which are measured at amortized cost. These changes had no impact on our financial statements.

**HODGINS AUCTIONEERS INC.**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**For the nine months ended September 30, 2007**

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**NOTE 2 – CHANGE IN ACCOUNTING POLICIES con't**

All derivative instruments, including embedded derivatives, are now recorded in the financial statements at fair value. All changes in their fair value are recorded in income unless cash flow hedge accounting is applied, in which case changes in fair value are recorded in other comprehensive income. At this time we do not have any derivate instruments.

**NOTE 3 - PROPERTY AND EQUIPMENT**

	<b>September 30, 2007</b>		
	Cost	Accumulated Amortization	Net Book Value
Land	69,250	-	69,250
Buildings	340,105	177,150	162,956
Automotive	559,613	349,002	210,611
Equipment	782,027	570,023	212,004
Computer Equipment	<u>65,231</u>	<u>31,198</u>	<u>34,033</u>
	<u>1,816,226</u>	<u>1,127,373</u>	<u>688,853</u>
		<b>December 31, 2006</b>	
	Cost	Accumulated Amortization	Net Book Value
Land	69,250	-	69,250
Buildings	335,297	172,259	163,038
Automotive	524,518	326,754	197,764
Equipment	732,721	556,830	175,891
Computer Equipment	<u>65,231</u>	<u>25,193</u>	<u>40,038</u>
	<u>1,727,017</u>	<u>1,081,036</u>	<u>645,981</u>

**HODGINS AUCTIONEERS INC.**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**For the nine months ended September 30, 2007**

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**NOTE 4 – TERM LOANS**

	<b>September 30 2007</b>	<b>Dec. 31 2006</b>
Mortgage loan bearing interest at prime plus 1.5% per annum repayable in monthly installments of \$4,950 blended principal and interest and due on demand; secured buy a fixed and floating debenture covering the Company’s land buildings and other assets.	276,647	304,644
Commercial loan bearing interest at prime plus 1.5% per annum repayable in monthly installments of \$1,450 blended principal and interest and due on demand; secured by certain of the automotive equipment.	-	4,544
Commercial loan bearing interest at prime plus 2.5% per annum repayable in monthly installments of \$985 blended principal and interest and due on demand; secured by certain of the automotive equipment.	27,156	34,032
Retail installment contract bearing interest at 1.9% per annum repayable in monthly installments of \$688 blended principal and interest and due on demand; secured by certain of the automotive equipment.	20,785	26,631
Commercial loan bearing interest at prime plus 2% per annum repayable in monthly installments of \$613 blended principal and interest due on demand.	11,932	16,615
Commercial loan bearing interest at prime plus 1.75% per annum repayable in annual installments of \$16,392 blended principal and interest due on demand.	-	14,363
Commercial loan bearing interest at 8% per annum repayable in monthly installments of \$878 blended principal and interest and due on demand, secured by certain automotive equipment.	26,512	-

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**For the nine months ended September 30, 2007**

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**NOTE 4 – TERM LOANS con't**

	<b>September 30 2007</b>	<b>Dec. 31 2006</b>
Commercial loan bearing interest at 8% per annum repayable in monthly installments of \$727 blended principal and interest and due on demand, secured by certain equipment.	<u>34,589</u>	<u>-</u>
Less current portion	<u>397,621</u> <u>81,002</u>	<u>400,829</u> <u>80,091</u>
	<u>316,619</u>	<u>320,738</u>

**NOTE 5 – SHARE CAPITAL**

Authorized:

Unlimited number of common voting shares

Unlimited number of non-voting redeemable preferred shares

	<b>Number of Shares</b>	<b>Amount</b>
Issued and outstanding:		
Balance as at September 30, 2007	8,198,500	<u>\$ 233,566</u>
Contributed Surplus		
Balance as at September 30, 2007		<u>\$ 69,741</u>

Stock Options

	<b>Number of Shares</b>	<b>Option price</b>	<b>Expiry date</b>
Outstanding Dec. 31, 2004	375,000	\$ 0.40	July 2009
Granted	<u>100,000</u>	<u>.50</u>	Feb. 2008
Outstanding Dec. 31, 2005	475,000	\$ 0.42	
Expired	<u>(75,000)</u>	<u>.40</u>	
Outstanding Dec. 31, 2006	<u>400,000</u>	<u>\$ .43</u>	

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**NOTE 6 – CONTIGENCIES**

In 2006 the Company was audited for PST purposes which resulted in an assessment of \$47,229. The Company paid \$24,737 of this assessment but is currently disputing the remaining \$24,615. This amount has not been accrued in the financial statements as the outcome of the dispute is not readily determinable.

**NOTE 7 – COMMITMENT**

The Company has signed a letter of intent to purchase the shares of Champion Auctions Ltd. for consideration of \$30,000 cash plus 400,000 shares of the Company with a deemed value of \$0.40 per share. The agreement will be effective during 2007 and is contingent upon both parties meeting the financial conditions set out in the letter of intent.