



## GARNEAU INC. THIRD QUARTER RESULTS ENDED SEPTEMBER 30, 2006

### Corporate Highlights

- Garneau announces on October 5, 2006 the termination of the Plan of Arrangement agreement with ShawCor dated April 19, 2006.
- \$3.5 million coating equipment project sold into the United States commenced in the third quarter of 2006.

<b>Summary of Results</b> <i>(In thousands, except per share data, unaudited)</i>	<b>Three months ended</b>		<b>Nine months ended</b>	
	September 30, 2006	September 30, 2005	September 30, 2006	September 30, 2005
Revenue	\$ 11,078	\$ 11,456	\$ 42,908	\$ 31,893
Margin	1,658	2,299	8,045	5,697
Margin %	15.0%	20.1%	18.7%	17.9%
Earnings (loss) before income taxes	(334)	511	1,515	628
Net earnings	53	511	910	628
Earnings per share - basic	0.00	0.05	0.08	0.06
Earnings per share - diluted	0.00	0.05	0.08	0.05

This report includes forward looking statements that are based on the Corporation's current expectations and therefore are subject to uncertainties such as the level of industry drilling and coating activity, foreign exchange fluctuations and world wide economic conditions that may cause actual results to differ materially.

This analysis should be read in conjunction with the unaudited interim consolidated financial statements of the Corporation for the nine months ended September 30, 2006 and 2005 and in conjunction with the audited consolidated financial statements and Annual Management Discussion and Analysis for the year ended December 31, 2005.

### MANAGEMENT DISCUSSION & ANALYSIS

#### Financial

Third quarter revenue for the period ended September 30, 2006, totaled \$11.1 million which was a 3.5% decrease over \$11.5 million recorded for the comparative quarter ended September 30, 2005, a direct result of decreased Camrose coating activity experienced in the third quarter. Year to date revenue for the period ended September 30, 2006 totaled \$42.9 million which is above the September 30, 2005 comparative period total of \$31.9 million, a direct result of increased year to date Camrose coating activity.

Manufacturing revenues for the quarter ended September 30, 2006 totaled \$5.1 million, an increase of \$0.5 million from the quarter ended September 30, 2005. Manufacturing activity continued to operate near capacity during the third quarter of 2006. Year to date results in manufacturing revenue totaled \$13.1 million for the nine month period ended September 30, 2006, a slight increase from the \$12.6 million recorded in the 2005 comparative period.

Pipeline revenues for the quarter ended September 30, 2006, totaled \$6.0 million, a decrease of \$0.8 million from the quarter ended September 30, 2005. Small diameter coating activity decreased, partially attributed to client uncertainty pertaining to the ShawCor transaction. Pipeline revenue for the nine month period ended September 30, 2006 totaled \$29.8 million, an increase of \$10.5 million over the comparative period total of \$19.3 million, as a result of year to date small diameter coating activity and production on the ACCESS project. The ACCESS project was completed in the third quarter of 2006.

Margin for the quarter ended September 30, 2006 of \$1.7 million is \$0.6 million below the \$2.3 million recorded for the comparative period. The margin decrease is directly attributed to decreased revenue generated from small diameter coatings and the ACCESS project during the third quarter together with increased plant overhead costs

incurred. Year to date margin of \$8.0 million (18.7%) is \$2.3 million above the \$5.7 million (17.9%) recorded for the comparative nine month period and reflects the improvement year to date in coating activity.

Manufacturing margins of \$1.3 million (26.6%) for the quarter ended September 30, 2006 was consistent with the \$1.3 million (28.4%) recorded for the period ended September 30, 2005. Year to date margin of \$3.5 million (26.4%) is slightly above the 2005 nine month comparative period total of \$3.3 million (26.2%).

Pipeline gross margins of \$0.3 million (5.2%) for the quarter ended September 30, 2006 are \$0.7 million below the comparative period ended September 30, 2005. Decreased small diameter revenue during the third quarter of 2006 resulted in decreased overall gross margins in the Pipeline division. Year to date pipeline margins of \$4.6 million (15.4%) were \$2.2 million above the \$2.4 million (12.4%) recorded for the comparative period, and reflect overall increased coating activity during the first nine months of 2006, primarily a direct result of the ACCESS project.

The Corporation's selling, general and administrative expenses totaled \$1.2 million for the three month period ended September 30, 2006, an increase of \$0.1 million from the expenses recorded at September 30, 2005. Increased office expenses and wages were incurred during the third quarter of 2006. Year to date selling, general and administrative expenses total \$3.5 million which is an increase of \$0.4 million over the comparative nine month period ended September 30, 2005 and is attributed to increased wages and office expenses.

Amortization expense for the period ended September 30, 2006 showed a slight increase and totaled \$508 thousand, an increase of \$42 thousand over the \$466 thousand recorded for the comparative period ended September 30, 2005 and reflects increased amortization as a result of capital expenditures incurred during the 2006 year. Year to date amortization of \$1.5 million is \$60 thousand higher than the amortization expense for the comparative nine month period ended September 30, 2005, also a result of year to date amortization incurred on 2006 capital expenditures.

Funds generated by operations for the quarter ended September 30, 2006 totaled \$174 thousand, compared to the \$1.0 million generated for the comparative period, a decrease attributed to decreased pipeline revenue and margins generated in the third quarter of 2006. Year to date operating funds flow for the period ended September 30, 2006, totaled \$3.0 million, \$0.9 million above the \$2.1 million generated over the comparative period and reflects the increased funds generated from increased year to date pipeline revenue.

Interest costs on the operating loan and the loan payable of \$153 thousand for the period ended September 30, 2006 was \$22 thousand above the \$131 thousand recorded for the period ended September 30, 2005. Interest costs increased during the third quarter as usage of operating facilities and loans to finance working capital requirements increased as a result of the increased work in progress on contracts during the third quarter.

Other expenses totaled \$0.1 million for the three month period ended September 30, 2006 and \$1.0 million for the nine month year to date period. This reflects an increase of \$0.2 million for the three month period ended September 30, 2006 and \$1.2 million for the nine month period as compared to September 2005 expenses. Other expenses are primarily comprised of transaction expenses incurred by the Corporation pertaining to the terminated Plan of Arrangement agreement with ShawCor Ltd. Transaction expenses are primarily comprised of professional expenses incurred to date. Other expenses also include expenses totaling \$258 thousand in the second quarter paid to senior management in lieu of exercising certain stock options.

The decrease in coating revenue and gross margin therefrom, resulted in net earnings of \$53 thousand for the three month period ended September 30, 2006, a decrease from the \$0.5 million net earnings reflected in the comparative period ended September 30, 2005. A future income tax recovery of \$387 thousand was recorded in the third quarter of 2006 primarily as a result of deductible temporary differences recognized in relation to the termination of the Plan of Arrangement agreement with ShawCor. Earnings before income taxes for the period ended September 30, 2006 totals \$1.5 million, an increase of \$0.9 million over the comparative period and reflect the improvement in overall corporate performance year to date, primarily from revenue and margins prior to the provision for future taxes recorded in these financial statements. Year to date net earnings of \$0.9 million is an improvement over the \$0.6 million net earnings generated from the nine month comparative period ended September 30, 2005 and is attributed to increased revenue and margins year to date, partially offset by the September 30, 2006 year to date future income tax provision of \$605 thousand. The future income tax provision is primarily a result of depreciable capital asset pools used for accounting purposes exceeding the undepreciable capital cost of assets for income tax purposes.

Net earnings before tax for the Manufacturing division for the period ended September 30, 2006 totaled \$809 thousand as compared to the \$712 thousand for the comparative period. The \$97 thousand improvement reflects the increased revenue generated in the third quarter of 2006. Year to date net earnings before tax for the Manufacturing

division of \$1.7 million is consistent with the \$1.7 million recorded for the nine month period ended September 30, 2005.

Net losses before tax for the Pipeline division totaled \$1.1 million for the period ended September 30, 2006, an increase of \$0.9 million over the \$0.2 million loss incurred for the comparative period. This increased net loss is attributed to the decreased revenue and margins generated from small diameter coating products together with increased operating costs and transaction costs incurred by the Corporation during the third quarter and charged to the coating operations. Net losses for the Pipeline division over the nine month period ended September 30, 2006, totaled \$0.2 million which reflects a \$0.8 million improvement over the comparative nine month period. This improvement does not reflect the additional \$1.0 million of other expenses, primarily ShawCor transaction costs, incurred by the Corporation and charged to coating operations during the 2006 year.

Accounts Receivable totaled \$8.6 million at September 30, 2006, a decrease of \$4.3 million over the \$12.9 million recorded at December 31, 2005, and is attributed to receivables carried on domestic coating revenue and domestic manufacturing revenues reducing as overall revenue generated reduced in the third quarter. Unbilled revenue totaled \$2.2 million at September 30, 2006, an increase of \$0.5 million over the \$1.7 million recorded at December 31, 2005 and pertains to increased work in progress on manufacturing projects.

At September 30, 2006, operating and loan payable credit facilities available to the Corporation included a demand revolving operating line of credit of \$6.3 million (\$4.6 million utilized), which includes contingent letter of credit liabilities, a demand revolving evergreen loan of \$3.0 million (\$2.1 million utilized), a loan lease facility for \$0.7 million pertaining to the manufacture of polyethylene pipe and acquisition of forklifts and term loans in the amount of \$2.2 million. The operating line of credit continues to fluctuate within authorized limits with peak use occurring in the second quarter based on increased receivables carried through part of the third quarter. A further draw of \$900 thousand on the Evergreen loan was taken in October 2006 based on year to date capital expenditures incurred. The draw of \$900 thousand was injected into working capital of the Corporation.

Additions to capital equipment were \$473 thousand for the quarter end September 30, 2006, compared to \$736 thousand for the period ended September 30, 2005 and totaled \$1.7 million year to date compared to the \$1.1 million recorded in the comparative period ended September 30, 2005. Capital expenditures for 2006 were primarily related to additional fabrication, mobile and coating equipment betterments required to support increased activity during the first two quarters of 2006 together with the safety upgrades and purchase of new accounting computer software programs.

The Corporation's bank working capital covenants have been adjusted to remove principal payments scheduled to be repaid after 12 months from the working capital covenant calculation. Working capital of \$0.9 million is recorded at September 30, 2006. Adjusted working capital totals \$3.8 million, and is calculated by deducting \$2.9 million of loans payable, scheduled to be repaid after 12 months. The Corporation operated within all bank covenants at September 30, 2006.

### **Selected Quarterly Information**

Three Months Ended (Unaudited)								
	Sept.30/06	Jun.30/06	Mar.31/06	Dec.31/05	Sept.30/05	Jun.30/05	Mar.31/05	Dec.31/04
Total Revenues	\$11,078	\$13,020	\$18,810	\$16,472	\$11,456	\$7,953	\$12,484	\$9,429
Net Earnings (Loss)	53	(273)	1,130	993	511	(990)	1,107	(152)
Basic Earnings (Loss) per Share	0.00	(0.02)	0.10	0.08	0.05	(0.09)	0.10	(0.01)
Diluted Earnings (Loss) per Share	0.00	(0.02)	0.09	0.08	0.05	(0.09)	0.09	(0.01)
Total Assets	34,709	38,424	38,635	38,141	33,499	30,372	35,696	31,427
Long Term Capital Lease Obligations	353	414	475	535	660	372	431	489

The seasonality of the pipe coating business results in wide quarterly fluctuations in revenue generated by the Corporation and net earnings (loss) therefrom. The second quarter ended June 30 is historically the slowest period for the Corporation with the March 31 quarter the most active.

### **Share Information**

Outstanding options issued by the Corporation totaled 342,675 at September 30, 2006, 342,675 of which are exercisable. During the third quarter of 2006, 31,750 options were exercised at an average price of \$0.74 per share. The 31,750 issued shares increased total common shares outstanding to a total of 11,927,902 at September 30, 2006. There has been no material change to the outstanding common shares to the date of this discussion and analysis.

On November 10, 2006 the Board of Directors for Garneau Inc. approved the further issuance of 706,500 options to employees, directors and subcontractors of the Corporation at a price of \$1.48 per share.

### **New Accounting Policies**

In January 2005, the CICA issued Handbook Section 3855, "Financial Instruments – Recognition and Measurement", Handbook Section 1530, "Comprehensive Income", and Handbook Section 3865, "Hedges" the new standards will be effective for interim and annual financial statements commencing in fiscal 2007. The Company is currently assessing the impact of the new standards.

### **Critical Accounting Estimates**

The Corporation recognizes revenues related to equipment fabrication contracts based on the percentage of completion of the individual contracts. At September 30, 2006, significant fabrication contracts in progress include domestic orders for oilfield tanks, buildings and catwalks totaling \$2.6 million. The international coating equipment contract in progress at September 30, 2006 totaled \$1.5 million. Revenues from contracts are determined on the percentage of completion method, based on the ratio of costs incurred to date over estimated total costs. The Corporation has a process whereby progress on jobs is reviewed by management on a regular basis and estimated costs to complete are updated. However, due to unforeseen changes in the nature or cost of the work to be completed or performance issues, contract profit can differ from earlier estimates.

The Corporation provides an estimate for amortization of assets based on expected useful life of the assets with coating and extrusion equipment calculated based on utilization of the equipment to match revenues generated by the equipment.

The Corporation evaluates the probability of collection of accounts receivable and records an allowance for doubtful accounts, which reduces the receivables to the amount management reasonably believes will be collected. In determining the amount of the allowance, the following factors are considered: the length of time the receivable has been outstanding, specific knowledge of each customer's financial condition and historical experience.

The Corporation also provides estimates pertaining to the valuation of long-lived assets, valuation of inventory and other estimates provided in the normal course of business operations.

### **Disclosure of Contractual Obligations**

At September 30, 2006, there were no significant changes to the contractual obligations required to be made by the Corporation which were outlined in the Management Discussion and Analysis for the year ended December 31, 2005.

### **Contingencies**

During the three month period ended June 30, 2006, the Company was named defendant in a lawsuit and has received claims in the aggregate amount of \$1.5 million. In the opinion of management, this matter is without substantial merit and no provision has been made for this claim in the accounts.

### **Business Risks**

At September 30, 2006, there are no significant changes to the business risks outlined in the Management Discussion and Analysis for the year ended December 31, 2005.

Letters of Credit issued and outstanding at September 30, 2006 totaled \$135 thousand and will continue to have the potential risk of being encashed until maturity.

### **Plan of Arrangement**

The Corporation announced on October 5, 2006 that the Plan of Arrangement agreement dated April 19, 2006 with ShawCor Ltd. has been terminated. As a result, the proposed acquisition of Garneau Inc. shares by ShawCor Ltd. will not proceed.

The originally scheduled closing in late May was delayed pending a review by the Competition Bureau (the "Bureau"). The decision not to proceed is based on the inability of the parties to resolve outstanding issues with the Bureau and the prospect of further delays.

## Operational

Small diameter coating activity for the third quarter of 2006 was below the activity recorded in 2005 as both coating lines were in partial operation for most of the third quarter with only two shifts employed. Work on the ACCESS project was completed during the third quarter with the order book softening in September as clients indicated that short term activity could be curtailed.

Domestic manufacturing activity continued to remain active throughout the third quarter at a brisk rate with two shifts continuing to operate in Nisku. These two fabrication shifts are expected to continue throughout the fourth quarter of 2006. Availability of trades people remains a large constraint on increasing production in the domestic Manufacturing division.

## Outlook

Garneau's coating activity in the third quarter of 2006 decreased from 2005 with a softening order book occurring in September 2006 as client activity decreased and potential fallout over the ShawCor transaction occurred. Completion of the ACCESS project occurred during the third quarter. Clients have become somewhat cautious about fourth quarter activity as wet weather and curtailed spending affect coating activity.

A new international contract for \$3.5 million was received during the second quarter, for completion of coating equipment sold to a Corporation located in the United States. This project commenced in July 2006 and is expected to be completed in the fourth quarter of 2006.

Domestic manufacturing remains very active with the Nisku fabrication facility expected to operate near capacity for the entire fourth quarter.

The Corporation announced on October 5, 2006 that the Plan of Arrangement agreement dated April 19, 2006 with ShawCor Ltd. has been terminated. As a result, the proposed acquisition of Garneau Inc. shares by ShawCor Ltd. will not proceed. Operations will continue on a business as usual basis with strategic sessions to be held within the Corporation during the fourth quarter to reevaluate strategic alternatives for the Corporation.

The Corporation announced on November 7, 2006 that it will invest over \$5 million into a major capital expenditure program for its Camrose coating operation. This major capital expenditure program is expected to increase overall coating capacity and efficiencies at the Camrose plant, which contains a 65,000 sq ft building located on 130 acres with access to a rail spur. The Corporation will be upgrading the coating facility's two existing coating lines with new technological equipment designed, fabricated and installed by the Corporation's fabrication business located in Nisku. The facility will be able to coat pipe more efficiently to meet increasing market demand and improve delivery times. This aggressive program reflects Garneau's commitment to improving the level of service provided to our existing and future clientele. This program will commence in the fourth quarter of 2006 and will be completed in four phases. The capital expenditure program is projected to be financed through new capital loan facilities.

On behalf of the Board of Directors

Glen Garneau,  
President and Chief Executive Officer



November 13, 2006

## CONSOLIDATED BALANCE SHEETS

<i>As at</i> <i>(in thousands)</i>	September 30, 2006 (unaudited)	December 31, 2005
<b>ASSETS</b>		
Current Assets:		
Accounts receivable	\$ 8,596	\$ 12,855
Unbilled revenue	2,220	1,699
Inventory	3,041	3,172
Prepaid expenses and deposits	96	28
	13,953	17,754
Other assets	189	-
Property, plant and equipment	20,567	20,387
	\$ 34,709	\$ 38,141
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities:		
Operating loan	\$ 4,578	\$ 5,316
Accounts payable and accrued liabilities	3,486	6,256
Customer deposits	65	-
Deferred revenue	253	378
Loans payable (Note 4)	4,352	5,761
Current portion of capital lease obligations	307	372
	13,041	18,083
Capital lease obligations	353	535
Future income taxes	733	128
	14,127	18,746
Shareholders' Equity:		
Share capital (Note 3)	21,300	20,901
Contributed surplus	103	225
Deficit	(821)	(1,731)
	20,582	19,395
Contingencies (Note 6)		
	\$ 34,709	\$ 38,141

*See accompanying notes to interim consolidated financial statements.*

## CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

<i>(In thousands, except per share data, unaudited)</i>	<i>Three months ended September 30, 2006</i>	<i>Three months ended September 30, 2005</i>	<i>Nine months ended September 30, 2006</i>	<i>Nine months ended September 30, 2005</i>
Revenue	\$ 11,078	\$ 11,456	\$ 42,908	\$ 31,893
Operating costs	9,420	9,157	34,863	26,196
	1,658	2,299	8,045	5,697
Other operating expenses:				
Selling, general and administrative	1,219	1,089	3,494	3,073
Amortization	508	466	1,476	1,416
Research and development	3	69	96	223
	1,730	1,624	5,066	4,712
	(72)	675	2,979	985
Financing:				
Interest on loans payable	88	81	275	259
Interest on operating loan	65	50	195	115
Other	-	(7)	-	(7)
Write down of property, plant and equipment	-	-	-	70
Other expenses (income) (Note 7)	117	(35)	1,039	(125)
Foreign exchange (gains) loss	(8)	75	(45)	45
Earnings (loss) before income taxes	(334)	511	1,515	628
Income taxes (recovery):				
Future	(387)	-	605	-
Net earnings	53	511	910	628
Deficit, beginning of period	(874)	(3,235)	(1,731)	(3,352)
Deficit, end of period	\$ (821)	\$ (2,724)	\$ (821)	\$ (2,724)
Earnings per share:				
Basic	\$ 0.00	\$ 0.05	\$ 0.08	\$ 0.06
Diluted	\$ 0.00	\$ 0.05	\$ 0.08	\$ 0.05

*See accompanying notes to interim consolidated financial statements.*

## CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(In thousands, unaudited)</i>	<i>Three months ended September 30, 2006</i>	<i>Three months ended September 30, 2005</i>	<i>Nine months ended September 30, 2006</i>	<i>Nine Months ended September 30, 2005</i>
Cash provided by (used in):				
Operations:				
Net earnings	\$ 53	\$ 511	\$ 910	\$ 628
Items not involving cash:				
Amortization	508	466	1,476	1,416
Write down of property, plant and equipment	-	-	-	70
Stock based compensation costs	-	1	49	5
Future income taxes	(387)	-	605	-
	174	978	3,040	2,119
Changes in non-cash operating working capital	557	(1,202)	971	(1,164)
	731	(224)	4,011	955
Financing:				
Proceeds from exercise of share purchase options	24	2	229	9
Repayments of loans payable and capital lease obligations	(425)	(391)	(1,656)	(1,011)
Increase (decrease) in operating loan	143	1,339	(738)	1,155
	(258)	950	(2,165)	153
Investments:				
Other assets	-	10	(189)	10
Additions to property, plant and equipment	(473)	(736)	(1,657)	(1,118)
	(473)	(726)	(1,846)	(1,108)
Decrease in cash	-	-	-	-
Cash, beginning of period	-	-	-	-
Cash, end of period	\$ -	\$ -	\$ -	\$ -

*See accompanying notes to interim consolidated financial statements.*

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

The Corporation is incorporated under the Business Corporations Act of Alberta. Its principal business activities are the coating of pipe and the manufacturing of equipment for use in the oil and gas industry. The Corporation is subject to seasonal fluctuations in operating results.

These consolidated interim financial statements have been prepared assuming that future operations will allow for the realization of assets and discharge of liabilities in the normal course of business. Management is of the opinion that sufficient working capital will be obtained from operations to meet the Corporation's liabilities and commitments as they become payable. These consolidated interim financial statements do not include any adjustments to the carrying value of assets and liabilities that might be necessary should the Corporation not continue operating in the normal course of business.

### 1. Significant Accounting Policies:

These unaudited consolidated interim financial statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements. Notes to the consolidated interim financial statements for the period ended September 30, 2006 do not include all disclosures required by Canadian Generally Accepted Accounting Principles for annual financial statements. For further detailed information, the reader is advised to refer to Garneau Inc.'s 2005 audited financial statements.

### 2. Segment Disclosures

Management has determined that the Corporation operates in two reportable business segments which are Manufacturing and Pipeline.

Three Month Ended	September 30, 2006		September 30, 2005	
	Manufacturing	Pipeline	Manufacturing	Pipeline
Revenue	\$5,062	\$6,016	\$4,612	\$6,844
Gross margin	1,347 (26.6%)	311 (5.2%)	1,311 (28.4%)	988 (14.4%)
Other expenses	538	1,454	599	1,189
Net earnings (loss) before income taxes	809	(1,143)	712	(201)
Nine Months Ended	September 30, 2006		September 30, 2005	
	Manufacturing	Pipeline	Manufacturing	Pipeline
Revenue	\$13,115	\$29,793	\$12,626	\$19,267
Gross margin	3,461 (26.4%)	4,584 (15.4%)	3,303 (26.2%)	2,394 (12.4%)
Other expenses	1,714	4,816	1,598	3,471
Net earnings (loss) before income taxes	1,747	(232)	1,705	(1,077)

Substantially all of the carrying value of the property, plant and equipment, and amortization expense relate to the Pipeline segment.

### 3. Share Data

At September 30, 2006, the Corporation had 11,927,902 outstanding common shares and 342,675 outstanding options to acquire common shares. 342,675 of these options were vested and exercisable. During the quarter, 31,750 options were exercised for cash proceeds of \$24. Diluted shares at September 30, 2006 total 11,894,862 and include the dilutive impact of options outstanding at September 30, 2006 on overall shares outstanding.

On November 10, 2006 the Board of Directors for Garneau Inc. approved the further issuance of 706,500 options to employees, directors and subcontractors of the Corporation at a price of \$1.48 per share.

Share Continuity Schedule	Number of shares	\$ Value
Common shares outstanding at December 31, 2005	11,562,252	\$20,901
Issued for cash during 1 <sup>st</sup> Quarter on exercise of options	70,450	\$49
Common shares outstanding at March 31, 2006	11,632,702	\$20,950
Issued for cash during 2 <sup>nd</sup> Quarter on exercise of options	263,450	\$156
Common shares outstanding at June 30, 2006	11,896,152	\$21,106
Issued for cash during 3 <sup>rd</sup> Quarter on exercise of options	31,750	\$24
Transfer from contributed surplus for stock options exercised	-	\$170
Common shares outstanding at September 30, 2006	11,927,902	\$21,300

### 4. Loans Payable

Loans payable to the Corporation's bank are payable upon demand and are classified as a current liability. Scheduled repayments are as follows:

	September 30, 2006	December 31, 2005
Due within 12 months	\$1,435	\$1,785
Due after 12 months	\$2,917	\$3,976

### 5. Interest

	Three Months Ended		Nine Months Ended	
	September 30, 2006	September 30, 2005	September 30, 2006	September 30, 2005
Interest Paid	\$153	\$131	\$470	\$374

### 6. Contingencies

The Corporation has been named defendant in a lawsuit and has received claims in the aggregate amount of \$1.5 million. In the opinion of management, this matter is without substantial merit and no provision has been made for the claim in the accounts.

### 7. Plan of Arrangement

The Corporation announced on October 5, 2006 that the Plan of Arrangement agreement dated April 19, 2006 with ShawCor Ltd. has been terminated. As a result, the proposed acquisition of Garneau Inc. shares by ShawCor Ltd. will not proceed.

The originally scheduled closing in late May was delayed pending a review by the Competition Bureau (the "Bureau"). The decision not to proceed is based on the inability of the parties to resolve outstanding issues with the Bureau and the prospect of further delays.

Other expenses include transaction costs pertaining to the terminated ShawCor transaction totaling \$1.0 million for the nine month period ended September 30, 2006.

### 8. Comparative Figures

Certain of the comparative figures have been reclassified to confirm with the current period's presentation.