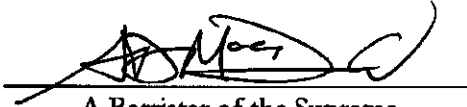




This is **Exhibit "E"** referred to in  
the Affidavit of Douglas Prothero,  
sworn before me this 26<sup>th</sup> day of  
June, 2008.

A handwritten signature in black ink, appearing to read 'G. MacDonald', written over a horizontal line.

A Barrister of the Supreme  
Court of Nova Scotia

**Gavin D.F. MacDonald**

# **Unconsolidated Financial Statements**

August 31, 2007

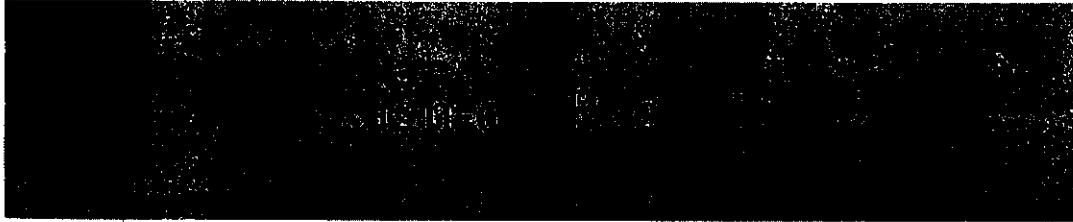
Unaudited

QA-ACC-JULY-001  
Version 1.0  
September 30, 2007

Canadian Sailing  
Expeditions Inc.  
PO Box 2613 Halifax,  
Nova Scotia B3J 3N5



Phone: 902-429-1474  
Fax: 902-429-1475  
www.cansailexp.com



Accounting: August 2007 Financial Statements  
QA-ACC-AUG-001

September 30, 2007  
Version 1.0

Prepared by: Jonathan Stevens

\_\_\_\_\_  
(Signature and date)

Approved by: Doug Prothero

\_\_\_\_\_  
(Signature and date)

**Comments:**

**Canadian Sailing Expeditions Inc.**  
**Unconsolidated Statement of Income**  
**and Retained Earnings**

For The Month Ending August 31, 2007  
 Unaudited



	<u>August '07</u>	<u>July '07</u>	<u>Change</u>
<b>REVENUE</b>			
Charter, food and beverage	-	-	-
Daytours, merchandise, shore excursion	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENSES</b>			
Charter Cost	-	-	-
Advertising and Promotion	32,093.31	24,022.22	8,071.09
Management salaries	144,834.11	128,834.07	16,100.04
Administration Salaries	62,146.52	49,489.30	12,657.22
Insurance	5,439.63	4,834.96	604.67
General and Office	18,326.11	12,588.30	5,737.81
Telephone	16,067.97	13,061.20	3,006.77
Travel	10,579.09	8,422.23	2,156.86
Rent	15,514.44	13,715.32	1,799.12
Cash management charges	4,067.82	3,307.56	760.26
Professional fees	25,226.60	24,333.65	892.95
Legal Fees (Note 7)	54,521.62	54,521.62	-
	<u>388,917.22</u>	<u>337,130.43</u>	<u>51,786.79</u>
Income (loss) from operations	<u>(388,917.22)</u>	<u>(337,130.43)</u>	<u>(51,786.79)</u>
Interest Income	21,554.46	20,549.66	1,004.80
Interest Expense (Note 9)	(88,372.60)	(77,852.05)	(10,520.55)
Gain/Loss on Foreign Exchange	7,197.91	7,197.91	-
Net Income/Loss	<u>(448,537.45)</u>	<u>(387,234.91)</u>	<u>(61,302.54)</u>

**Canadian Sailing Expeditions Inc.**  
**Unconsolidated Balance Sheet**  
 Month End August 31, 2007  
 Unaudited



<b>Assets</b>		<b>August '07</b>	<b>July '07</b>
<b>Current</b>			
Cash & Cash Equivalents		471,351	515,825
Trust funds for interest guarantee		400,000	400,000
Accounts receivable		912	912
Sales tax recoverable		166,862	164,455
Current portion of note receivable		3,500	3,500
Inventory		11,382	11,382
Prepaid expenses and deposits		42,733	36,088
Prepaid interest on convertible debenture (Note 8)		11,627	22,148
		<u>1,108,367</u>	<u>1,154,310</u>
Note receivable 3096000 NS Limited (Note 4)		346,500	346,500
<b>Capital Assets -net of accumulated amortization (Notes 2a, 3)</b>			
Caledonia		6,746,398	6,337,189
Hawk		346,241	346,241
Other		26,793	19,841
		<u>7,119,432</u>	<u>6,703,271</u>
<b>TOTAL ASSETS</b>		<u><b>8,574,299</b></u>	<u><b>8,204,081</b></u>
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable		449,314	409,976
Due to Tall ship Silva Inc.		132,858	88,287
Due to 3096000 NS Limited		4,064	4,064
Leases/financing		16,921	-
Bridge financing loan (Note 8)		4,636,212	4,305,314
Convertible Debenture (Note 9)		1,600,000	1,600,000
Shareholder advance		285,913	286,120
Current portion of long term debt (Note 5)		49,992	49,992
		<u>7,175,275</u>	<u>6,743,753</u>
Long term debt (Note 5)		416,676	416,676
<b>Total Liabilities</b>		<u><b>7,591,951</b></u>	<u><b>7,160,429</b></u>
<b>Shareholders' Equity</b>			
Common shares (Note 6)		1,300,000	1,300,000
Retained earnings (Deficit)		(317,651)	(258,349)
		<u>982,349</u>	<u>1,043,651</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u><b>8,574,299</b></u>	<u><b>8,204,081</b></u>

**Canadian Sailing Expeditions Inc.**  
**Forecasted Statement of Cash Flow**  
For The Month Ending August 31, 2007  
Unaudited-See Notice to Reader



	<u>August 2007</u>
<b>Operating Activities</b>	
<b>Net Income</b>	<u><b>(61,303)</b></u>
Increase (decrease) in accounts payable	39,338
Decrease (increase) in accounts receivable	
Decrease (increase) inventory	
Decrease (increase) in prepaid expenses	3,875
Decrease (increase) in sales tax recoverable	(2,407)
Increase (decrease) in due from TSSI	44,571
Increase (decrease) in due shareholder advance	(207)
Increase (decrease) in due from 3096000 N.S. Ltd.	
	<u>23,868</u>
<b>Cash flow from operations</b>	
<b>Financing Activities</b>	
<b>Leases/Short Term Financing</b>	16,921
<b>Bridge Loan proceeds</b>	326,071
<b>Repayment of long term debt</b>	
<b>Proceeds of Convertible Debenture</b>	
<b>Repayment of shareholder advance</b>	
<b>Accrued interest on Financing Activities</b>	<u>4,827</u>
<b>Cash flow from financing</b>	<u>347,819</u>
<b>Investing Activities</b>	
<b>Purchase of capital assets</b>	(6,952)
<b>Conversion costs of Caledonia/Hawk     In Trust for Interest Guarantee</b>	<u>(409,209)</u>
<b>Cash invested</b>	<u>(416,161)</u>
<b>Increase (decrease) in cash during the period</b>	<b>(44,474)</b>
<b>Opening cash balance</b>	515,825
<b>Ending cash (and cash equivalents) balance</b>	<u><u>471,351</u></u>

**Canadian Sailing Expeditions Inc.**  
**Notes To The Financial Statements**

August 31, 2007  
 Unaudited



**1. General**

The company was incorporated July 27, 2001 under the Companies Act of the Province of Nova Scotia and is not restricted by its articles from carrying on any business or exercising any power.

**2. Significant Accounting Policies**

- a) Capital assets and amortization
  - Vessels - 2.5%, declining balance method
  - Equipment - 20%, declining balance method

**3. Capital Assets - Recorded At Cost,**

	Cost	Accumulated Depreciation	Net Book Value July31/07	Net Book Value July31/07
Vessel Caledonia	6,767,398	21,000	6,746,398	6,337,189
Vessel Hawk	346,241	-	346,241	346,241
Office Equipment	33,521	6,728	26,793	19,841

**4. Note receivable 3096000 Nova Scotia Limited**

- bears no interest, repayable \$3,500 per year

**5. Long Term Debt**

ACOA	- no interest, unsecured	466,669
	- principle is \$500,000 when fully drawn down	
	- repayable over 10 years, \$4,166 monthly, commencing September 1, 2005	

**6. Share Capital**

Authorized	Issued	\$
10,000	725 Class A common shares no par value	625,000
10,000	325 Class B common shares no par value	325,000
10,000	350 Class C common shares no par value	350,000
10,000	- Non-voting common shares no par value	-
10,000	- Voting common shares no par value	-
10,000	- Class A preference shares no par value	-
10,000	- Class B preference shares no par value	-
70,000	1,400	<u>\$ 1,300,000</u>

**7. Legal Fees**

Legal fees incurred relating to convertible debenture may be capitalized in future period if they can be attributed directly to construction costs.

**Canadian Sailing Expeditions Inc.**  
**Notes To The Financial Statements**  
August 31, 2007  
Unaudited

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**8. Short Term Debt**

Romspen Investment Corporation

- \$6,000,000 bridge financing to complete the cost of construction of Tall Ship Caledonia
- First advance against mortgage \$1,832,887
- Second advance against mortgage \$957,395.13
- Third advance against mortgage \$791,492
- Forth advance against mortgage \$699,610
- Fifth advance against mortgage \$350,000
- Agreement in place for \$5,400,000 in permanent financing on completion of vessel
- \$504,000 in interest costs relief from a government agency on completion of vessel

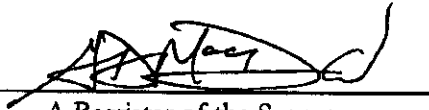
**9. Convertible Debenture**

GrowthWorks Atlantic

- 8% interest, \$100,000 interest prepaid on closing
- Maturity date October 20, 2007
- Convertible any time before maturity date for Class D Common Shares



This is **Exhibit "F"** referred to in  
the Affidavit of Douglas Prothero,  
sworn before me this 26<sup>th</sup> day of  
June, 2008.

A handwritten signature in black ink, appearing to read "Gavin D.F. MacDonald", written over a horizontal line.

A Barrister of the Supreme  
Court of Nova Scotia

**Gavin D.F. MacDonald**

# **Unconsolidated Financial Statements**

**July 31, 2007**

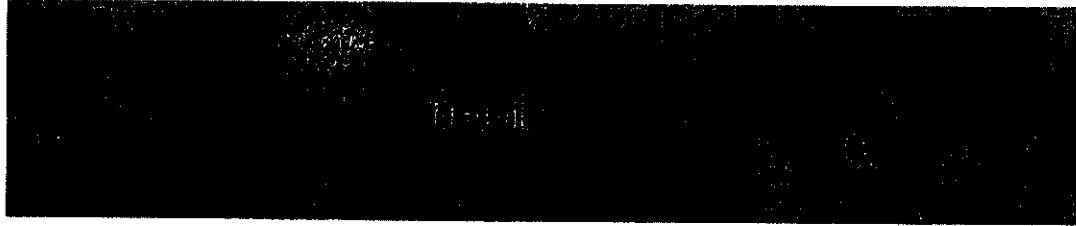
Unaudited

QA-ACC-JULY-001  
Version 1.0  
August 31, 2007

Canadian Sailing  
Expeditions Inc.  
PO Box 2613 Halifax,  
Nova Scotia B3J 3N5



Phone: 902-429-1474  
Fax: 902-429-1475  
www.cansallexp.com



Accounting: July 2007 Financial Statements  
QA-ACC-JUL-001

August 31, 2007  
Version 1.0

Prepared by: Jonathan Stevens

\_\_\_\_\_  
(Signature and date)

Approved by: Doug Prothero

\_\_\_\_\_  
(Signature and date)

**Comments:**

**Canadian Sailing Expeditions Inc.**  
**Unconsolidated Statement of Income**  
**and Retained Earnings**

For The Month Ending July 31, 2007  
 Unaudited



	<u>July '07</u>	<u>June '07</u>	<u>Change</u>
<b>REVENUE</b>			
Charter, food and beverage	-	-	-
Daytours, merchandise, shore excursion	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENSES</b>			
Charter Cost	-	-	-
Advertising and Promotion	24,022.22	19,947.79	4,074.43
Management salaries	128,834.07	112,734.03	16,100.04
Administration Salaries	49,489.30	39,272.01	10,217.29
Insurance	4,834.98	4,335.62	499.34
General and Office	12,588.30	11,635.73	952.57
Telephone	13,061.20	12,128.72	932.48
Travel	8,422.23	7,902.10	520.13
Rent	13,715.32	11,916.20	1,799.12
Cash management charges	3,307.56	2,908.98	398.58
Professional fees	24,333.65	16,700.44	7,633.21
Legal Fees (Note 7)	54,521.62	54,521.62	-
	<u>337,130.43</u>	<u>294,003.24</u>	<u>43,127.19</u>
<b>Income (loss) from operations</b>	<u>(337,130.43)</u>	<u>(294,003.24)</u>	<u>(43,127.19)</u>
<b>Interest Income</b>	20,549.66	14,158.50	6,391.16
<b>Interest Expense (Note 9)</b>	(77,852.05)	(66,980.82)	(10,871.23)
<b>Gain/Loss on Foreign Exchange</b>	7,197.91	7,197.91	-
<b>Net Income/Loss</b>	<u>(387,234.91)</u>	<u>(339,627.65)</u>	<u>(47,607.26)</u>

**Canadian Sailing Expeditions Inc.**  
**Unconsolidated Balance Sheet**  
 Month End July 31, 2007  
 Unaudited



<b>Assets</b>		
	<u>July '07</u>	<u>June '07</u>
<b>Current</b>		
Cash & Cash Equivalents	515,825	929,022
Trust funds for interest guarantee	400,000	400,000
Accounts receivable	912	912
Sales tax recoverable	164,455	68,459
Current portion of note receivable	3,500	3,500
Inventory	11,382	11,382
Prepaid expenses and deposits	36,088	31,563
Prepaid interest on convertible debenture (Note 8)	22,148	33,019
	<u>1,154,310</u>	<u>1,477,856</u>
Note receivable 3096000 NS Limited (Note 4)	346,500	346,500
<b>Capital Assets -net of accumulated amortization (Notes 2a, 3)</b>		
Caledonia	6,337,189	5,452,282
Hawk	346,241	346,241
Other	19,841	19,841
	<u>6,703,271</u>	<u>5,818,364</u>
<b>TOTAL ASSETS</b>	<u><u>8,204,081</u></u>	<u><u>7,642,720</u></u>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable	409,976	510,660
Due to Tall ship Silva Inc.	88,287	89,187
Due to 3096000 NS Limited	4,064	4,064
Bridge financing loan (Note 8)	4,305,314	3,594,762
Convertible Debenture (Note 9)	1,600,000	1,600,000
Shareholder advance	286,120	286,120
Current portion of long term debt (Note 5)	49,992	49,992
	<u>6,743,753</u>	<u>6,134,785</u>
Long term debt (Note 5)	416,676	416,676
<b>Total Liabilities</b>	<u>7,160,429</u>	<u>6,551,461</u>
<b>Shareholders' Equity</b>		
Common shares (Note 6)	1,300,000	1,300,000
Retained earnings (Deficit)	(256,349)	(208,742)
	<u>1,043,651</u>	<u>1,091,259</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u><u>8,204,081</u></u>	<u><u>7,642,720</u></u>

**Canadian Sailing Expeditions Inc.**  
**Forecasted Statement of Cash Flow**  
For The Month Ending July 31, 2007  
Unaudited-See Notice to Reader



	<u>July 2007</u>
<b>Operating Activities</b>	
<b>Net Income</b>	<u><b>(47,607)</b></u>
Increase (decrease) in accounts payable	<b>(100,684)</b>
Decrease (increase) in accounts receivable	-
Decrease (increase) inventory	-
Decrease (increase) in prepaid expenses	<b>6,346</b>
Decrease (increase) in sales tax recoverable	<b>(95,997)</b>
Increase (decrease) in due from TSSI	<b>(900)</b>
Increase (decrease) in due shareholder advance	-
Increase (decrease) in due from 3096000 N.S. Ltd.	-
<b>Cash flow from operations</b>	<u><b>(238,842)</b></u>
<b>Financing Activities</b>	
<b>Bridge Loan proceeds</b>	<b>699,610</b>
<b>Repayment of long term debt</b>	-
<b>Proceeds of Convertible Debenture</b>	-
<b>Repayment of shareholder advance</b>	-
<b>Accrued interest on Financing Activities</b>	<u><b>10,942</b></u>
<b>Cash flow from financing</b>	<u><b>710,552</b></u>
<b>Investing Activities</b>	
<b>Purchase of capital assets</b>	
<b>Conversion costs of Caledonia/Hawk     In Trust for Interest Guarantee</b>	<u><b>(884,907)</b></u>
<b>Cash Invested</b>	<u><b>(884,907)</b></u>
<b>Increase (decrease) in cash during the period</b>	<b>(413,197)</b>
<b>Opening cash balance</b>	<b>929,021</b>
<b>Ending cash (and cash equivalents) balance</b>	<u><u><b>515,825</b></u></u>

**Canadian Sailing Expeditions Inc.**  
**Notes To The Financial Statements**

July 31, 2007

Unaudited



**1. General**

The company was incorporated July 27, 2001 under the Companies Act of the Province of Nova Scotia and is not restricted by its articles from carrying on any business or exercising any power.

**2. Significant Accounting Policies**

- a) Capital assets and amortization  
 Vessels - 2.5%, declining balance method  
 Equipment - 20%, declining balance method

**3. Capital Assets - Recorded At Cost,**

	Cost	Accumulated Depreciation	Net Book Value July31/07	Net Book Value June30/07
Vessel Caledonia	6,358,189	21,000	6,337,189	5,452,282
Vessel Hawk	346,241	-	346,241	346,241
Office Equipment	26,569	6,728	19,841	19,841

**4. Note receivable 3096000 Nova Scotia Limited**

- bears no interest, repayable \$3,500 per year

**5. Long Term Debt**

ACOA	- no interest, unsecured	466,669
	- principle is \$500,000 when fully drawn down	
	- repayable over 10 years, \$4,166 monthly, commencing September 1, 2005	

**6. Share Capital**

Authorized	Issued		\$
10,000	725 Class A common shares no par value		625,000
10,000	325 Class B common shares no par value		325,000
10,000	350 Class C common shares no par value		350,000
10,000	- Non-voting common shares no par value		-
10,000	- Voting common shares no par value		-
10,000	- Class A preference shares no par value		-
10,000	- Class B preference shares no par value		-
<u>70,000</u>	<u>1,400</u>		<u>\$ 1,300,000</u>

**7. Legal Fees**

Legal fees incurred relating to convertible debenture may be capitalized in future period if they can be attributed directly to construction costs.

**Canadian Sailing Expeditions Inc.**  
**Notes To The Financial Statements**

July 31, 2007

Unaudited



**8. Short Term Debt**

Romspen Investment Corporation

- \$6,000,000 bridge financing to complete the cost of construction of Tall Ship Caledonia
- First advance against mortgage \$1,832,887
- Second advance against mortgage \$957,395.13
- Third advance against mortgage \$713,688
- Forth advance against mortgage \$699,610
- Agreement in place for \$5,400,000 in permanent financing on completion of vessel
- \$504,000 in interest costs relief from a government agency on completion of vessel

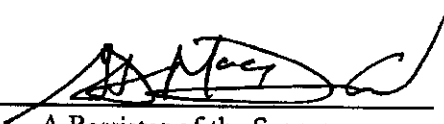
**9. Convertible Debenture**

GrowthWorks Atlantic

- 8% Interest, \$100,000 interest prepaid on closing
- Maturity date October 20, 2007
- Convertible any time before maturity date for Class D Common Shares



This is **Exhibit "G"** referred to in  
the Affidavit of Douglas Prothero,  
sworn before me this 26<sup>th</sup> day of  
June, 2008.

A handwritten signature in black ink, appearing to read "G. MacDonald", written over a horizontal line.

A Barrister of the Supreme  
Court of Nova Scotia

**Gavin D.F. MacDonald**

# **Unconsolidated Financial Statements**

June 30, 2007

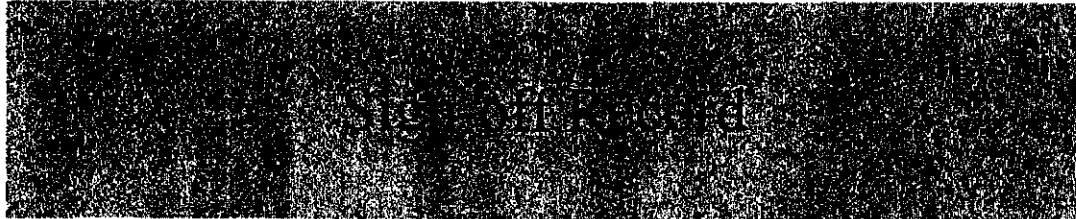
Unaudited

QA-ACC-JUNE-001  
Version 1.0  
July 31, 2007

Canadian Sailing  
Expeditions Inc.  
PO Box 2613 Halifax,  
Nova Scotia B3J 3N5



Phone: 902-429-1474  
Fax: 902-429-1475  
www.cansailexp.com



Accounting: June 2007 Financial Statements  
QA-ACC-JUN-001

July 31, 2007  
Version 1.0

Prepared by: Jonathan Stevens

\_\_\_\_\_  
(Signature and date)

Approved by: Doug Prothero

\_\_\_\_\_  
(Signature and date)

Comments:

**Canadian Sailing Expeditions Inc.**  
**Unconsolidated Statement of Income**  
**and Retained Earnings**

For The Month Ending June 30, 2007  
 Unaudited



	<u>June '07</u>	<u>May '07</u>	<u>Change</u>
<b>REVENUE</b>			
Charter, food and beverage	-	-	-
Daytours, merchandise, shore excursion	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENSES</b>			
Charter Cost	-	-	-
Advertising and Promotion	19,947.79	9,263.56	10,684.23
Management salaries	112,734.03	96,633.99	16,100.04
Administration Salaries	39,272.01	40,626.29	(1,354.28)
Insurance	4,335.62	3,462.00	873.62
General and Office	11,635.73	11,114.18	521.55
Telephone	12,128.72	7,261.71	4,867.01
Travel	7,902.10	3,711.64	4,190.46
Rent	11,916.20	10,108.98	1,807.22
Cash management charges	2,908.98	2,694.86	214.12
Professional fees	16,700.44	13,703.57	2,996.87
Legal Fees (Note 7)	54,521.62	54,521.62	-
	<u>294,003.24</u>	<u>253,102.40</u>	<u>40,900.84</u>
Income (loss) from operations	<u>(294,003.24)</u>	<u>(253,102.40)</u>	<u>(40,900.84)</u>
Interest Income	14,158.50	12,664.67	1,493.83
Interest Expense (Note 9)	(66,980.82)	(56,460.27)	(10,520.55)
Gain/Loss on Foreign Exchange	7,197.91	7,197.91	-
Net Income/Loss	<u>(339,627.65)</u>	<u>(289,700.09)</u>	<u>(49,927.56)</u>

**Canadian Sailing Expeditions Inc.**  
**Unconsolidated Balance Sheet**  
 Month End June 30, 2007  
 Unaudited



<b>Assets</b>		<b>June '07</b>	<b>May '07</b>
<b>Current</b>			
Cash & Cash Equivalents		929,022	543,676
Trust funds for interest guarantee		400,000	400,000
Accounts receivable		912	912
Sales tax recoverable		68,459	39,189
Current portion of note receivable		3,500	3,500
Inventory		11,382	11,382
Prepaid expenses and deposits		31,563	31,563
Prepaid interest on convertible debenture (Note 8)		33,019	43,540
		<u>1,477,856</u>	<u>1,073,761</u>
Note receivable 3096000 NS Limited (Note 4)		346,500	346,500
Capital Assets -net of accumulated amortization (Notes 2a, 3)			
Caledonia		5,452,282	5,076,197
Hawk		346,241	346,241
Other		19,841	19,841
		<u>5,818,364</u>	<u>5,442,279</u>
<b>TOTAL ASSETS</b>		<u><b>7,642,720</b></u>	<u><b>6,862,540</b></u>
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable		510,660	406,509
Due to Tall ship Silva Inc.		89,187	90,436
Due to 3096000 NS Limited		4,064	4,064
Bridge financing loan (Note 8)		3,594,762	2,868,087
Convertible Debenture (Note 9)		1,600,000	1,600,000
Shareholder advance		286,120	286,120
Current portion of long term debt (Note 5)		49,992	49,992
		<u>6,134,785</u>	<u>5,305,208</u>
Long term debt (Note 5)		416,676	416,676
<b>Total Liabilities</b>		<u><b>6,551,461</b></u>	<u><b>5,721,884</b></u>
<b>Shareholders' Equity</b>			
Common shares (Note 6)		1,300,000	1,300,000
Retained earnings (Deficit)		(208,742)	(159,344)
		<u>1,091,259</u>	<u>1,140,656</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u><b>7,642,720</b></u>	<u><b>6,862,540</b></u>

**Canadian Sailing Expeditions Inc.**  
**Forecasted Statement of Cash Flow**  
For The Month Ending June 30, 2007  
Unaudited-See Notice to Reader



	<u>June 2007</u>
<b>Operating Activities</b>	
<b>Net income</b>	<u><b>(49,928)</b></u>
Increase (decrease) in accounts payable	<b>104,151</b>
Decrease (increase) in accounts receivable	-
Decrease (increase) inventory	-
Decrease (increase) in prepaid expenses	<b>10,521</b>
Decrease (increase) in sales tax recoverable	<b>(29,269)</b>
Increase (decrease) in due from TSSI	<b>(1,250)</b>
Increase (decrease) in due shareholder advance	-
Increase (decrease) in due from 3096000 N.S. Ltd.	-
<b>Cash flow from operations</b>	<u><b>34,226</b></u>
<b>Financing Activities</b>	
Bridge Loan proceeds	<b>713,688</b>
Repayment of long term debt	-
Proceeds of Convertible Debenture	-
Repayment of shareholder advance	-
Accrued Interest on Financing Activities	<u><b>12,987</b></u>
<b>Cash flow from financing</b>	<u><b>726,675</b></u>
<b>Investing Activities</b>	
Purchase of capital assets	
Conversion costs of Caledonia/Hawk In Trust for Interest Guarantee	<u><b>(376,085)</b></u>
<b>Cash invested</b>	<u><b>(376,085)</b></u>
Adjustment to R/E (2006 payables not due)	<b>530</b>
<b>Increase (decrease) in cash during the period</b>	<b>385,346</b>
<b>Opening cash balance</b>	<b>543,676</b>
<b>Ending cash (and cash equivalents) balance</b>	<u><u><b>929,021</b></u></u>

**Canadian Sailing Expeditions Inc.**  
**Notes To The Financial Statements**  
 June 30, 2007  
 Unaudited



**1. General**

The company was incorporated July 27, 2001 under the Companies Act of the Province of Nova Scotia and is not restricted by its articles from carrying on any business or exercising any power.

**2. Significant Accounting Policies**

- a) Capital assets and amortization  
 Vessels - 2.5%, declining balance method  
 Equipment - 20%, declining balance method

**3. Capital Assets - Recorded At Cost,**

	Cost	Accumulated Depreciation	Net Book Value June30/07	Net Book Value May31/07
Vessel Caledonia	5,473,282	21,000	5,452,282	5,076,197
Vessel Hawk	346,241	-	346,241	346,241
Office Equipment	26,569	6,728	19,841	19,841

**4. Note receivable 3096000 Nova Scotia Limited**

- bears no interest, repayable \$3,500 per year

**5. Long Term Debt**

ACOA - no interest, unsecured 466,669  
 - principle is \$500,000 when fully drawn down  
 - repayable over 10 years, \$4,166 monthly, commencing  
 September 1, 2005

**6. Share Capital**

Authorized	Issued		\$
10,000	725 Class A common shares no par value		625,000
10,000	325 Class B common shares no par value		325,000
10,000	350 Class C common shares no par value		350,000
10,000	- Non-voting common shares no par value		-
10,000	- Voting common shares no par value		-
10,000	- Class A preference shares no par value		-
10,000	- Class B preference shares no par value		-
<u>70,000</u>	<u>1,400</u>		<u>\$ 1,300,000</u>

**7. Legal Fees**

Legal fees incurred relating to convertible debenture may be capitalized in future period if they can be attributed directly to construction costs.

**Canadian Sailing Expeditions Inc.**  
**Notes To The Financial Statements**  
June 30, 2007  
Unaudited

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**8. Short Term Debt**

Romspen Investment Corporation

- \$6,000,000 bridge financing to complete the cost of construction of Tall Ship Caledonia
- First advance against mortgage \$1,832,887
- Second advance against mortgage \$957,395.13
- Third advance against mortgage \$713,688
- Accrued interest from 3rd advance to June 30/07 \$12,987
- Agreement in place for \$5,400,000 in permanent financing on completion of vessel
- \$504,000 in interest costs relief from a government agency on completion of vessel

**9. Convertible Debenture**

GrowthWorks Atlantic

- 8% Interest, \$100,000 interest prepaid on closing
- Maturity date October 20, 2007
- Convertible any time before maturity date for Class D Common Shares



This is **Exhibit "H"** referred to in  
the Affidavit of Douglas Prothero,  
sworn before me this 26<sup>th</sup> day of  
June, 2008.

A handwritten signature in black ink, appearing to read 'Gavin D.F. MacDonald', written over a horizontal line.

A Barrister of the Supreme  
Court of Nova Scotia

**Gavin D.F. MacDonald**



## SECURED LOANS

### **Caterpillar Financial Services**

Mortgage Amount: \$5,400,000

Interest: 3.75% + the variable Gov't of Cdn 10-yr Bond Rate (April/May/June interest accrues and payable in July), Secured

Guaranteed by the Province of Nova Scotia (\$2,500,000 guaranteed to Mar.2009, \$2,000,000 guaranteed to Mar.2010, \$1,500,000 guaranteed to Mar.2011)

Repayable over 10 years at \$45,000 per month principal plus interest commencing July, 2008

**Balance Outstanding: \$5,400,000 plus accrued interest to July 1, 2008 of \$102,742.50**

### **Royal Bank of Canada**

\$1,500,000. Operating Line of Credit, Secured by Growthworks Atlantic Venture Fund Limited

Interest Rate: 5.75% payable monthly

**Current Usage: \$1,337,000**

### **Growthworks Atlantic Venture Fund Limited**

\$1,600,000 Convertible Debenture

8% interest compounded semi-annually

Convertible to Class "D" Common Shares

\$1,500,000 Convertible Debenture

5.25% interest compounded monthly

Convertible to Class "D" Common Shares

## UNSECURED LOANS

### **ACOA**

Loan Amount: 500,000.

No interest, unsecured

Repayable over 10 years, \$4166 Monthly commencing January 1, 2008 less 2 payments made in 2005

**Balance Outstanding: \$466,672.**

### **ACOA**

Loan Amount: \$125,000 (loan agreement is for \$250,000 but only \$125,000 is drawn to date)

No interest, unsecured

Repayable over 8 years beginning in July, 2009

**Balance Outstanding: \$125,000**

### **Doug Prothero**

Shareholder Loan \$275,889.44



**LEASES**

**Bodkin Capital**

Lifeboats

Balance: \$67,120.

Repayable over 4 yrs (commenced Nov.2007)

**Bodkin Capital**

POS System onboard Caledonia

Balance: \$9,673.

Repayable over 3 yrs (commenced Nov.2007)

**CIT Financial**

Office Computers

Balance: \$4,828.

Repayable over 3 yrs (commenced Aug.2007)

**East Coast Telephone**

Office Telephone Equipment

Balance: \$2,066.

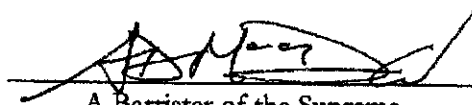
Repayable over 3 yrs (commenced Apr.2007)

**Accounts Payable Balance: \$421,461.00**

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This is **Exhibit "I"** referred to in  
the Affidavit of Douglas Prothero,  
sworn before me this 26<sup>th</sup> day of  
June, 2008.

A handwritten signature in black ink, appearing to read 'G. MacDonald', written over a horizontal line.

A Barrister of the Supreme  
Court of Nova Scotia

**Gavin D.F. MacDonald**

**Canadian Sailing Expeditions Inc.**  
**Monthly Cash Receipts and Disbursements**

	8 June 2008	9 July 2008	10 August 2008	11 September 2008
<b>CASH, BEGINNING OF PERIOD</b>	<b>-1,347,722</b>	<b>-1,486,957</b>	<b>-2,270,572</b>	<b>-2,509,623</b>
<b>CASH, END OF PERIOD</b>	<b>-1,486,957</b>	<b>-2,270,572</b>	<b>-2,509,623</b>	<b>-2,734,226</b>
<b>CASH RECEIPTS:</b>				
Caledonia Revenue	65,537	135,126	133,131	108,138
Charter Fees Booked	82,438	109,031	91,053	24,854
Charter Fees Forecasted	-	15,554	30,472	72,125
Bar	1,200	4,080	4,200	4,320
Excursion Commission	900	3,080	3,185	3,240
Merchandise	1,000	3,400	3,550	3,600
ACOA				
ACOA - Sales/Marketing Salaries				13,268
DIP Funds				
Industry Canada Funds				
Additional Equity Funds				
Joint Venture Marketing	24,000			
	<b>79,537</b>	<b>135,126</b>	<b>133,131</b>	<b>121,406</b>
<b>CASH DISBURSEMENTS:</b>				
Accounts Payable		421,461		
Credit Card Balances	20,000			
Accrued Payroll Liabilities		68,000		
General and Office	7,638	7,638	7,638	7,638
Salaries	24,882	47,963	47,963	51,078
Professional fees				5,450
Insurance	10,700	10,700	27,790	11,305
Sales & Marketing Operating Expenses	15,500	24,000	24,000	24,000
Caledonia POS System	390	390	390	390
Hawk Mooring	9,000	600	600	600
Charter Cost	78,502	96,270	111,678	93,991
Leases entered into for Caledonia	2,000	2,000	2,000	2,000
Fuel	13,747	30,747	30,747	30,747
Docking	4,583	4,583	4,583	4,583
Repair and Maintenance	19,500	22,283	12,283	12,283
Financing Related	22,330	172,106	102,588	101,844
	<b>228,773</b>	<b>908,741</b>	<b>372,181</b>	<b>348,009</b>
<b>CASH, END OF PERIOD</b>	<b>-1,486,957</b>	<b>-2,270,572</b>	<b>-2,509,623</b>	<b>-2,734,226</b>
<b>REQUIRED FUNDS</b>	<b>1,486,957</b>	<b>2,270,572</b>	<b>2,509,623</b>	<b>2,734,226</b>
<b>LINE OF CREDIT AVAILABLE</b>	<b>1,500,000</b>	<b>1,500,000</b>	<b>1,500,000</b>	<b>1,500,000</b>
<b>BALANCE OF SHORTFALL</b>	<b>(3,043)</b>	<b>770,572</b>	<b>1,009,623</b>	<b>1,234,226</b>

• • •

This is **Exhibit "J"** referred to in  
the Affidavit of Douglas Prothero,  
sworn before me this 26<sup>th</sup> day of  
June, 2008.

A handwritten signature in black ink, appearing to read 'G. MacDonald', written over a horizontal line.

A Barrister of the Supreme  
Court of Nova Scotia

**Gavin D.F. MacDonald**



BDO Dunwoody Goodman Rosen Inc.

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[www.bdo.ca](http://www.bdo.ca)

Cox & Palmer  
As Legal Counsel to Canadian Sailing Expeditions Inc.  
P.O. Box 2380, Station Central RPO  
1100 - 1959 Upper Water Street  
Halifax, NS B3J 3E5

June 23, 2008

Dear Sir:

Re: Canadian Sailing Expeditions Inc.

I write to you to confirm that BDO Dunwoody Goodman Rosen Inc. consents to act as the named Monitor in a filing to be made by Canadian Sailing Expeditions Inc. under the Companies' Creditors Arrangement Act.

Yours very truly

BDO DUNWOODY GOODMAN ROSEN INC.

  
Paul G. Goodman, FCA, FCIFP, FIC  
President

PGG/dlg



Suite 401, 285 Gower Street  
Stoney Nova Scotia B3P 1J7

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Telephone: (902) 556-0808  
Fax: (902) 556-9873  
Email: [info@bdo.ca](mailto:info@bdo.ca)

Appointments also held in other  
localities in Nova Scotia