

MAGPLANE TECHNOLOGY, INC. AND SUBSIDIARY  
(A Development Stage Company)

CONSOLIDATED FINANCIAL STATEMENT

DECEMBER 31, 2006

MAGPLANE TECHNOLOGY, INC. AND SUBSIDIARY  
(A Development Stage Company)

DECEMBER 31, 2006

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To the Board of Directors  
Magplane Technology, Inc. and Subsidiary  
(A Development Stage Company)  
Bedford, Massachusetts

We have compiled the accompanying consolidated balance sheet of Magplane Technology, Inc. (A Development Stage Company) and subsidiary as of December 31, 2006 and the related consolidated statements of operations, stockholders' equity (deficiency) and cash flows for the year then ended and for the period from January 12, 1995 (date of inception) to December 31, 2006, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and accordingly, do not express an opinion or any other form of assurance on them.

*Abrams Little-Hill Toberfeld PC*

March 10, 2007

MAGPLANE TECHNOLOGY, INC. AND SUBSIDIARY  
(A Development Stage Company)

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 2006

ASSETS

Cash and cash equivalents \$ 7,739

LIABILITIES

Accounts payable, trade \$ 527,648  
Due to related parties 162,212  
TOTAL LIABILITIES 689,860

STOCKHOLDERS' EQUITY (DEFICIENCY)

Common stock 178,355  
Additional paid-in capital 2,911,591  
Deficit accumulated during the development stage (3,772,067)  
TOTAL STOCKHOLDERS' EQUITY (DEFICIENCY) (682,121)

TOTAL LIABILITIES AND

STOCKHOLDERS' EQUITY (DEFICIENCY) \$ 7,739

See accompanying accountant's compilation report.

MAGPLANE TECHNOLOGY, INC. AND SUBSIDIARY  
(A Development Stage Company)

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2006 AND  
THE PERIOD FROM JANUARY 12, 1995 (DATE OF INCEPTION)  
TO DECEMBER 31, 2006

	<u>Year Ended December 31 2006</u>	<u>January 12, 1995 (Inception) to December 31 2006</u>
REVENUE	\$ 81,578	\$ 1,668,892
EXPENSES		
Amortization	-	89,858
Bank charges	179	998
Consulting fees and outside services	1,000,000	3,671,581
Grant expenses	62,969	72,969
Marketing	1,950	31,267
Office expense	284	73,952
Other development	-	397,536
Other expenses	-	69
Professional fees	38,400	284,285
Public relations	-	155,800
Rent	-	46,820
Research and development	41,000	133,100
Taxes, other	696	6,053
Telephone	-	4,024
Travel	12,375	70,863
Total expenses	<u>1,157,853</u>	<u>5,039,175</u>
OPERATING LOSS	(1,076,275)	(3,370,283)
OTHER INCOME(EXPENSE)		
Interest income	6	2,549
Interest expense	(119,441)	(504,333)
Other income	-	100,000
NET LOSS	<u><u>\$(1,195,710)</u></u>	<u><u>\$ (3,772,067)</u></u>

See accompanying accountant's compilation report.

MAGPLANE TECHNOLOGY, INC. AND SUBSIDIARY  
(A Development Stage Company)

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIENCY)

FOR THE YEAR ENDED DECEMBER 31, 2006 AND  
THE PERIOD FROM JANUARY 12, 1995 (DATE OF INCEPTION) TO DECEMBER 31, 2006

	Transaction Date	Common Stock		Additional Paid-in Capital	Deficit Accumulated During the Development Stage	Total Stockholders' Deficiency
		Shares	Amount			
INITIAL CAPITALIZATION	1995	5,030,000	\$ 5,030	\$ 19,980	\$ -	\$ 25,010
Issuance of common stock	1997	300,000	300	-	-	300
Issuance of common stock for consulting and various services	2002	1,014,600	1,015	414,971	-	415,986
Stock splits	2002	123,656,254	123,656	(123,656)	-	-
Issuance of common stock for consulting services rendered	1/15/2005	153,675	154	28,196	-	28,350
Issuance of common stock for raising capital	4/3/2005	22,000,000	22,000	(22,000)	-	-
Issuance of common stock for debt conversion	12/12/2006	16,200,300	16,200	1,604,100	-	1,620,300
Issuance of common stock for consulting services rendered	12/12/2006	10,000,000	10,000	990,000	-	1,000,000
Net losses as previously reported		-	-	-	(2,287,226)	(2,287,226)
Prior period adjustments of related party transactions					(289,131)	(289,131)
Net loss		-	-	-	(1,195,710)	(1,195,710)
BALANCE AT DECEMBER 31, 2006		<u>178,354,829</u>	<u>\$ 178,355</u>	<u>\$ 2,911,591</u>	<u>\$ (3,772,067)</u>	<u>\$ (682,121)</u>

See accompanying accountant's compilation report.

MAGPLANE TECHNOLOGY, INC. AND SUBSIDIARY  
(A Development Stage Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2006 AND  
THE PERIOD FROM JANUARY 12, 1995 (DATE OF INCEPTION) TO DECEMBER 31, 2006

	<u>Year Ended December 31 2006</u>	<u>January 12, 1995 (Inception) to December 31 2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (1,195,710)	\$ (3,772,067)
Adjustments to reconcile net loss to net cash used in operating activities		
Accrued interest on shareholders' loans	119,441	504,333
Stock compensation for services rendered	1,000,000	1,444,336
Increase (decrease) in liabilities		
Accounts payable	(10,000)	527,648
Net cash used in operating activities	<u>(86,269)</u>	<u>(1,295,750)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital contributions	-	25,310
Advances from stockholder	91,775	1,333,075
Repayment of advances from stockholder	(4,942)	(54,896)
Net cash provided by financing activities	<u>86,833</u>	<u>1,303,489</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	564	7,739
Cash and cash equivalents at beginning of period	7,175	-
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u><u>\$ 7,739</u></u>	<u><u>\$ 7,739</u></u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid during the period for interest	\$ -	\$ 23,978

**SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING  
AND FINANCING ACTIVITIES**

The Company issued 10,000,000 shares of common stock for services rendered in 2006 for \$1,000,000 and 11,168,275 shares of common stock since inception for services rendered for \$1,444,336

In 2006, the Company issued 16,200,300 share of common stock to shareholder in exchange of advances from shareholder and accrued interest thereon of \$1,620,300

See accompanying accountant's compilation report.

MAGPLANE TECHNOLOGY, INC. AND SUBSIDIARY  
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006

NOTE 1 – DESCRIPTION OF OPERATIONS

Magplane Technology, Inc. and Subsidiary (the “Company”) is engaged in the research and development of magnetically levitated and propelled transportation systems for freight and passengers.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The Company has one wholly owned subsidiary – Magplane Asia Ltd. The accompanying consolidated financial statements include the accounts of Magplane Technology, Inc. and subsidiary. All material intercompany accounts and transactions have been eliminated in consolidation.

Development stage operations

The Company was formed on January 12, 1995. The Company is in the development stage, which is characterized by significant expenditures for the design and development of the Company’s products, obtaining financing and performing feasibility studies.

Method of accounting

The Company prepares its financial statements on the accrual basis of accounting.

Cash and cash equivalents

The Company considers all highly liquid instruments with a maturity of three months or less to be cash and cash equivalents.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.



MAGPLANE TECHNOLOGY, INC. AND SUBSIDIARY  
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statement and income tax purposes and for net operating loss carryforwards measured by enacted tax rates for years in which taxes are expected to be paid or recovered. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

NOTE 3 – RELATED PARTY TRANSACTIONS

Due to related parties include advances from shareholders and interest accrued thereon. These advances bear interest at rates that range from 5% to 7.50%. During 2006, the Company received advances from shareholders in the amount of \$91,775, and repaid a portion of these advances in the amount of \$4,942. In addition, a total of \$119,441 of accrued interest was incurred on all outstanding obligations due to shareholders in 2006. During 2006, advances from shareholders to the Company including accrued interest amounting to \$1,620,300 were converted into equity by issuance of 16,200,300 shares of common stock to the shareholders.

NOTE 4 – INCOME TAXES

The components of the Company's deferred tax assets as of December 31, 2006 which are the result of temporary differences in the basis of assets and liabilities and net operating loss carryforwards for financial reporting and tax reporting purposes, are:

	<u>2006</u>
Net operating loss carryforward	\$739,000
Accrued expenses due to related parties	<u>133,000</u>
Total deferred tax asset	<u>\$872,000</u>

The Company has federal net operating loss carryforwards of approximately \$1,850,000 as of December 31, 2006, which expire at various times through 2020. The allocated state net operating loss carryforwards expire in accordance with and to the extent permitted by the state law.

MAGPLANE TECHNOLOGY, INC. AND SUBSIDIARY  
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006

NOTE 4 – INCOME TAXES (Continued)

During 2006 there was no current or deferred income tax expense for the Company. The Company's total deferred tax assets, deferred tax liabilities and deferred tax asset valuation allowances at December 31, 2006 is as follows:

Total deferred tax assets	\$872,000
Total deferred tax liabilities	0
Less: valuation allowance	<u>(872,000)</u>
Net deferred tax assets	\$ <u>0</u>

NOTE 5 – PRIOR PERIODS ADJUSTMENTS

As a result of the Company's year end closing process, the Company discovered certain errors relating to corporate expenses paid by a related party and not recorded, including interest due to this related party in the amount of \$147,576. The adjustments include (1) an increase in due to related party on the balance sheet (2) an increase in interest expense and professional fees on the operating statement. Changes relating to this discovery on the financial statements increased cumulative net loss by \$289,131 and beginning accumulated deficit by \$289,131.