

reWORKS Environment Corp . (Formerly “International Bioanalytics Systems Inc.”)

(A Development Stage Company)

Interim Financial Statements

June 30, 2007 and 2006

(Unaudited – Prepared by Management)

reWORKS Environmental Corp. (Formerly “International Bioanalogs Systems Inc.”)

(A Development Stage Company)

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June 30, 2007

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reWORKS Environmental Corp. (Formerly, "International Bioanalogs Systems, Inc.") UNAUDITED
NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS
JUNE 30, 2007

Under National Instrument 51-102, Part 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

reWORKS Environmental Corp. (Formerly, "International Bioanalogs Systems, Inc.") **UNAUDITED**
CONSOLIDATED BALANCE SHEETS
AS AT JUNE 30, 2007 AND DECEMBER 31, 2006

	June 30, 2007	December 31, 2006
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash	1,587,197	79,879
Amounts receivable	71,047	49,700
Inventory	2,401	-
Prepaid expenses and deposits	38,296	38,296
TOTAL CURRENT ASSETS	1,698,941	167,875
EQUIPMENT (Note 2)	1,567,705	1,710,000
INTANGIBLE ASSETS (Note 3)	1,057,230	1,507,985
TOTAL ASSETS	4,323,876	3,385,860
LIABILITIES		
CURRENT LIABILITIES		
Amounts payable and accrued liabilities (Note 9)	446,181	1,122,414
Related party advances (Note 4)	-	158,992
Current portion of loans payable (Note 5)	295,575	434,075
Current portion of capital lease payable (Note 6)	3,080	3,080
TOTAL CURRENT LIABILITIES	744,836	1,718,561
LOANS PAYABLE (Note 5)	108,332	133,333
CAPITAL LEASE PAYABLE (Note 6)	5,505	6,641
LEASEHOLD INDUCEMENT	63,405	47,385
TOTAL LIABILITIES	922,078	1,905,920
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 7)	7,298,466	4,771,517
WARRANTS (Note 7)	446,604	-
CONTRIBUTED SURPLUS	126,600	9,600
(DEFICIT)	(4,469,872)	(3,301,177)
TOTAL SHAREHOLDERS' EQUITY	3,401,798	1,479,940
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	4,323,876	3,385,860

On behalf of the Board:

signed "Don Green"

Don Green, Director

signed "David Woolford"

David Woolford, Director

See accompanying notes to the unaudited interim consolidated financial statements

reWORKS Environmental Corp. (Formerly, "International Bioanalogs Systems, Inc.") **UNAUDITED**
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
FOR THE PERIODS ENDED JUNE 30, 2007 AND 2006

	3 Months ended June 30, 2007	3 months ended June 30, 2006	6 Months ended June 30, 2007	6 Months ended June 30, 2006
	\$	\$	\$	\$
SALES	14,832	-	17,107	-
COST OF GOODS SOLD	<u>6,346</u>	<u>-</u>	<u>7,210</u>	<u>-</u>
	8,486	-	9,897	-
EXPENSES				
General and administrative	321,304	216,228	628,684	536,345
Stock compensation	117,000	-	117,000	-
Sales and marketing	67,451	5,398	84,550	38,235
Research and development	<u>14,408</u>	<u>19,034</u>	<u>49,786</u>	<u>62,534</u>
(LOSS) before other expenses	(511,677)	(240,660)	(870,123)	(637,114)
OTHER EXPENSES				
Amortization equipment	83,835	3,639	167,669	6,075
Amortization intangibles	21,252	21,197	42,504	42,394
Interest	<u>42,863</u>	<u>25,459</u>	<u>66,673</u>	<u>47,243</u>
NET (LOSS) FOR THE PERIOD	(659,627)	(290,955)	(1,146,969)	(732,826)
DEFICIT, beginning of period	(3,788,519)	(2,089,051)	(3,301,177)	(1,647,180)
DEFICIT pickup resulting from RTO	(21,726)	-	(21,726)	-
DEFICIT, end of period	<u><u>(4,469,872)</u></u>	<u><u>(2,380,006)</u></u>	<u><u>(4,469,872)</u></u>	<u><u>(2,380,006)</u></u>
EARNINGS (LOSS) PER SHARE	(0.01)	(0.01)	(0.02)	(0.02)
WEIGHTED AVERAGE SHARES OUTSTANDNG	53,026,687	32,347,301	46,266,423	32,192,628

See accompanying notes to the unaudited interim consolidated financial statements

reWORKS Environmental Corp. (Formerly, "International Bioanalogs Systems, Inc.") **UNAUDITED**
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED JUNE 30, 2007 AND 2006

	3 Months ended June 30, 2007	3 months ended June 30, 2006	6 Months ended June 30, 2007	6 Months ended June 30, 2006
	\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss for the period	(659,627)	(290,955)	(1,146,969)	(732,826)
Changes to income not involving cash				
Amortization	105,087	24,835	210,173	48,470
Shares issued for services	-	-	-	72,449
Stock-based compensation	117,000	600	117,000	600
Leasehold inducement	8,010	-	16,020	-
Accrued interest on debt	(45,256)	19,827	(28,500)	39,751
Loss (gain) on foreign exchange	-	(8,924)	-	(19,747)
	<u>(474,786)</u>	<u>(254,617)</u>	<u>(832,276)</u>	<u>(591,303)</u>
Changes in non-cash working capital balances				
(Increase) decrease in prepaid expenses		(3,346)	-	(3,346)
(Increase) decrease in amounts receivable	(20,182)	1,778	(21,347)	40,467
(Increase) decrease in inventory	357	-	(2,401)	-
Increase (decrease) in amounts payable	<u>(341,808)</u>	<u>144,131</u>	<u>(281,766)</u>	<u>152,493</u>
Cash flows from operating activities	<u>(836,419)</u>	<u>(112,054)</u>	<u>(1,137,790)</u>	<u>(401,689)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Loans payable	(127,501)	(45,154)	(140,001)	139,069
Shareholders' loans payable	(207,517)	37,000	(153,992)	197,871
Issuance of common shares	3,675,546	387,000	3,951,546	417,000
Share issue costs	(930,671)	-	(930,671)	-
Cash flow from financing activities	<u>2,409,857</u>	<u>378,846</u>	<u>2,726,882</u>	<u>753,940</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to equipment	(54,402)	(167,528)	(81,774)	(366,904)
Additions to intangible assets	-	(1,344)	-	(3,301)
Deferred public offering costs	-	-	-	(7,500)
Cash flows from investing activities	<u>(54,402)</u>	<u>(168,872)</u>	<u>(81,774)</u>	<u>(377,705)</u>
(Decrease) increase in cash	1,519,036	97,920	1,507,318	(25,454)
Cash, Beginning of period	<u>68,161</u>	<u>15,044</u>	<u>79,879</u>	<u>138,418</u>
Cash, End of period	<u>1,587,197</u>	<u>112,964</u>	<u>1,587,197</u>	<u>112,964</u>
SUPPLEMENTAL INFORMATION				
Interest paid	65,119	41,225	72,173	46,275
Income taxes paid	-	-	-	-

See accompanying notes to the unaudited interim consolidated financial statements

reWORKS Environmental Corp. (Formerly, “International Bioanalogs Systems, Inc.”) UNAUDITED
NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
 JUNE 30, 2007

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

ReWORKS Environmental Corp. (the “Company”) is a development stage enterprise, involved in the research, development and marketing of worm castings and related products.

The accompanying unaudited interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) for the preparation of interim financial information and follow the same accounting policies and methods of application as the audited financial statements of the Company’s subsidiary – Reworks Inc. for the period ended December 31, 2006. They do not include all of the information and disclosures required by Canadian GAAP for annual financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these consolidated financial statements.

The financial statements have been prepared on a going concern basis which presumes the realization of assets and the discharge of liabilities in the normal course of business. The Company is dependent upon obtaining additional financing sufficient for continued operations as well as the achievement of profitable operations. These financial statements have been prepared on the basis that the Company will receive additional financing and will be able to achieve profitable operations. However, there is no assurance that these conditions will be achieved.

Operating results for the period ended June 30, 2007 are not necessarily indicative of the results that may be expected for the full year ended December 31, 2007. For further information, see the Company’s audited financial statements including the notes thereto for the year ended April 30, 2007 and the audited financial statements of the Company’s 100% owned subsidiary – Reworks Inc. (subsequently renamed “Forterra Inc.”) for the year ended December 31, 2006.

Effective May 14, 2007 the Company effected a reverse take over of Forterra Inc. (formerly Reworks Inc.). The consolidated financial statements include the operations of Forterra Inc. from January 1 to June 30, 2007 and include the operations of ReWORKS Environmental Corp from May 14 to June 30, 2007.

2. EQUIPMENT

	Cost	Accumulated Amortization	30-Jun-07 Net
	\$	\$	\$
Computer equipment	12,310	5,908	6,402
Computer software	16,104	11,044	5,060
Office equipment and furnishings	23,685	14,257	9,428
Machinery and equipment	1,641,760	170,020	1,471,740
Warehouse equipment	13,368	4,025	9,343
Warehouse equipment - under capital lease	10,416	1,823	8,593
Reusable packaging	1,566	503	1,063
Leasehold improvements	4,925	1,970	2,955
Worms	53,121	-	53,121
	<u>1,777,255</u>	<u>209,550</u>	<u>1,567,705</u>
Net Book Value December 31, 2006			\$ 1,710,000

reWORKS Environmental Corp. (Formerly, "International Bioanalytics Systems, Inc.") **UNAUDITED**
NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
 JUNE 30, 2007

3. INTANGIBLE ASSETS

	<u>Cost</u> \$	<u>Accumulated Amortization</u> \$	<u>30-Jun-07 Net</u> \$
Licence	<u>1,275,113</u>	<u>217,883</u>	<u>1,057,230</u>
	<u>1,275,113</u>	<u>217,883</u>	<u>1,057,230</u>
Net Book Value December 31, 2006			\$ 1,507,985

The licence agreement is an exclusive agreement between Worm World Inc. and Harry Windle (the "Licensor") and the Company for a period of 20 years for the use of the worm gin rights and rotaries in Canada, the United States and Europe. Under the terms of the agreement the licence will automatically convert to a patent which will be entirely owned by the Company upon the Company becoming publicly listed and the full repayment of the licence fee payable (Note 5).

4. RELATED PARTY TRANSACTIONS

Advances from related parties are due on demand. The advances were due from one director and three shareholders of the Company and attracted interest from 0 to 36 percent. These advances were repaid during the six months ended June 30, 2007.

The above transactions charged were in the normal course of operations and are measured at the exchange amount, which is the amount established and agreed to by the related parties.

5. LOANS PAYABLE

	<u>30-Jun-07</u> \$	<u>31-Dec-06</u> \$
Licence fee payable		
repayable at a rate of US\$2 per ton of waste processed, due May 2008, unsecured	245,575	245,575
Bank loan payable		
repayable in fixed monthly principal payments of \$4,167, plus interest at prime plus 3%, due November 17, 2009, partially guaranteed by the Government of Canada and partially guaranteed by a shareholder of the Company, secured by certain property, plant and equipment	158,332	183,333
Short term convertible debenture (i)		
accrues interest at a rate of 36% (3% per month) due on demand, secured by a general security agreement covering all of the assets of the Company	<u>-</u>	<u>138,500</u>
	<u>403,907</u>	<u>567,408</u>
Less: Current portion		
License fee payable	245,575	245,575
Bank loan payable	50,000	50,000
Convertible debenture	<u>-</u>	<u>138,500</u>
	<u>295,575</u>	<u>434,075</u>
	<u>108,332</u>	<u>133,333</u>

5. LOANS PAYABLE (Continued)

- (i) The Company has determined the value of the equity conversion feature by calculating the present value of the required interest and principal payments discounted at a rate approximating the interest rate that would have been applicable to non-convertible debt at the time the debenture was issued and is being accreted to the principal amount as additional interest over the term of the debenture. Accordingly, \$196,723 was allocated to debt and the residual of \$3,333 was allocated to the conversion feature and on September 29, 2006 \$85,000 of the debenture was converted in to 500,000 common shares.

6. CAPITAL LEASE PAYABLE

	30-Jun-07	31-Dec-06
	<u>\$</u>	<u>\$</u>
Payable in fixed monthly payments of \$348 including interest at 15.72% due October 2009. Leasecor holds security on the equipment until paid in full.	<u>8,585</u>	<u>9,721</u>
Less: Current portion	3,080	3,080
	<u>5,505</u>	<u>6,641</u>
Payment commitment:		
	<u>\$</u>	
Remaining 2007	2,088	
2008	4,176	
2009	3,480	

reWORKS Environmental Corp. (Formerly, "International Bioanalytics Systems, Inc.") UNAUDITED
NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
 JUNE 30, 2007

7. CAPITAL STOCK

a. Authorized: Unlimited number of common shares

b. Issued and outstanding June 30, 2007: 61,609,804

On May 11, 2007 the Company satisfied certain debt obligations via the issuance of 3,340,628 common shares. Immediately thereafter the Company effected a consolidation of its common shares on the basis of one post-consolidation common share for each 2.9543557 pre-consolidation common shares. On May 14, 2007 the Company, pursuant to an amalgamation agreement dated September 29, 2006 caused its wholly-owned subsidiary to amalgamate with Reworks Inc. on the basis of one post-consolidation common share for each outstanding share of Reworks Inc.

	<u>Shares</u>	<u>Amount</u> \$
December 31, 2006	<u>10,297,533</u>	
May 11, 2007 consolidation on the basis of 1 new for 2.9543557 old	3,485,542	
May 11, 2007 debt conversion	<u>1,130,746</u>	
Common Shares May 11, 2007	4,616,288	
Private Placement, net of issue costs	16,938,000	2,697,553
Issuance of 39,954,796 common shares in exchange for all common shares of ReWorks Inc. one for one	<u>39,954,796</u>	<u>5,047,517</u>
	61,509,084	7,745,070
Value attributed to warrants issued in conjunction with the Private Placement		<u>446,604</u>
Share capital		7,298,466

No value is attributed to the pre-amalgamation common shares as those values are eliminated upon consolidation.

Founders of ReWorks Inc. , the target company and other insiders have lodged 15,774,856 common shares into escrow pursuant to a Value Security Escrow Agreement. These shares are released from escrow in accordance with TSX Venture Exchange regulations.

On December 31, 2006 ReWorks Inc. (the target company for the reverse takeover) had 38,574,796 common shares outstanding

7. CAPITAL STOCK (Continued)

WARRANTS

As a condition of the amalgamation and reverse take over effected during May, 2007 the Company must honour all previously outstanding warrants of the target company - ReWorks Inc. (subsequently renamed Forterra Inc.) on a one for one basis. In addition the Company assigned a value to the warrants issued in conjunction with the Private Placement and RTO. Those warrants were valued using the Black-Scholes method.

	Exercise Price	Shares	Value	Expiry Date
	\$	#	\$	
Series 1	0.30	2,670,001	-	December 31, 2007
Series 2	-	-	-	Expired
Series 3	-	-	-	Expired
Series 4	0.50	333,331	-	December 1, 2007
Series 5	0.30	5,984,172	-	October 31, 2007
Series 6 See Subsequent Event Note 11	0.30	500,000	-	December 31, 2007
Series 7	0.25	150,000	-	October 31, 2007
Series 8	0.20	1,000,000	-	December 31, 2007
Series 9	0.40	5,417,000	77,922	May 2, 2009
Series 10	0.40	11,521,000	165,726	May 2, 2009
Series 11	0.22	3,382,600	202,956	May 2, 2009
	<u>0.34</u>	<u>30,958,104</u>	<u>446,604</u>	

There are 30,958,104 warrants issued and outstanding to purchase common shares at a weighted average exercise price of \$0.34 per common share.

7. CAPITAL STOCK (Continued)

STOCK OPTION PLAN

As part of the reverse take over shareholders approved a stock option plan in November, 2006. The purpose of the plan is to attract, retain, and motivate employees, contractors, and directors and other persons who perform services on behalf of the Company. The maximum number of common shares reserved for issuance under the stock option plan cannot exceed 10% of the total number of common shares issued and outstanding prior to such issuance.

As a condition of the amalgamation and reverse take over, the Company must honour all options which were issued and outstanding as of the date of the RTO on a one for one basis.

As of June 30, 2007 the following options have been issued:

	<u>Number of Options</u>	<u>Vesting Date</u>	<u>Exercise Price \$</u>	<u>Expiry Date</u>
	150,000	4-Jul-06	0.20	24-Jul-11
	90,000	4-Jul-06	0.20	28-Sep-07
	150,000	1-Jan-07	0.30	24-Jul-11
	90,000	1-Jan-07	0.30	28-Sep-07
	150,000	1-Jul-07	0.50	24-Jul-11
	90,000	1-Jul-07	0.50	28-Sep-07
	1,300,000	28-Jun-07	0.217	25-Jun-12
	1,300,000	28-Jun-08	0.217	25-Jun-12
	<u>1,300,000</u>	28-Jun-09	<u>0.217</u>	25-Jun-12
	4,620,000		0.235	
Unassigned options	1,530,860			
Total Options available	<u>6,150,860</u>			

Options issued have been valued using the Black-Scholes method of valuing stock options. The options are being amortized over the vesting period. The Company recognized stock option expense of \$117,000 in the six months ended June 30, 2007. There remains \$234,000 in stock option expense to be amortized into income over the vesting period of these options.

8. FINANCIAL INSTRUMENTS

Fair Value

Canadian generally accepted accounting principles require that the Company disclose information about the fair value of its assets and liabilities. Fair value estimates are made at the balance sheet date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying amounts for amounts receivable, advances from related parties, amounts payable and accrued liabilities and loan payable on the balance sheet approximate fair value because of the limited term of these instruments.

Foreign Exchange Risk

The licence fee as described in Note 5 is repayable in United States currency and is therefore subject to gains or losses due to fluctuations in that currency's value relative to Canadian currency.

Interest Rate risk

The Company has interest-bearings borrowing for which general rate fluctuations apply.

9. OTHER PAYABLE

One shareholder of the Company exercised his right, in accordance with Section 190 of the Canada Business Corporations Act, to dissent to the reverse takeover transaction effected May 14, 2007. Due to the dissent, the Company is required to buy back the shares of the Company held by this shareholder at their fair value. Management has estimated that, based on recent private placements, the fair value of each common share is approximately \$0.20. The dissenting shareholder was the owner of 1,000,000 common shares of the Company. The Company has taken possession of these common shares and has accrued for this matter as stated below:

- Increase in accounts payable and accrued liabilities of \$200,000 (1,000,000 common shares with an estimated fair value of \$0.20 per common share).
- Decrease in capital stock of \$130,000 (1,000,000 common shares at the average price per common share of \$0.13 on date of dissention).
- Decrease in contributed surplus of \$1,666
- Increase in deficit of \$68,334
- 1,000,000 common shares returned to treasury and cancelled

10. RECENT ACCOUNTING PRONOUNCEMENTS

CHANGES IN ACCOUNTING POLICIES

Effective April 1, 2007, the company adopted the Canadian Institute of Chartered Accountants ("CICA") section 3855, "Financial Instruments – Recognition and Measurement," section 3865, "Hedges," section 1530, "Comprehensive Income". These standards have been adopted prospectively.

Financial Instruments

Section 3855 establishes a framework for classifying and measuring financial instruments. Under this section all financial instruments must be initially recognized at their fair value on the balance sheet. In accordance with Section 3855, the Company has classified each financial instrument into the five categories set out in the standard: Financial assets and liabilities held for trading, financial assets held to maturity, loans and receivables, financial assets available for sale and other liabilities. Measurement of each of these items is contingent upon initial classification. Unrealized gains and losses on financial instruments classified as held for trading are recognized in earnings in the period incurred. Gains and losses on assets available for sale are recognized in other comprehensive income, and are charged to earnings when the asset is derecognized. The effective interest rate method using amortized cost is applied to the remaining categories of financial instruments.

The classification of financial instruments occurred upon adoption of the standard, and is irrevocable.

Derivative Instruments and Hedging

Hedge accounting ensures that all gains, losses, revenue and expenses from the derivative, and the item it hedges, are recorded in the statement of operations in the same period. The Company had no derivative instruments or hedges as at June 30, 2007.

Embedded Derivatives

An embedded derivative is a component of a financial instrument or other contract that has a feature similar to a derivative. New accounting section 3855 requires these instruments to be identified and recorded separately from the host contract if the economic characteristics and risks of the embedded derivative are not closely related to that of the host contract, the terms of the embedded derivatives are the same as the terms of a freestanding derivative, and the hybrid instrument is not re-measured at fair value.

Comprehensive income

Comprehensive income is the change in equity of the Company from net earnings and other comprehensive income ("OCI"). OCI consists of the change in the fair value of any financial instruments classified as available for sale. Amounts recognized in OCI must eventually be reclassified to Income when the related gains or losses are realized. For the period ended June 30, 2007, the Company did not have other comprehensive income or loss, therefore the comprehensive loss for the period is equal to the net loss for the period.

Accounting Changes

Effective April 1, 2007, the Company adopted the revised CICA section 1506, "Accounting Changes." Under the revised section, voluntary changes in accounting policy are permitted only if they result in financial statements that provide more reliable and relevant information to the reader. Changes in accounting policy must be applied retrospectively, while changes in accounting estimates are to be applied prospectively. The revised section also outlines additional disclosure required when accounting changes are applied, including the justification for the change, a complete description of the policy, the primary source of GAAP and the detailed effect of financial statement line items.

The Company has determined that the adoptions of these new policies had no material impact on its financial statements and determined that no adjustments are required for the period ended June 30, 2007

11. SUBSEQUENT EVENTS

On August 9, 2007 the Board of Directors approved the issuance of 300,000 options to purchase common shares at an exercise price of \$0.217 per share. These options vest immediately as to one third, and the remaining two-thirds vest over a 2 year period from the date of grant.

On August 9, 2007 the Board of Directors approved the extension of warrants to purchase 500,000 common shares from an expiry date of December 31, 2007 to May 15, 2008. Approval has been obtained from the TSX Venture Exchange.