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INDEPENDENT RESEARCH

RESEARCH REPORT

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Sofame Technologies Inc.

April 25, 2008

Symbol (CDNX)	SDW	Fiscal Year Ending: September					
Industry:	Industrial & Manufacturing	Year	EPS	P/E	REVS	PSR	
Recent Price:	\$0.30	2006 A	(\$0.01)	--- x	\$1.8	11.9	x
52-Week Price Range:	\$0.13 - \$0.48	2007 A	(\$0.02)	--- x	\$2.3	9.3	x
Target Price (12 Months)	\$0.75	2008 E	(\$0.00)	--- x	\$4.1	5.2	x
Avg. Daily Vol. (3 mo.):	151,895	2009 E	\$0.02	13.2 x	\$9.8	2.2	x
		2010 N/A	---	--- x	---	---	x

Balance Sheet Data (mil)	12/31/08	Ownership and Valuation (mil)	Current Rating History		
Cash Equivalent:	\$1.7	Shares Outstanding:	71.3	Date Assigned:	4/24/08
Working Capital:	\$0.9	Inside Ownership:	N/A	Price at Rating:	\$0.30
Long-Term Liabilities:	\$4.4	Institutional Ownership:	N/A	Original Price Target:	\$0.75
Shareholders' Equity:	\$2.3	Equity Market Value:	\$21.4	Time Frame:	12 Months

Note 1: In Canadian Dollars

Note 2: Sofame also trades in the pink sheets with the symbol of SFMGF.PK

Initial Report

Rating: Strong Speculative Buy

Basis for Rating

Sofame Technologies Inc. has been engaged in the engineering and manufacture of innovative energy-saving commercial-industrial heat recovery equipment — mostly in Canada — since 1984, long before resource conservation was viewed as a high priority in business. Being early in this endeavor did not bring rewards to the Company. Rather, despite the unqualified successes of its installations — over 300, many at high profile sites — Sofame struggled through over two decades to gain wide acceptance and sustained profitability. More recently, as energy and environmental awareness grew, the Company was still hampered by inadequate operational, financial, and sales management. We believe these shortcomings have now been addressed and that Sofame is at a turning point. With financial backing that will support major sales growth opportunities, including significant initiatives in the United States and Europe, the Middle East, and North Africa, the Company, in our opinion, should achieve profitability within the coming months and grow dramatically in coming years with the United States and then European and Asian complimenting and rapidly exceeding its base of Canadian business. Our initial 12-month price target of \$0.75 is based on a price/earnings multiple of 30 times the annualized rate of the projected June 2009 quarter earnings of \$0.0063 (i.e., \$0.0252). We will review this target quarterly based on the annualized rate of earnings in the one-year out quarter. As the \$0.75 target price is over 100% above the shares' current price, we are rating Sofame a **Strong Speculative Buy**.

Company Description

Sofame Technologies Inc., headquartered in Montreal, custom engineers and manufactures unique, high-efficiency, direct-contact heat recovery and hot water heating systems. Sofame's products extract up to 99% of heat from flue gases and waste water depending on the application and return the energy in the form of high temperature hot water or superheated make-up air. In addition to economically recovering heat from waste energy, Sofame's products also help customers to significantly reduce greenhouse gas emissions. This reduction is derived not only by the use of less fuel, but also by the

lower required process temperatures that result in the reduced production of nitric oxide (NOX). Using world leading patented green technology, the Company serves building owners, public and private infrastructure, institutional, industrial, and commercial markets through a network of dedicated engineering representatives. Its markets include space heating, domestic water heating, fresh air heating, and process water heating. Locations served include airports, hospitals, food processors, commercial laundries, pulp and paper plants, cement plants, and breweries.

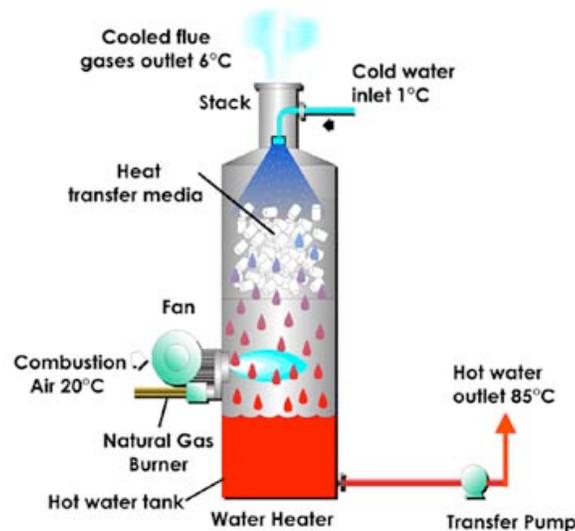
Products

In reviewing Sofame's product offerings, it is important to keep in mind two concepts. First, it is more efficient to heat a substance by applying heat directly than through another substance, such as metal. Second, before getting rid of hot waste gases up a flue or hot waste water down a drain, it is more efficient to capture the heat in these sources. Sofame's systems provide efficiencies from direct heating and/or waste heat capture. The concepts are simple; Sofame's systems are often ingenious and patented. Conventional boilers generally operate at about 65% efficiency; Sofame's systems often operate at 95%-99% efficiency rates. It should also be noted that Sofame's product offerings are complemented by natural gas and natural gas prices are up over 30% in the past year. While energy prices may fluctuate, the long-term trend is clearly in favor of higher prices which increase the benefit of greater efficiency.

Percomax™

The Percomax is a "direct-contact", natural gas fired water heater which is designed to heat water to temperatures as high as 185 degrees Fahrenheit. Cold water enters the unit at the top and is then uniformly distributed over the upper surface of a packing of stainless steel nodules which constitutes the heat transfer zone. The water percolates down through the packing where it comes in direct contact with the rising, hot products of combustion. Both the sensible and latent heat contained in the gas are transferred to the water. The products of combustion are generated by a fully modulating, integrated natural gas burner. The heated water collecting at the bottom of the unit is then pumped directly to the process, or across a plate and frame heat exchanger to transfer energy to a process fluid.

Figure 1. Percomax



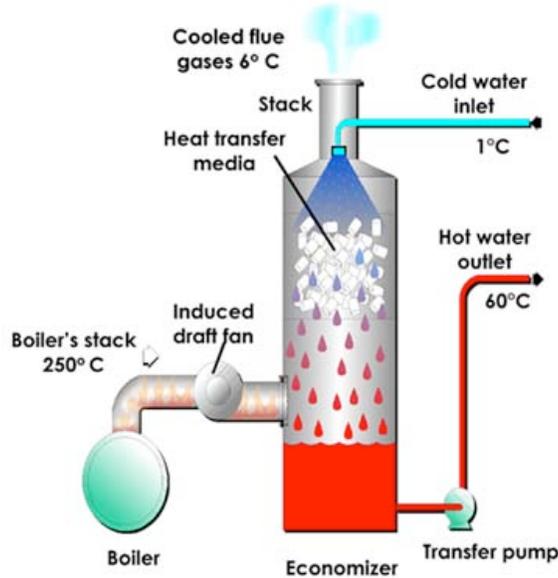
Source: Sofame

The Percomax is used for domestic heating, hydronic (water) space heating, fresh air heating, boiler make-up water pre-heating, and process water heating. Its advantages include very high efficiencies (up to 100%), minimum required maintenance, reduced emission of atmospheric pollutants, no required supervision (not classified as a pressure vessel), rapid unit start-up, and the ability to be installed outside.

Percotherm™

The Percotherm is a direct-contact, condensing stack economizer which recuperates the residual heat contained in a boiler's flue gas and transfers this heat to a cold water stream. Hot water is produced at temperatures as high as 140 degrees Fahrenheit. The unit works in the same way as the PERCOMAX except that the source of the heat is hot boiler stack gases.

Figure 2. Percotherm



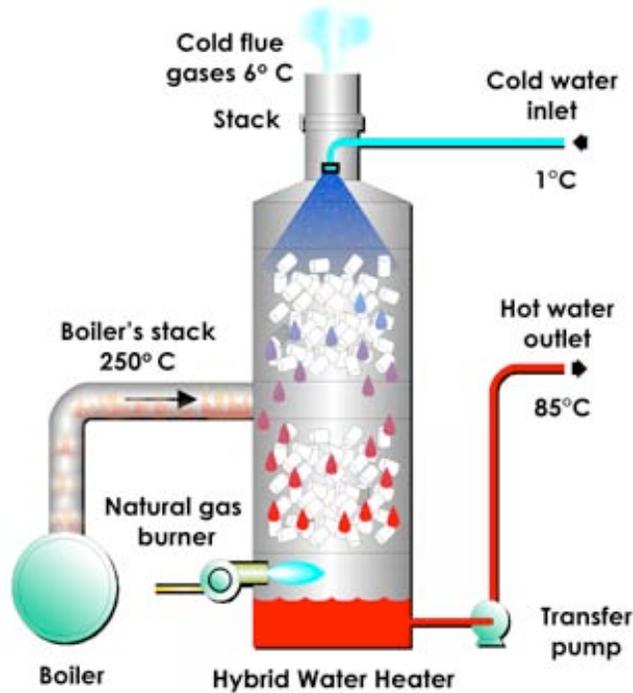
Source: Sofame

The Percotherm is used for fresh air heating, pre-heating of domestic water or boiler make-up water, and heating of process water. In addition to its very high efficiency (boiler seasonal efficiency improved by up to 20%), minimum maintenance requirement, reduced pollutant emission, and no need of supervision, this unit allows for the reduction of installed boiler capacity.

Hybrid Percotherm™

The Hybrid Percotherm is a direct-contact condensing stack economizer which is equipped with an integral, fully modulating burner. Therefore the Hybrid provides boiler flue gas heat recovery from existing boilers, and provides its own heat source to completely satisfy process hot water demand. Hot water is produced at temperatures as high as 185 degrees Fahrenheit, when the Hybrid is natural gas fired. The Hybrid operates like the Percotherm except that if the recuperated energy is not sufficient to heat the water to the desired temperature, a fully modulating burner, located in the lower part of the Hybrid, is activated. The partially heated water falls from the first heat transfer zone to the surface of the second. The burner's hot combustion gas rises through the second heat transfer zone to release its heat to the downward percolating water until the desired water temperature is attained.

Figure 3. Hybrid Percotherm



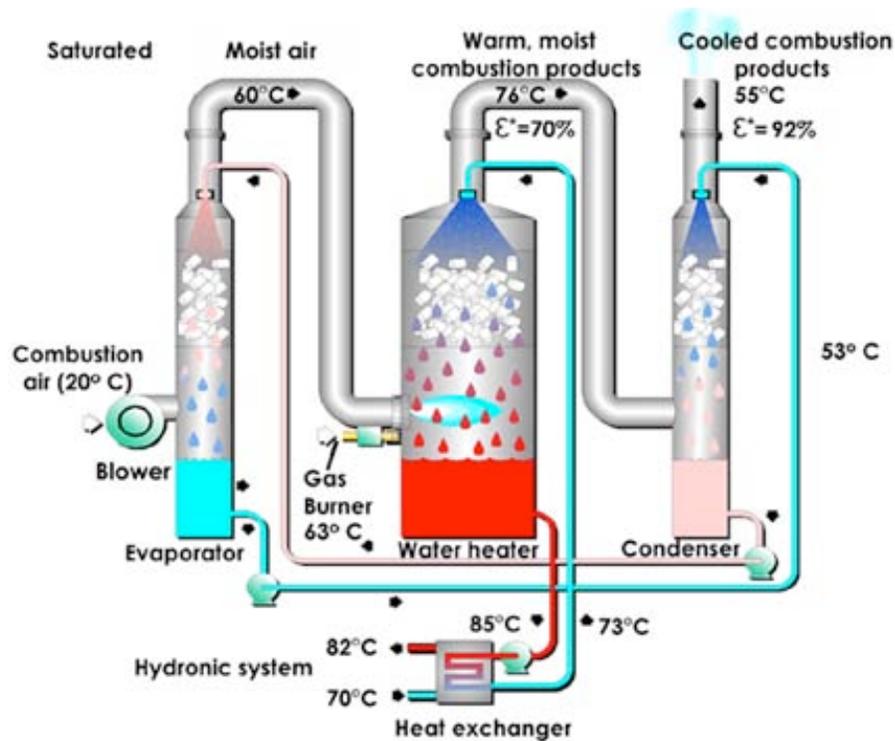
Source: Sofame

The Hybrid Percotherm can be used for the same applications as the Percomax. It has the same benefits as the Percomax but also enables the reduction of installed boiler capacity, a benefit of the Percotherm.

Ultra-High Efficiency™

The Ultra-High Efficiency water heater is composed of a Percomax and a water vapor pump. This arrangement results in an appliance which will operate at high efficiencies (93%) even when used for space heating requirements, where return water temperatures are as high as 130 degrees Fahrenheit. Hot water is produced at temperatures as high as 190 degrees Fahrenheit. The Percomax operation has been previously discussed. The water vapor pump operates as follows: Combustion air is delivered by a fan into the lower part of the evaporator tower. At the same time, warm water is delivered to the top of the tower by one of the two circulating pumps. The direct contact of the falling water and rising air, in the evaporator heat transfer zone, results in heating, increasing the humidity of the air, and cooling of the water. The cool water collected at the bottom of the evaporator is delivered to the condenser tower by the second circulating pump. At the same time, the hot, saturated flue gas issuing from the Percomax is delivered into the lower part of the condenser. The direct contact of the falling water and the rising flue gas, in the condenser heat transfer zone, results in the cooling of the flue gas, a condensation of part of its water content, and the heating of the water. The heated water at the bottom of the condenser tower is delivered back to the top of the evaporator tower by the first circulating pump. There it will transfer the energy, recuperated from the Percomax flue gas in the condenser to the combustion air.

Figure 4. Ultra-High Efficiency



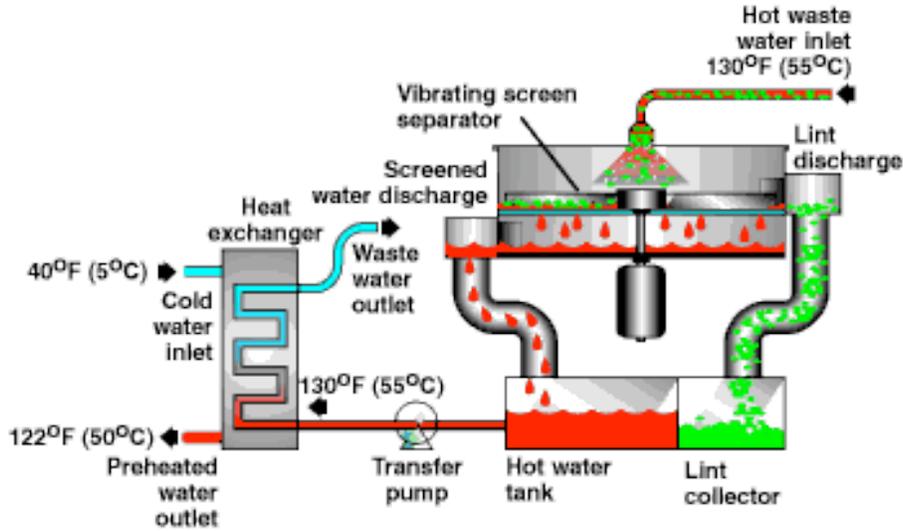
Source: Sofame

The Ultra-High Efficiency is used for hydronic heating. It has the maintenance and supervision benefits of other units but has even greater efficiency than a standard direct-contact water heater. It has a rapid start-up with instantaneous hot water production. With regard to pollutants, the reduced level of nitrous oxide is of particular note.

Launrec RBT™

The Launrec RBT is a complete heat reclaim system which recovers the energy contained in the waste water of industrial laundries and dye houses. The recovered energy is used to preheat a secondary water stream to within 8 degrees Fahrenheit of the waste water temperature. Waste water is drawn from the waste water tank by the trash pump and delivered to the separator. The screened waste water falls, by gravity, through the separator into the feed water tank. The removed fibers and lint are rejected to the lint accumulation basket. The feed water pump then delivers the screened waste water across the plate and frame heat exchanger where heat is transferred from the waste water to a secondary water stream. This pre-heated secondary water is delivered to holding tanks and will ultimately be used in various processes.

Figure 5. Launrec RBT



Source: Sofame

The Launrec RBT system produces “free” hot water by recovering 75%, or more, of the energy contained in process waste water.

Patent Overview

Table 1. Patent Overview

Technology	Country		Patent Filed		Patent Life		Years Remaining		Ownership
	Canada	USA	Canada	USA	Canada	USA	Canada	USA	
Air Heater and Humidifier using Direct Contact heating principles and method of operation	2,185,857	5,769,067	3/19/98	6/23/98	20	20	11	11	100% Sofame
							3	4	50% Sofame 50% SCGM
Direct water heater with "Hybrid" heat source (Hybrid Percotherm)	2,088,018	5,293,861	1/25/93	3/15/94	17	17			
High Efficiency Direct Contact high temperature water heater Ultra Low NOX (Ultra-High Efficiency)	2,201,259	5,967,137	3/27/97	10/19/99	20	20	10	12	25% Sofame 25% SCGM 25% Keyspan Energy 25% Gaz de France
Direct Contact water heater with	2,136,781	-	11/28/94	-	17	-	4	-	100% Sofame

Source: Sofame

Product Advantages Overview

- Substantial reduction of average energy consumption (up to 38%)
- 75% reduction in steel use (less affected by raw material price fluctuations)
- Payback generally between six months and three years
- Lower costs of construction, operation, maintenance and insurance
- No stationary engineers required to maintain the site (no pressure vessel)
- Cutting edge control system technology equipped with a touch screen
- Reduction of greenhouse gas emissions (CO₂, NO_X)
- Users qualify for carbon credits (subject to local legislation)
- Unique hydronic space heating solutions for building owners
- Extensive guarantee for the market (5 years)

The advantages of Sofame's product offerings are not simply "drawing board promises but have been proven in real-world applications so that numerous sites have been repeat buyers.

Sample Projects

- Trudeau International Airport (4 Percotherm units of 450 HP each)
- Edmonton Airport (Hybrid 30 million BTU/hour -2100 HP)
- Pentinction Hospital (UHE 6 million BTU/hour)
- Jewish General Hospital (Percotherm 1200HP)
- Sacre-Coeur Hospital (Percomax 20 million BTU/hour)
- Concordia University (Hybrid 27 million BTU/hour)
- Old Montreal College (Percomax 12 million BTU/hour)
- University of Toronto (Percotherm 13,000HP)
- Cooshiretex (Hybrid 6 million BTU/hour – 600 HP)
- Fleishmann (Percomax 10 million BTU/hour)

Case Study

In 2000, Aéroports de Montréal embarked on a \$ 700 million expansion of the Montreal-Trudeau International Airport, the overall mission was to create an economic stimulus for Montreal and, at the same time bring the airport up to the highest standards of operational efficiency. Plans called for a comprehensive energy program that included a totally new approach to heating.

Pollution problems that beset Montreal-Trudeau International and many other airports would be overcome through innovative engineering. For example, airports located in cold weather climates must necessarily build their heating plants far away from runways and the control tower because the vapor plume given off by exhaust combustion gases hinders the view from the control tower. However, running heat through mile-long pipes to the main terminal wastes a significant amount of costly energy.

The airport's massive expansion project is now completed and the airport's heating system is an example of how a surface can be heated efficiently while saving money and lowering greenhouse gas emissions. The engineers who worked on the project turned to Sofame for a way to integrate an energy plant right into the main terminal and thus, do away with the mile-long network of heating pipes while solving the problem of vapor plume. In recognition of the design of a new thermal plant integrated right into the new terminal, and with a dependable plume elimination system, the project engineers took top honors at the 2007 ASHRAE (American Society of Heating, Refrigerating and Air conditioning) Technology Awards.

The system consists of four chillers, connected in pairs, to increase the water temperature differential. Waste heat is reclaimed for use in the low temperature, hot water system. Saturated flue gases are mixed with hot, dry air to eliminate the smoke plume. Sofame's Percotherm direct-contact economizer reclaims a large part of the heat contained in the flue gases ordinarily released into the atmosphere. The economizer also acts as an air scrubber for the hot flue gases, significantly lowering greenhouse gas emissions.

The main terminal is heated by hot water produced by 4 boilers equipped with a dual fuel burner (natural gas and oil). The system delivers combustion efficiencies of 82% with natural gas and 84% with oil. At times when the heating plant generates excess heat, that heat is rejected into the airport's fresh air system, eliminating the need for conventional cooling towers that produce the vapor plume. The result is better indoor air quality, better energy efficiency and an end to the old problem of vapor plume.

Marketing Initiatives

We believe sales of Sofame's strong product offerings have been constrained by insufficient marketing support. In the past month the Company has announced initiatives that, in our opinion, represent major steps to address this issue and lay the groundwork for substantially higher sales in coming quarters and years.

Wise Energy Sales Agreement

On March 10, 2008, Sofame announced that it had signed a three-year definitive agreement with Wise Energy Equipment Solutions Inc. of St-Paul, Minnesota, a CorVal Group, Inc. subsidiary company. The expanded agreement, which has been ratified by Sofame's Board of Directors, calls for Wise Energy to increase its commitment to sell the Company's products by at least \$12 million over three years. In the press release, Wise Energy stated that "Several of our major customers have expressed an interest in applying Sofame's heat recovery condensing technology to both new and retrofit boilers. The engineering support provided by Sofame has made all the difference by demonstrating that in some areas, cost savings and green house gas emission reductions can go hand-in-hand". Sofame believes that there will be additional opportunities to exploit several other synergies with Wise Energy both in the U.S. and Canadian markets.

As part of this agreement, Sofame has agreed to grant Core Ventures, LLC — a CorVal-related company — an aggregate of 2,000,000 warrants entitling Core Ventures to acquire up to an aggregate of 2,000,000 additional common shares of Sofame at an exercise price of \$0.50 per share three years from the date of issuance. The warrants shall vest in three equal tranches: (1) the first 666,666 upon signature of the definitive agreement; (2) the next 666,666 upon Wise Energy meeting a performance milestone; and (3) the remaining 666,667 upon Wise meeting a second performance milestone, all as provided for in the agreement.

Wise Energy, a manufacturers' representative focused on "providing innovative energy savings equipment throughout the United States," is wholly owned by the CorVal Group, Inc. CorVal is, a U.S. based company which provides a full range of EPC services through its subsidiaries including: industrial, commercial, fire protection, preventive maintenance, fabrication, land development, and commissioning. CorVal subsidiary companies have offices in Minnesota; Louisiana, Montana, Nevada, and Alberta, Canada.

Soffimat Memorandum of Understanding

On March 14, 2008, Sofame announced that it had signed a Memorandum of Understanding (MOU) with Soffimat SA of Paris, France. The proposed agreement outlined in the MOU calls for Soffimat to represent Sofame as its exclusive distributor in France and — pending agreement of the parties — throughout Europe, the Middle East, and North Africa. Soffimat plans to first install Sofame's direct contact heat recovery condensing boilers in several of the power plants it currently owns or operates under contract in France. In addition to benefiting from the energy savings and resulting carbon credits at these initial locations, Soffimat intends to invite its existing customers to inspect the units and see them in operation. Sofame's plan is to deploy its technology with several strategic partners worldwide over the next twenty-four months. It is expected that Soffimat will open the door to Sofame's rapid expansion in Europe, where the energy market is intensely focused on efficiency, savings, and innovative green technologies. To expedite this effort, Sofame is reviving an official Sofame Europe operation to manage European manufacturers' representatives.

The “Green” Opportunity

As previously noted, Sofame's systems reduce emissions of pollutants both by requiring less fuel and in the case of nitric oxide operating at lower temperatures. The Hybrid Percotherm installed at the Polytechnic School of Engineering at the University of Montreal was awarded LEED Gold Certification; it was the first institution in Canada to obtain International LEED Reduction of CO2 emissions equivalent to 20,000 cars a year. Looking forward, the emergence of a market for carbon credits could offer Sofame another important marketing tool which could be a substantial stimulus for sales.

It is estimated that more than 65% of the boilers in the United States are over 25 years old. These units, built in a time of far different sensibilities than we have today, operate with high uncontrolled emissions. To achieve environmental goals, this aging fleet will need to be replaced with low-emission boilers/burners.

A recent press release from Sofame pointed out that greenhouse gas (GHG) emissions in just Canada “from conventional boilers in the commercial and industrial sectors amount to the equivalent of the emissions of 12 million cars and represent \$6.3 billion in energy spending for industry. If these boilers were equipped with Sofame technology, in one year alone, the amount of GHG released into the atmosphere would be cut by 10 million tons. That would be like taking 2.5 million cars off the road - a savings of \$1.3 billion a year on the energy bills of these companies.” We believe the Company will continue to highlight the green aspect of its product offerings in its marketing.

North American Representative Network

In addition to the Wise agreement, Sofame is building a network of sales representatives in North America. Tozour Trane and Brady Trane are two examples of the quality and capability of the representatives Sofame can attract.

Tozour Trane, Pennsylvania and New Jersey

This is the 3rd largest franchise Trane office in North America. Tozour has dedicated a salesman full time to sell Sofame products.

Bray Trane, North Carolina

This is the 5th largest franchise Trane office in North America. In addition to selling Trane equipment, they carry a boiler line and boiler service is an important part of their complete offering. Brady Trane currently represents the Buderus boiler line and Weishaupt burners. Single source solutions have been a cornerstone of their business strategy since the early 1960's. Brady Trane operates seven offices in North Carolina alone.

Recent Financial Results

Sofame's net sales increased 27.1% in its September 2007 fiscal year to \$2,286,378 from \$1,798,386 in fiscal 2006. However, gross profits rose only 2.0% to \$411,382 (for a gross profit margin of 18.0%) from \$403,370 (a gross profit margin of 22.4%) as the cost of goods sold rose 34.4%. Selling, general and administrative expenses rose 34.7% to \$1,323,362 (57.9% of revenues) from \$982,543 (54.6% of revenues), reflecting, at least in part, restructuring costs. Interest expense rose to \$262,747 from \$157,314. The Company's net loss rose to \$1,174,727 from a loss of \$736,487 in fiscal 2006. The loss per share increase to \$0.0154 from \$0.0127 was muted by the increase of shares outstanding.

We believe it is important to note that the fourth fiscal quarter showed significant relative strength. Although there is a tendency for the September quarter to be seasonally strong with many customers choosing to retro-fit heating systems in the non-heating season, we believe the report of sales of \$842,513, 36.8% of the full year's figure, represented more than seasonal strength. Importantly, the fourth quarter report gave a hint of the impact higher sales levels could have on profitability. With revenues up, gross margin expanded to 38.2% versus only 2.4% a year earlier. Despite continuing high selling, general and administrative costs (46.6% of revenues) and interest costs (\$125,066), the net loss was only \$195,022 or \$0.0026 per share. Importantly, earnings before interest, taxes, depreciation and amortization (EBITDA) were (\$33,577). Accordingly, we believe the fourth fiscal quarter figures indicate that the Company has the ability to report a positive EBITDA quarter and then move into profitability as revenues rise later in calendar 2008.

Although revenues fell back in the first fiscal quarter of 2008 (ended December 31, 2007), the Company continued to achieve the improved gross margins reported in the September quarter. Sales were essentially flat compared to the year-earlier period at \$589,411 versus \$589,500, but gross margins rose to 36.3% from 13.3%. All revenues in the first quarter were derived from shipments of heat recovery equipment to Canadian customers. Selling, general, and administrative costs rose to \$382,725 from \$248,201 a year earlier mainly because of costs of reorganization and expenses related to its issuance of debentures during the period.

Despite significant improvement in the gross margin, Sofame recorded an operating loss of \$168,816 in the first quarter of FY 2008 due mainly to costs of reorganization and expenses related to an issue of debentures. The Company recorded a net loss of \$237,052 for the first quarter ending December 31, 2007, which is 11.0% greater than the same quarter of the previous year, after interest on long-term debt of \$68,236 — up from \$41,374. On a per share basis, the loss was \$(0.0037), almost unchanged from \$(0.0036) in 2007 due to the larger number of shares outstanding at December 31, 2007.

**Table 2. Income Statement
(In Canadian Dollars)**

	Year Ended <u>9/30/2007</u>	Year Ended <u>9/30/2006</u>
Net Sales	\$ 2,286,378	\$ 1,798,386
Cost of Goods Sold	<u>1,874,996</u>	<u>1,395,016</u>
Gross Margin	411,382	403,370
 Selling, General and Administrative Costs	 1,323,362	 982,543
Operating Income	(911,980)	(579,173)
Interest Expenses	262,747	157,314
Net Loss	(1,174,727)	(736,487)
Net Loss Per Share	\$ (0.0154)	\$ (0.0127)
Average Shares Outstanding	76,280,974	57,991,102
 EBITDA	 (826,792)	 (525,287)
Cash Flow from Operating Activities	(920,392)	(682,611)
	 3 Months Ended <u>12/31/2007</u>	 3 Months Ended <u>12/31/2006</u>
Net Sales	\$ 589,411	\$ 589,500
Cost of Sales	<u>375,502</u>	<u>510,940</u>
Gross Margin	213,909	78,560
 Selling, General and Administrative Costs	 382,725	 248,201
Operating Income	(168,816)	(169,641)
Interest Expenses	68,236	41,374
Net Loss	(237,052)	(211,015)
Net Loss Per Share	\$ (0.0037)	\$ (0.0036)
Average Shares Outstanding	63,462,106	57,914,161

Source: SEC filings

**Table 3. Balance Sheet
(In Canadian Dollars)**

	<u>12/31/2007</u>	<u>9/30/2007</u>
ASSETS		
Current Assets		
Cash	\$ 1,681,530	\$ 438,179
Accounts Receivable	168,381	115,412
Inventories	91,113	103,098
Contracts in Progress	(28,306)	165,293
Prepaid Expenses	<u>107,833</u>	<u>99,052</u>
Total Current Assets	2,020,551	921,034
Capital Assets	780,354	763,539
Deferred Costs	371,233	223,247
Total Assets	\$ 3,172,138	\$ 1,907,820
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Outstanding Checks	\$ -	\$ 131,700.00
Accounts Payable	941,215	1,030,477
Clients Deposits and Deferred Revenue	160,094	173,526
Current Portion of Long-Term Debt	<u>39,250</u>	<u>39,250</u>
Total Current Liabilities	1,140,559	1,374,953
Long-Term Debt	4,358,259	2,672,495
Shareholders' Equity	(2,326,680)	(2,139,628)
Total Liabilities and Shareholders' Equity	3,172,138	1,907,820

Source: SEC filings

Recent Financing

Sofame announced on December 24, 2007 that it had closed a debenture issue, with the proceeds to be used to “expand marketing activities and finance expected growth”. On December 21, 2007, Sofame issued, by way of private placement, unsecured convertible debentures in equal tranches of \$25,000 to accredited investors residing in Quebec and Ontario for gross proceeds to the Company of \$750,000. Notre-Dame Capital Inc. acted as lead agent for the private placement, completing the second tranche of the debenture issue and raising aggregate gross proceeds to \$1.575 million.

The debentures bear interest at the rate of 10% per annum, payable quarterly in arrears, and will mature on December 21, 2010. The principal amount of the debentures is convertible into Sofame common shares at any time at the option of the holder at a conversion price of \$0.15 per share until December 21, 2009, and thereafter at a price of \$0.165 per share until maturity. Each tranche of \$25,000 is accompanied by 83,333 common share purchase warrants, entitling the holder to acquire one additional common share of Sofame at an exercise price of \$0.25 until December 21, 2009. There are currently 63,914,161 issued and outstanding common shares of Sofame.

Sofame paid Notre-Dame Capital and members of the selling group a cash commission of 10% on gross proceeds from the debentures issued in connection with the private placement. The Company also issued non-transferable broker warrants to Notre-Dame Capital and members of the selling group entitling them to purchase up to an aggregate of 500,000 common shares of Sofame at an exercise price equal to the conversion price of the debentures issued to the purchasers until December 21, 2009. All of the securities issued under the private placement are subject to a four-month hold period, expiring on April 22, 2008 — in accordance with applicable securities laws and the policies of the TSX Venture Exchange.

On April 11, 2008, Sofame announced that it had closed the final tranche of a private placement totaling \$2,180,000. The proceeds from the placement will be used to fund the expansion of Sofame's business activities in France and the European Community, as well as for working capital, marketing, and other corporate purposes.

The private placement consists of 7,161,132 units at an issue price of \$0.305 to "accredited investors" residing in Quebec, Ontario, and France. Each unit is comprised of one common share and one-half common share purchase warrant, with each whole warrant entitling the holder thereof to purchase one additional common share of Sofame at a price of \$0.50 for a period of twelve months from the date of issuance.

While there is no agent for the placement, Sofame paid a finder's fee to Notre-Dame Capital Inc. in connection with persons introduced to Sofame who participated in the private placement. The finder's fee consists of a cash commission of 10% of the gross proceeds raised from such persons and non-transferable warrants entitling Notre-Dame to purchase up an aggregate of 10% of the number of shares issued under the offering. Each warrant entitles Notre-Dame to purchase one additional common share of Sofame at a price of \$0.50 for a period of twelve months from the date of issuance.

The securities issued in the placement will be subject to a four-month "hold period" under applicable securities legislation and the policies of the TSX Venture Exchange.

Financial Outlook

In projecting results for coming quarters, we have needed to deal with these considerations:

- Although there is some seasonality in Sofame's business as many facilities would prefer to do retro-fits in non-heating times of the year, the prospect for substantially increased levels of business will likely outweigh this factor in coming quarters.
- Quarterly results can be substantially affected by the timing of large shipments. Hundreds of thousands of dollars can be shifted to the next quarter by a week's delay in delivery.
- The success of new marketing arrangements with great promise but no track record will have a profound effect on reported results.

Recognizing these obstacles to making accurate quarterly estimates, we nonetheless believe that there is strong support for projections that show a solid upward trend in sales and earnings. The March 2008 quarter will likely mask good progress because of the timing of shipments. However, after that, we expect the combination of initial sales from both the Wise and Soffimat arrangements to drive revenues to record levels. It is our expectation that, starting in the June 2008 quarter, the higher level of business will enable Sofame to achieve a gross margin of 40%. We are assuming a steady increase in sales, general, and administrative costs as the Company bolsters its sales effort and rising interest expense starting later this year as increased business requires additional borrowing to support inventory and accounts receivable. Based on these inputs, we expect Sofame to report a loss in the March 2008 quarter that approximates the December 2007 quarter loss, but turn marginally profitable in the June 2008 quarter. Quarterly profits should grow rapidly thereafter and, while we expect Sofame to report a larger loss in fiscal 2008 than in fiscal 2007, we estimate fiscal 2009 net income of \$0.024 per share.

Sofame Technologies, Inc.

**Table 4. Earnings Model
(In Canadian Dollars)**

	2006				2007				2008E			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1A	Q2E	Q3E	Q4E
Net Sales	\$ 71,468	\$ 342,225	\$ 694,246	\$ 690,447	\$ 589,500	\$ 358,112	\$ 496,253	\$ 842,513	\$ 589,411	\$ 600,000	\$ 1,200,000	\$ 1,700,000
Cost of Goods Sold	<u>106,769</u>	<u>241,189</u>	<u>373,069</u>	<u>673,989</u>	<u>510,940</u>	<u>396,972</u>	<u>446,938</u>	<u>520,146</u>	<u>375,502</u>	<u>400,000</u>	<u>720,000</u>	<u>1,020,000</u>
Gross Margin	(35,301)	101,036	321,177	16,458	78,560	(38,860)	49,315	322,367	213,909	200,000	480,000	680,000
Selling, General and Administrative Costs	203,644	223,912	266,110	288,877	248,201	314,350	368,444	392,323	382,725	400,000	410,000	420,000
Operating Income	(238,945)	(122,876)	55,067	(272,419)	(169,641)	(353,210)	(319,129)	(69,956)	(168,816)	(200,000)	70,000	260,000
Interest Expenses	29,511	34,266	49,112	44,425	41,374	52,270	44,081	125,066	68,236	65,000	40,000	85,000
Net Earnings (Loss)	(268,456)	(157,142)	5,955	(316,844)	(211,015)	(405,480)	(363,210)	(195,022)	(237,052)	(265,000)	30,000	175,000
Net Earnings (Loss) Per Share	\$ (0.0046)	\$ (0.0027)	\$ 0.0001	\$ (0.0055)	\$ (0.0036)	\$ (0.0064)	\$ (0.0060)	\$ (0.0026)	\$ (0.0037)	\$ (0.0037)	\$ 0.0004	\$ 0.0025
Average Shares Outstanding	57,914,161	57,914,161	57,914,161	57,914,161	57,914,161	63,414,161	63,414,161	63,414,161	63,462,106	71,300,000	71,325,000	71,325,000
EBITDA	(226,036)	(109,965)	67,976	(257,272)	(156,849)	(340,409)	(295,957)	(33,577)	(154,573)	(180,000)	90,000	280,000

Continued on the Following Page

Sofame Technologies, Inc.

(Continued) **Table 4. Earnings Model**
(In Canadian Dollars)

	2009E				Yearly Data			
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>2006</u>	<u>2007</u>	<u>2008E</u>	<u>2009E</u>
Net Sales	\$ 2,000,000	\$ 2,300,000	\$ 2,600,000	\$ 2,900,000	\$ 1,798,386	\$ 2,286,378	\$ 4,089,411	\$ 9,800,000
Cost of Goods Sold	<u>1,200,000</u>	<u>1,380,000</u>	<u>1,560,000</u>	<u>1,740,000</u>	<u>1,395,016</u>	<u>1,874,996</u>	<u>2,515,502</u>	<u>5,880,000</u>
Gross Margin	800,000	920,000	1,040,000	1,160,000	403,370	411,382	1,573,909	3,920,000
Selling, General and Administrative Costs	430,000	440,000	450,000	460,000	982,543	1,323,318	1,612,725	1,780,000
Operating Income	370,000	480,000	590,000	700,000	(579,173)	(911,936)	(38,816)	2,140,000
Interest Expenses	95,000	105,000	115,000	125,000	157,314	262,791	258,236	440,000
Net Earnings (Loss)	275,000	375,000	475,000	575,000	(736,487)	(1,174,727)	(297,052)	1,700,000
Net Earnings (Loss) Per Share	\$ 0.0039	\$ 0.0050	\$ 0.0063	\$ 0.0076	\$ (0.0127)	\$ (0.01864)	\$ (0.0046)	\$ 0.0227
Average Shares Outstanding	71,325,000	75,625,000	75,625,000	75,625,000	57,914,161	62,039,161	69,353,027	74,550,000
EBITDA	390,000	500,000	610,000	720,000	(525,297)	(826,792)	35,427	2,220,000

Source: Company filings and Dutton Associates estimates

Management

Richard T. Groome, Chairman

Richard T. Groome is Managing Partner of Notre-Dame Capital Inc. He has extensive experience in the financing of small and mid-size emerging growth companies. Prior to starting this business in October 2005, he was Senior Vice-President of Strategic Capital from January 2003 through September 2005 and Senior Vice-President of Institutional Equity Sales from August 2001 to January 2003 at Desjardins Securities, a Quebec-based firm. Mr. Groome has been in the financial industry for more than 20 years at such firms as Groome Capital (his own firm), Marleau Lemire Securities, Sprott Securities, and Levesque Beaubien Geoffrion. He has a BA in Economics from McGill University. Mr. Groome has actively managed or participated in over 400 financings representing some \$4 billion of small cap financings. He is very active in numerous philanthropic projects, most notably underprivileged children in Montreal and Peru in addition to the World Wildlife Fund.

John Gocek, President, CEO

John Gocek has over 15 years of hands-on experience in general management, accounting, manufacturing operations, corporate finance, investment and international banking, portfolio and treasury management, IS/IT, and management consulting. He is an advocate of performance-based metrics and web-based management systems. His education includes honors economics at McGill University in Montreal, Management Associate training on Wall Street, and years of professional development have lead to roles of increasing responsibility in finance, business strategy, and executive management including CEO of a public company and co-founder and CFO in a multinational SOX regulated manufacturing corporation.

Luc Mandeville, Eng., V.P. Technology and Research, Director

Luc Mandeville is co-founder of Sofame and has served as its President for over 20 years. He has been involved in every patent creation developed by Sofame and is an owner in every one of these patents. Mr. Mandeville graduated from “École Polytechnique” of Montreal in 1973 in Industrial Engineering; he worked for 10 years in the water treatment field for Degremont before starting Sofame. Mr. Mandeville has developed markets in North America and Europe for Sofame products since the Company’s founding in 1984.

Kébir Ratnani, Engineer, M.Sc, Director

Kébir Ratnani has over 30 years experience in the natural gas, electricity, windmill, and energy sectors. He owns 13 patents related to natural gas, petrochemical, and environment technologies and has concluded numerous cooperation agreements with different governments among Algeria, Cameroun, Gabon, Kenya, Tunisia, Senegal, Libya, Gambia, Burkina Faso, Ivory Coast, Egypt, Lebanon, Morocco, Syria, Saudi Arabia, Kuwait, Malaysia, Vietnam, Pakistan, and France. In 1991 he directed the setting up of the Natural Gas Technologies Centre, a research organization associated with Gaz Métropolitain, Gaz de France, Brooklyn Union Gas, and Osaka Gas. Since 2000 he was directing Business Development at SNC-Lavalin for Africa and the Middle East and was responsible for all water, power and infrastructure projects including ports, airports and roads.

Douglas C. Robertson, Director

Douglas Robertson has been a member of the Québec bar since 1963. His expertise lies in international taxation, mining and resource law, banking and financial law, securities law, mergers and acquisitions, as well as derivative and securitized transactions. He was Counsel to the European Banking Federation at the time of the revision of the Canadian Bank Act. In 1985 he was retained by Montreal Stock Exchange to act as a special consultant on tax and regulatory issues. In 1996 he was retained by the IFC of the World Bank to draft a securitization law for the Kingdom of Morocco. This draft was enacted in 1999. He was later appointed foreign law expert to Asian Development Bank PRC economic law reform project and was invited in 2006 by the Bank to serve as a foreign law expert for the study of an asset-backed securitization law for China.

Rami Shehabi, President Sofame International, Director

Rami Shehabi has significant experience as an international energy advisor. After graduating from York University in Oil Economy, he acted as Vice-President for Soffimat Europe, Vice-President for Environmondiale, President of Blue Mountain Investments, and Advisor and International Consultant on energy for SNC-Lavalin and Hydro Quebec International. He has also been a lobbyist on behalf of oil companies in the Middle-East. He acted as President-CEO of Sofame Technologies Inc. from 2005-2007 and is now president of Sofame International.

Investment Issues

The Need for Additional Financing: As sales ramp up, Sofame will need access to funds to support increased inventories, work-in-progress, and accounts receivable. We believe Notre Dame Capital stands ready to provide financing for these purposes. In addition, alternative financing approaches are being investigated. Specifically, Sofame is in negotiation with financial organizations to develop a leasing program to generate recurring revenue over ten years based on energy savings

The Need for Additional Manufacturing Capacity: We believe that while the Company's manufacturing facility located at its headquarters in Montreal can support a moderate increase in business, this operation does not have the capacity to meet the demand for systems that we project the new marketing initiatives will generate. The Company has indicated that it views outsourcing such tasks as metal cutting, bending, and welding as a viable approach. We believe that, depending on execution, this strategy can enable the Company to achieve substantially higher volumes without any reduction in gross margins.

The Need for a Stronger Sales Organization: Sofame markets its products through a network of dedicated engineering representatives. It is estimated that it takes a full year to get a sales representative fully trained to market Sofame's systems. In the past, there has been a lack of strong sales leadership and poorly structured compensation arrangements. The Company is seeking to strengthen its sales organization with an outside sales manager and revised sales agreements. Looking further out, Sofame believes a network of over 40 representatives in North America with \$1 million to \$3 million sales objectives (needed to maintain their exclusive territories) is workable business model.

Conclusion

We believe Sofame is now positioned to benefit from its proprietary product line as the Company is putting together the necessary marketing and financial resources to leverage its technological prowess at a time of heightened interest in energy conservation and environmental protection. Although quarter-to-quarter results may show some "lumpiness" given the big ticket nature of its product, we believe the trend toward rising sales and earnings will soon become evident. Although our estimates may seem aggressive as they assume the Company will achieve record levels of business, we note that the markets addressed dwarf this small Company and, with the help of outsourcing of some elements of production, Sofame could well achieve much greater revenues and earnings than we project.

Our initial 12-month price target of \$0.75 is based on a price/earnings multiple of 30 times the annualized rate of projected March 2009 quarter earnings of \$0.0063 (\$0.0252). We will review this target quarterly based on the annualized rate of earnings in the one-year out quarter. As the \$0.75 target price is over 100% above the shares' current price, we are rating Sofame a **Strong Speculative Buy**.

Dutton Associates ratings for SDWV (SOFAME TECHNOLOGIES INC)
 Closing Price Apr 24, 2008: 0.3



Dutton Associates Current Ratings Distribution	
Rating	% Total
Not rated	2.31
Strong Buy	13.08
Buy	10
Strong Speculative Buy	30
Speculative Buy	28.46
Neutral	14.62
Avoid	1.54

Analyst: Paul J. Resnik

Mr. Resnik has over 35 years of experience in the investment industry. He is a principal analyst at Dutton Associates. He is also currently the principal of Resnik Asset Management Co., Inc. (RAMCO), a registered investment advisor providing equity portfolio management to high net worth individuals. Prior to founding RAMCO in 1995, he held executive positions in portfolio and securities analysis and investment strategy at major investment firms including Merrill Lynch, Paine Webber, E.F. Hutton, Shearson Lehman Brothers and Smith Barney. At E.F. Hutton, Mr. Resnik created the firm's Equity Research Marketing Department. In this position, he provided investment guidance to the firm's representatives and, at public seminars across the country, to individual investors. At Lehman Brothers, Mr. Resnik was a member of the highly rated Equity Research Department's Investment Policy Committee which, in addition to working with securities analysts in determining common stock investment ratings, selected the firm's well-known annual "Uncommon Values" list. His professional designations include Chartered Financial Analyst and Registered Supervisory Analyst. He is a member of the CFAI.

Analyst Certification:

I, Paul J. Resnik, CFA hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report.

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