



**Unaudited Condensed Consolidated Financial Statements
For the three months ended March 31, 2008 and 2007**

Amistar Corporation
Condensed Consolidated Balance Sheets
(Unaudited and in thousands)

	March 31, 2008	December 31, 2007
Assets		
Current assets		
Cash and cash equivalents	\$ 168	\$ 448
Trade accounts receivable, net	77	132
Inventories, net of reserves of \$1,107 in 2008 and \$1,248 in 2007	1,126	903
Demonstration equipment	-	5
Deposits and other assets	143	236
Prepaid expenses	77	151
Total current assets	1,591	1,875
Property and equipment, net	2	130
	\$ 1,593	\$ 2,005
Liabilities and Shareholders' Equity (deficit)		
Current liabilities		
Accounts payable	\$ 205	\$ 128
Accrued payroll and related costs	275	86
Customer deposits and accrued liabilities	718	626
Income taxes payable	-	12
Accrued warranty costs	33	64
Deferred gain on sale of property	-	1,127
Total current liabilities	1,231	2,043
Accrued lease termination costs	167	-
Commitments, contingencies and subsequent events		
Shareholders' equity (deficit)		
Preferred stock, \$.01 par value. Authorized 2,000 shares; none issued or outstanding	-	-
Common stock, \$.01 par value. Authorized 20,000 shares; 3,308 shares issued and outstanding at 2007 and 2006	33	33
Additional paid-in capital	5,441	5,439
Retained deficit	(5,279)	(5,510)
Total shareholders' equity (deficit)	195	(38)
	\$ 1,593	\$ 2,005

See accompanying notes to unaudited condensed consolidated financial statements

Amistar Corporation
Condensed Consolidated Statements of Operations
(Unaudited and in thousands, except per share data)

	Three months ended March 31,	
	2008	2007
Net sales	\$ 349	\$ 2,269
Cost of sales	373	1,672
Gross profit (loss)	(24)	597
Operating expenses:		
Selling	132	356
General and administrative	679	625
Engineering, research and development	92	214
	903	1,195
Operating loss	(927)	(598)
Gain on sale of assets	16	-
Gain on sale and lease-back of property	1,127	75
Other income	16	2
	1,159	77
Income (loss) before income taxes	232	(521)
Income tax expense	1	1
Net income (loss)	\$ 231	\$ (522)
Income (loss) per common share		
-basic and diluted	\$ 0.07	\$ (0.16)
Weighted-average shares		
outstanding, basic and diluted	3,308	3,308

See accompanying notes to unaudited condensed consolidated financial statements.

Amistar Corporation
Condensed Consolidated Statements of Cash Flows
(Unaudited and in thousands)

Three months ended March 31,	2008	2007
Cash flows from operating activities:		
Net Income (loss)	\$ 231	\$ (522)
Net cash provided by operating activities of discontinued operation	-	38
Adjustments to reconcile net income (loss) to net cash used in (provided by) operating activities:		
Depreciation and amortization	5	12
Lease termination costs	17	-
Amortization of deferred gain on sale and lease-back of property	(1,127)	(76)
Share-based compensation expense	2	29
Gain on sale of property and equipment	(16)	-
Changes in assets and liabilities:		
Trade accounts receivable, net	55	690
Inventories, net	(216)	385
Prepaid expenses and other assets	162	(2)
Accounts payable, customer deposits, accrued and other liabilities	327	(446)
Income taxes payable	(12)	-
Accrued lease termination costs	167	-
Net cash used in (provided by) operating activities	<u>(405)</u>	<u>108</u>
Cash flows from investing activities:		
Proceeds from sale of property and equipment	123	-
Purchase of property and equipment	-	(3)
Net cash provided by (used in) investing activities	<u>123</u>	<u>(3)</u>
Net (decrease) increase in cash and cash equivalents	(282)	105
Cash and cash equivalents, beginning of period	<u>447</u>	<u>212</u>
Cash and cash equivalents, end of period	<u>\$ 165</u>	<u>\$ 317</u>
Supplemental disclosure of cash flow information		
Cash paid during the period for:		
Interest	\$ 1	\$ -
Income taxes	<u>\$ 17</u>	<u>\$ 1</u>

See accompanying notes to unaudited condensed consolidated financial statements.

Amistar Corporation
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1) Role of Independent Public Accounting Firm

The Company did not engage its independent public accounting firm to complete a review of its interim financial statements for the three months ended March 31, 2008.

2) Business and Current Events

Restructuring

As announced in its press release on February 5, 2008, the Company committed to a plan of restructuring that involved a wind-down of substantially all its operations. The Company has been executing its plans and making preparations for the orderly wind down of its operations, including having fulfilled all its outstanding sales contracts, made headcount reductions, secured continuing support for its existing customers, sold all its property and equipment except for \$2,000 and provided for outstanding and anticipated liabilities including restructuring costs. In the first quarter of 2008, the Company received proceeds from the sale of property and equipment totaling \$123,000 and recorded restructuring charges of \$465,000, which consisted of \$203,000 in employee separation costs and \$262,000 in lease termination costs. In addition, due to the abandonment of the lease for its headquarters facility, the Company recognized a gain of \$1,127,000, representing the unamortized balance on sale and lease-back of building during the first quarter of 2008.

On March 3, 2008, as part of its plan of restructuring, the Company consummated an Agreement with Amistar Automation, Inc. ("AAI") to sell certain assets of the Company's machine division in exchange for \$19,000 in cash at close and for consideration on certain future sales, acting as a distributor of the Company, to market and sell its existing inventory and provide service, warranty and sales support to the Company's existing customer base. Amistar Automation principals consist of two former employees of the Company.

Liquidity and Management's Plan

The Company's net cash used in operating, investing and financing activities was \$279,000 during the three months ended 2008, compared to net cash provided of \$105,000 in the same period of 2007. The decrease in net cash flow in the first quarter of 2008, compared to 2007, was due primarily to a greater operating loss in the first quarter of 2008, than in the same period of 2007.

Based on the Company's cash position as of March 31, 2008, results of expense reductions and anticipated proceeds from implementation of its restructuring plan, management believes the Company will have sufficient capital resources for the twelve-month period ending March 31, 2009.

(3) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company do not include all information and footnotes necessary for a fair presentation of financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States of America. In the opinion of the Company, however, the accompanying unaudited condensed consolidated financial statements contain all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the Company's financial position as of March 31, 2008, its results of operations for the three months ended March 31, 2008 and 2007, and its cash flows for the three months ended March 31, 2008 and 2007, respectively. The results of operations of the Company for the three month periods ended March 31, 2008 and 2007 may not be indicative of future results.

These unaudited condensed consolidated financial statements should be read in conjunction with the Company's unaudited financial statements for the year ended December 31, 2007, which can be accessed in the Amistar section of the pinksheets.com web site and in the investor relations section of the Company's web site at amistar.com.

Amistar Corporation
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market and include material, labor and manufacturing overhead costs. Inventories consist of the following (in thousands), net of reserves of \$1,107 and \$1,248, at March 31, 2008 and December 31, 2007, respectively:

	March 31, 2008	December 31, 2007
Raw Material	\$ 245	\$ 75
Work In Process	392	455
Finished Goods	489	373
Total	<u>\$ 1,126</u>	<u>\$ 903</u>

Inventory increased during the first quarter ended March 31, 2007, due primarily to the purchase of two distributed machines and for materials for two custom automation machines that were sold in April 2008

Earnings Per Common Share

The Company calculates net income (loss) per share in accordance with SFAS No. 128, "Earnings Per Share". Under SFAS No. 128, basic net earnings (loss) per common share is calculated by dividing net income (loss) by the weighted-average number of common shares outstanding during the reporting period. Diluted net income (loss) per common share reflects the effects of potentially dilutive securities. Weighted average shares used to compute net income (loss) per share are presented below (in thousands):

	Three months ended March 31,	
	2008	2007
Weighted-average shares, basic	3,308	3,308
Dilutive effect of stock options	-	-
Weighted-average shares, diluted	<u>3,308</u>	<u>3,308</u>

Options to purchase approximately 113,000 and 204,000 shares of potentially dilutive common stock were excluded from the calculation of diluted net income (loss) per share for the three months ended March 31, 2008 and 2007, respectively, because the effects of these instruments were anti-dilutive.

Stock-Based Compensation

The Company recorded estimated share-based compensation expense of \$1,000 and \$9,000 during the three months ended March 31, 2008 and 2007, respectively, related to the 2006 grants. The Company recorded estimated share-based compensation expense of \$1,000 and \$20,000 during the three months ended March 31, 2008 and 2007, respectively related to grants and awards made prior to 2006. No grants were made during the three-months ended March 31, 2008.

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Total share-based compensation expense for all awards was recognized for the three months ended March 31, 2008 and 2007, as follows (in thousands, except per share data).

	Three Months Ended March 31,	
	2008	2007
Cost of sales	\$ -	\$ 1
Selling	-	2
General and Administrative	2	22
Engineering, research and development	-	4
Share-based compensation expense, before of taxes	2	29
Related income tax benefits	-	-
Share-based compensation expense, net of taxes	<u>\$ 2</u>	<u>\$ 29</u>
Net share-based compensation expense, per common share: Basic and Diluted	<u>\$ 0.00</u>	<u>\$ 0.01</u>

Stock option activity during the three months ending March 31, 2008, was as follows:

	Number of <u>shares</u>	Weighted Ave <u>exercise price</u>	Aggregate Intrinsic <u>Value</u>
Outstanding, Dec. 31, 2007	150,750	\$ 2.63	
Granted	-	-	
Exercised	-	-	
Expired	<u>(37,750)</u>	<u>2.55</u>	
Outstanding, March 31, 2008	<u>113,000</u>	\$ <u>2.96</u>	\$ =

The ranges of exercise prices and other information on options outstanding at March 31, 2008 are as follows:

Range of Exercise Price	Options Outstanding			Options Exercisable	
	Number	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
\$2.16 - \$2.21	36,500	1.04	2.16	31,000	2.16
\$3.30 - \$3.40	76,500	3.01	3.34	26,625	3.36
\$2.16 - \$3.40	<u>113,000</u>	<u>1.79</u>	<u>\$ 2.96</u>	<u>57,625</u>	<u>\$ 2.71</u>

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Notes to Condensed Consolidated Financial Statements
(Unaudited)

New Accounting Pronouncements

FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes – An Interpretation of FASB Statement No. 109 (“FIN 48”) In July 2006, the FASB issued FIN 48, became effective for the Company on January 1, 2008. This interpretation clarifies the accounting for income tax benefits that are uncertain in nature. Under FIN 48, a company will recognize a tax benefit in the financial statements for an uncertain tax position only if management’s assessment is that its position is “more likely than not” (i.e., a greater than 50 percent likelihood) to be upheld on audit based only on the technical merits of the tax position. This accounting interpretation also provides guidance on measurement methodology, de-recognition thresholds, financial statement classification and disclosures, interest and penalties recognition, and accounting for the cumulative-effect adjustment.

Required annual disclosures include a tabular reconciliation of unrecognized tax benefits at the beginning and end of the period; the amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate; the amounts of interest and penalties recognized in the financial statements; any expected significant impacts from unrecognized tax benefits on the financial statements over the subsequent 12-month reporting period; and a description of the tax years remaining to be examined in major tax jurisdictions. The Company did not have any material unrecognized tax benefits.

FASB Statement No. 157, Fair Value Measurements (“FAS 157”), In March 2006, the FASB issued FAS 157, which became effective for the Company on January 1, 2008. This standard defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The Statement does not require any new fair value measurements but would apply to assets and liabilities that are required to be recorded at fair value under other accounting standards. The adoption of FAS 157 in 2008 was reflected in the Company’s estimate of accrued lease termination costs as of March 31, 2008.

4) Exit and Other Activities

The accrual for lease termination costs is as follows (amounts in thousands):

	Three months ended March 31,	
	2008	2007
Accrued lease termination costs beginning of year	\$ -	\$ -
Current year provision	262	-
Changes in assumptions about future sublease income	-	-
Interest accretion	-	-
Cash payments, net of cash received on subleases	-	-
Accrued lease termination costs at end of period	262	-
Less current portion of accrued lease termination costs	95	-
Non-current portion of accrued of lease termination costs	\$ 167	\$ -

The provision for the closed headquarters location included in the table above represents the initial estimate of lease termination costs at the cease-use date. The current portion of accrued lease termination costs is included in customer deposits and accrued liabilities, and the non-current portion is presented separately on the consolidated balance sheets.

At March 31, 2008, accrued employee retention bonuses totaled \$204,000 and are included in customer deposits and accrued liabilities on the condensed consolidated balance sheets.

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Debt

On March 29, 2006, the Company and Mr. Marshall (a director with the Company), along with certain members of management who, as of January 5, 2007, withdrew as parties to the agreement, entered into a \$1,500,000 revolving line of credit agreement to provide working capital for the Company. The Agreement had a term of 24 months. Advances on the revolving credit line agreement were secured by accounts receivable and accrued interest at prime plus 2%, payable monthly. The credit line had no financial covenants. As of January 5, 2007, collateral rights were subordinated to Bridge bank. No amounts were advanced on the line, which expired on March 28, 2008.

On January 5, 2007, the Company entered into a Business Financing Agreement and other related agreements with Bridge Bank for a term of one year. The agreement provided for a \$1,000,000 credit line, was secured by all of the Company's assets, at an advance rate of 80% of eligible accounts receivable and at a rate of Prime plus 1.75% on outstanding advances plus a per transaction processing fee. There have been no advances on the line and it expired on January 4, 2008.

Amistar Corporation

Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This Quarterly Report contains forward-looking statements within the meaning of the Private Securities Reform Act of 1995, including statements regarding market opportunities, customer acceptance of products, sales growth, gross margin, marketing expenses, liquidity and ability to improve financial performance. These forward-looking statements involve risks and uncertainties, and the cautionary statements set forth below identify important factors that could cause actual results to differ materially from those in any such forward-looking statements. Such factors include, but are not limited to, adverse changes in general economic conditions, including changes in the specific markets for the Company's products, product availability, decreased or lack of growth in the electronics industry, adverse changes in customer order patterns, increased competition, lack of acceptance of new products, pricing pressures, lack of success in technological advancements, risks associated with foreign trade, ability of its distributor to market and sell its products or continue as a going concern, fluctuations in the price of the Company's stock and the ability of the Company to continue as a going concern for the long term.

The Company did not engage its independent public accounting firm to complete a review of its interim financial statements for the three months ended March 31, 2008.

Results of Operations

First Quarter 2008 Compared to First Quarter 2007

Net Sales

Net sales for the first quarter of 2008 decreased \$1,920,000, or 85%, to \$349,000, compared to \$2,269,000 for the comparable period in the prior year. The decrease in net sales was primarily due to a decrease in custom factory automation machine sales and to a lesser extent to a decrease in label machine sales.

Gross Profit

Gross profit decreased \$621,000, or 104%, to a loss of \$24,000 during the first quarter of 2008, compared to a gross profit of \$597,000 in the same period in 2007. The loss in the first quarter of 2008 was due primarily to lower sales at a gross margin that did not exceed the unabsorbed manufacturing costs and due to write-downs of inventory of \$93,000.

Operating Expenses

Selling, general and administrative, engineering, research and development expenses decreased \$292,000 or 24% to \$903,000 in the first quarter of 2008, from \$1,195,000 in the comparable quarter in 2007, due primarily, to lower selling expenses related to the Company's subsidiary Distributed Delivery Networks, and to a lesser extent due to expense reductions.

Other Income

Other income increased \$1,082,000 in the first quarter of 2008, to \$1,159,000 compared to \$77,000 in the first quarter of 2007, due primarily to the recognition of the balance of deferred gain on sale and lease-back of the Company's headquarters building.

Income Taxes

The \$1,000 provision in the first quarters of 2008 and 2007 represents the Company's minimum tax liability to various states. A 100% valuation allowance was recorded against deferred tax assets.

Amistar Corporation

Plan of Operation for the Next Twelve Months

The Company plans to focus on the following initiatives during the next twelve months:

- 1) Satisfy remaining obligations
- 2) Convert its net assets to cash
- 3) Monitor and collect Earn out earned on sales of APM machines
- 4) Monitor, support and collect gross profit on sales of inventory to AAI
- 5) Minimize its operating expenses
- 6) Make periodic distributions to shareholders when sufficient amounts of cash as determined by the Company, are retained above a reasonable reserve amount to cover operating expenses and obligations.

There can be no assurance that the Company will be successful with any of its initiatives.

Information on the Company

Web site is www.amistar.com

Stock quotations, financial reports, disclosure statement and other information can be found at www.pinksheets.com.