



Amistar Corporation
Unaudited Consolidated Financial Statements
As of December 31, 2007 and 2006, and for the years ended
December 31, 2007 and 2006

Amistar Corporation
Consolidated Balance Sheets
(Unaudited)

December 31,	2007	2006
Assets (Notes 2 and 4)		
Current assets:		
Cash and cash equivalents	\$ 447,990	\$ 211,945
Trade accounts receivable, less allowance for doubtful accounts of \$21,687 in 2007 and \$13,355 in 2006	131,621	1,226,292
Inventories, net of reserves of \$1,247,783 in 2007 and \$1,480,424 in 2006	903,284	1,353,955
Assets of discontinued operation, net of reserves	-	37,965
Demonstration equipment	5,780	82,802
Deposit and other assets	236,009	-
Prepaid expenses	150,242	82,466
Total current assets	1,874,926	2,995,425
Property and equipment, net	130,322	161,357
Deposits and other assets	-	255,744
	\$ 2,005,248	\$ 3,412,526
Liabilities and Shareholders' Equity (Deficit)		
Current liabilities:		
Accounts payable	\$ 127,632	\$ 891,778
Accrued payroll and related costs	86,089	124,393
Customer deposits and accrued liabilities	627,351	979,289
Income taxes payable	11,719	-
Accrued warranty costs	63,675	112,930
Deferred gain on sale of property	1,126,565	300,417
Total current liabilities	2,043,031	2,408,807
Deferred gain on sale of property, net of current portion	-	1,126,566
Other long-term liabilities	-	221,206
Total liabilities	2,043,031	3,756,579
Commitments, contingencies and subsequent events		
Shareholders' deficit :		
Preferred stock, \$.01 par value. Authorized 2,000,000 shares; none issued or outstanding	-	-
Common stock, \$.01 par value. Authorized 20,000,000 shares; 3,307,544 shares issued and outstanding at 2007 and 2006.	33,201	33,201
Additional paid-in capital	5,438,847	5,402,027
Retained deficit	(5,509,831)	(5,779,281)
Total shareholders' deficit	(37,783)	(344,053)
	\$ 2,005,248	\$ 3,412,526

See accompanying notes to consolidated financial statements.

Amistar Corporation
Consolidated Statements of Operations
(Unaudited)

Years ended December 31,	2007	2006
Net sales	\$ 4,270,095	\$ 6,480,680
Cost of sales	<u>3,604,776</u>	<u>5,022,958</u>
Gross profit	<u>665,319</u>	<u>1,457,722</u>
Operating expenses:		
Selling	1,006,172	1,480,682
General and administrative	1,311,284	1,968,263
Engineering, research and development	<u>655,630</u>	<u>990,526</u>
	<u>2,973,086</u>	<u>4,439,471</u>
Loss from operations	(2,307,767)	(2,981,749)
Other income:		
Interest income	41,633	48,060
Gain on sale lease-back of property	300,418	2,304,360
Gain on sale of assets	2,297,854	-
Other	23,285	12,498
Interest expense	<u>(3,382)</u>	<u>(1,094)</u>
	<u>2,659,808</u>	<u>2,363,824</u>
Net income (loss) from continuing operations before income taxes	352,041	(617,925)
Income tax expense	<u>82,591</u>	<u>3,044</u>
Net Income (loss) from continuing operations	269,450	(620,969)
Income (loss) from discontinued operations, net of income taxes (1)	-	102,807
Net Income (loss)	<u>\$ 269,450</u>	<u>\$ (518,162)</u>
Income (loss) per common share on continuing operations-basic and diluted	<u>\$ 0.08</u>	<u>\$ (0.19)</u>
Income per common share on discontinued operations-basic and diluted	-	0.03
Net income (loss) per common share-basic and diluted	<u>\$ 0.08</u>	<u>\$ (0.16)</u>
Weighted-average shares outstanding:		
Basic and diluted	<u>3,307,544</u>	<u>3,263,890</u>

(1) Income (loss) from discontinued operations includes a gain on sale of fixed assets of \$16,000 in 2006.

See accompanying notes to consolidated financial statements.

Amistar Corporation
Consolidated Statements of Shareholders' Deficit
(Unaudited)

Years Ended December 31, 2007 and 2006

	Common Stock		Additional Paid-in capital	Retained Deficit	Total Shareholders' Deficit
	Shares (in 000's)	Amount			
Balances at December 31, 2005	3,170	31,821	4,746,087	(5,261,119)	(483,211)
Issuance of common stock	125	1,250	498,750	-	500,000
Share-based compensation expense	-	-	135,315	-	135,315
Stock option exercise	13	130	21,875	-	22,005
Net loss	-	-	-	(518,162)	(518,162)
Balances at December 31, 2006	3,308	33,201	5,402,027	(5,779,281)	(344,053)
Share-based compensation expense	-	-	36,820	-	36,820
Net income	-	-	-	269,450	269,450
Balances at December 31, 2007	3,308	\$ 33,201	\$ 5,438,847	\$ (5,509,831)	\$ (37,783)

See accompanying notes to consolidated financial statements.

Amistar Corporation
Consolidated Statements of Cash Flows
(Unaudited)

Years ended December 31,	2007	2006
Cash flows used in operating activities:		
Net income (loss)	\$ 269,450	\$ (518,162)
Net cash provided by operating activities of discontinued operation	37,965	557,726
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	38,327	40,039
Provision for inventory obsolescence	-	174,741
Share-based compensation expense	36,820	135,315
Gain on sale of assets	(2,297,854)	-
Amortization of deferred gain on sale lease-back of property	(300,418)	(2,304,359)
Changes in assets and liabilities:		
Trade accounts receivable, net	1,094,671	(852,985)
Inventories, net	203,925	549,870
Demonstration equipment	(5,419)	(21,086)
Prepaid expenses	6,500	91,881
Deposits and other assets	(67,776)	201,708
Accounts payable	(764,147)	337,000
Accrued payroll and related costs	(38,304)	23,425
Customer deposits and accrued liabilities	(409,341)	(57,673)
Income taxes payable	11,719	(900)
Accrued warranty costs	(49,255)	72,138
Other long-term liabilities	(163,803)	117,331
Net cash used in operating activities	(2,396,940)	(1,453,991)
Cash flows from investing activities:		
Proceeds from sale of assets	3,040,990	-
Purchase of shares of minority shareholders	(395,791)	-
Proceeds from sale of equipment of discontinued operation	-	15,950
Capital expenditures	(12,214)	(103,675)
Net cash provided by (used in) investing activities	2,632,985	(87,725)
Cash flows from financing activities:		
Proceeds from issuance of common stock	-	250,000
Exercise of stock options	-	22,005
Net cash provided by financing activities	-	272,005
Net increase (decrease) in cash and cash equivalents	236,045	(1,269,711)
Cash and cash equivalents at the beginning of the year	211,945	1,481,656
Cash and cash equivalents at the end of the year	\$ 447,990	\$ 211,945

Supplemental disclosure of cash flow information:

Cash paid during the year for:

Interest	\$ 3,382	\$ -
Income taxes	\$ 67,337	\$ 12,421

Supplemental disclosure of non-cash financing activities:

Decrease in accounts payable by issuance of common stock	\$ -	\$ 250,000
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See accompanying notes to consolidated financial statements

Amistar Corporation
Notes to Unaudited Consolidated Financial Statements
Two years ended December 31, 2007

(1) Role of Independent Public Accounting Firm

The Company did not engage its independent public accounting firm to complete an audit or review of its financial statements for the years ended December 31, 2007 and 2006.

(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 sale of substantially all its operating assets. 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 its tangible operating assets and provided for outstanding and anticipated liabilities including restructuring costs. In the first quarter of 2008, the Company received proceeds from the sale of fixed and other assets totaling \$140,000 and recorded restructuring charges of \$522,000, which consisted of \$203,000 in employee separation costs and \$319,000 in lease termination costs. In addition, due to the abandonment of the lease for its headquarters facility, the Company recognized a gain on sale and lease back of building of \$1,127,000 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.

As of the date of the issuance of this report, the Company's operations consist primarily of collecting any Earn-out payments on sales of the APM product, collecting proceeds from inventory sold through AAI, collecting remaining accounts receivable, satisfying remaining obligations, administration of the corporation, and making distributions, if any, to its shareholders until such time as the Company's board of directors believes there are no further proceeds to be collected.

Business

Company has developed, manufactured, distributed and marketed assembly machinery primarily for the electronics industries, and provided engineering design and manufacturing services to customers seeking enhanced factory automation for a variety of industries.

Until December 31, 2005, Amistar Corporation operated Amistar Manufacturing Services ("AMS"), its discontinued operation. AMS was a contract assembler of electronic products, including printed circuit board assemblies.

The Company's customers were located predominately in the United States. The Company's headquarters and primary manufacturing facility was located in San Marcos, California until March 31, 2008.

Sale of APM® product assets

On April 6, 2007 (the "Close"), the Company entered into an Asset Purchase Agreement and other related agreements, to sell all the assets, excluding cash, of its subsidiary Distributed Delivery Networks, and certain related assets consisting of machine design intellectual property, inventory and tooling held by Amistar to Parata Systems for \$3,000,000, at Close, a reimbursement of \$9,000, for costs incurred and earn-out payments based on future sales of the APM machine ("Earn out").

The Earn out provides for the Company to receive a scheduled amount per APM sold and collected by Parata consisting of \$500.00 for each of the first 1,202 units, then \$291.47 for each of the next 798 units, then \$583.00 for each of the next 3,999 units and \$424.00 for the final unit. After the Earn out amounts for the first 1,202 units are earned, the terms provide that the Company pay 8.15% of the Earn out received, to one of the minority founders as partial consideration for shares sold to the Company. The total potential net Earn out that can be realized by the Company is \$2,956,464. To date the Company has received or accrued royalty payments related to the sale of nineteen APM units totaling \$9,500, of which thirteen units totaling \$6,500 was recorded in 2007.

The Asset Purchase Agreement contains certain covenants requiring each party to not compete with each other for a stated period of time, transition services to be provided by Amistar to Parata, provisions in the event Parata abandons the market for the APM and customary language for indemnification and resolution of disputes.

Amistar Corporation

Notes to Unaudited Consolidated Financial Statements, continued

The Company recognized a gain of \$2,266,000 on the asset sale transaction during 2007, which is net of \$396,000, for the amount paid for the shares of Distributed Delivery Networks formerly held by the minority shareholders. Immediately preceding the transaction, the Company entered into Stock Purchase Agreements for shares representing 49% of Distributed Delivery Networks, formerly held by the Founders for \$396,000 in cash, and for one Founder, a portion of certain Earn out payments the Company receives in the future. The Company plans to liquidate and dissolve Distributed Delivery Networks during 2008.

De-registration of Shares with the Securities and Exchange Commission

On March 30, 2007, the Company filed Form 15 with the Securities and Exchange Commission ("SEC") to voluntarily deregister its common stock under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Upon the filing of the Form 15, Amistar's obligation to file certain reports with the SEC, including Forms 10-K, 10-Q, and 8K, was suspended. Amistar's de-registration of its common stock became effective on June 30, 2007. As a result of the filing of the Form 15, the Company's shares were no longer quoted on the OTC Bulletin Board and since then, have been quoted on the Pink Sheets.

The Company's stock was previously traded on the NASDAQ Small Cap market until December 12, 2005, when it was de-listed. The Company's stock was then quoted on the OTC Bulletin Board under the symbol AMTA.OB until March 30, 2007, when it filed to de-register its shares.

Distributed Delivery Networks

The Distributed Delivery Networks Founders ("Founders") purchased a 49% restricted interest in Distributed Delivery Networks for nominal consideration in April 2004. The restrictions lapsed ratably over a thirty-six month period.

Due to the lack of substantial capitalization by the Distributed Delivery Networks Founders, the Company incurred and accordingly consolidated 100% of the cumulative losses of Distributed Delivery Networks, as it was exposed to a significant risk of loss. The interest of Distributed Delivery Networks purchased by the Distributed Delivery Networks Founders was valued, based on an appraisal by an independent appraisal firm at approximately \$200,000 by the Company. The Company accounted for the fair value of the Distributed Delivery Networks Founders interest as a charge to compensation expense ratably over the thirty-six month restriction period. The Company recorded compensation expense of \$18,000 and \$67,000 during 2007 and 2006, respectively related to the vested portion of the appraised value of the minority holder's interest as of April 8, 2004.

Discontinued Operations

In August 2005, the Company decided to discontinue its AMS segment as part of its strategy to convert assets to cash in order to improve liquidity and to support the entry into the retail pharmacy market with its Rx-APM™-448 automated prescription delivery machine and system marketed by Distributed Delivery Networks.

Liquidity and Management's Plan

The Company's net cash provided by (used in) operating, investing and financing activities was \$236,000 in the year ended 2007 compared to net cash used of \$1,270,000 in 2006. The increase of net cash is due primarily to proceeds from the sale of APM assets.

The Company received proceeds from the sale of its APM assets of \$3,009,000 during 2007. The proceeds were used to 1) purchase the remaining shares of Distributed Delivery Networks held by the minority shareholders in the amount of \$396,000, 2) pay legal, accounting and advisory expenses totaling \$425,000 related to the transaction, 3) pay extended trade accounts and other payables approximating \$861,000 and 4) the balance used for general working capital purposes.

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 ("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. As of the date of this report, no amounts have been advanced on the line and the Agreement expired on March 28, 2008.

Amistar Corporation

Notes to Unaudited Consolidated Financial Statements, Continued

On March 30, 2006, the Company and Mr. Marshall (a Director with the Company) entered into Stock Purchase and Registration Rights Agreements by which the Company issued 62,500 unregistered shares of common stock in return for \$250,000, or \$4.00, per share to be used for working capital. The Registration Rights Agreement required the Company to file a Registration Statement on Form S-3 to effect a shelf registration covering the shares no later than April 30, 2006, which was not consummated and as of March 30, 2007, is no longer applicable due to the de-registration of the Company's shares.

The Company reduced its facility costs by terminating its lease for the approximate 80,000 square foot building it occupies and entered into a new lease for a reduced amount of space totaling approximately 31,000 square feet, with a term of five years at a base rental rate of \$32,000 per month, on December 21, 2006. The Company estimates that the new lease reduced its occupancy costs by approximately \$32,000 per month, beginning in the fourth quarter of 2006.

Based on the Company's cash position as of December 31, 2007, expected expense reductions and proceeds from implementation of its restructuring plan, management believes the Company will have sufficient capital resources for the twelve-month period ending December 31, 2008.

(3) Summary of Significant Accounting Policies

Consolidated Financial Statements

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary Distributed Delivery Networks. Inter-company balances and transactions have been eliminated upon consolidation.

Revenue Recognition

The Company considers many factors in the evaluation of revenue recognition, including customer acceptance criteria, complexity of installation and integration into production lines. Overall revenue is considered to be realized or realizable and earned when there is persuasive evidence of a sales arrangement in the form of a contract or purchase order, the product has been shipped and/or installed, the sales price is fixed or determinable and collectability is reasonably assured.

The Company recognizes revenue for machine sales upon shipment and installation for the initial machine model sold to a customer, subject to satisfying any stated customer acceptance criteria. Installation services revenue are separately priced and recognized upon completion of an installation. Revenue is recognized for subsequent machine sales to a same customer upon shipment, provided title and risk of loss have transferred and the model, configuration, and application is substantially similar to the original machine installed. Revenue for manufacturing services, factory automation services, machine accessories, and spare parts are recognized upon shipment of product or deliverable, transfer of title and risk of loss, and subject to satisfying any stated customer acceptance criteria. Billable service labor revenue is recognized upon completion.

Cash and cash equivalents

The Company considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. As of December 31, 2007 and 2006, cash equivalents, primarily consisting of money market funds, amounted to \$317,000 and \$153,000, respectively. The Company places its cash with major financial institutions. At times, cash balances may be in excess of amounts insured by Federal agencies.

Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts to reflect its estimate of current and past due receivable balances that may not be collected. The allowance for doubtful accounts is based upon the Company's assessment of the collectibility of specific customer accounts, the aging of accounts receivable and its history of bad debts.

Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market (net realizable value) and are reviewed regularly for excess or obsolescence. The Company evaluated its inventory for excess or obsolescence on a product line basis for Company and for Distributed Delivery Networks and considers factors such as historical usage rates, present demand in its backlog and projected one to two-year future demand in its reserve valuation decisions. Should demand for the

Amistar Corporation

Notes to Unaudited Consolidated Financial Statements, Continued

Company's products prove to be significantly less than anticipated, the ultimate realizable value of the Company's inventories could be substantially less than the amount shown on the accompanying consolidated balance sheets.

Abnormal amounts of idle facility, freight, handling costs and wasted material are expensed as incurred and not included in the overhead component of inventory.

Demonstration Equipment

Demonstration equipment represents short-term transfers of inventory for purposes of participating in trade shows and demonstrations with customers. This equipment typically is sold or returned to inventory within six months and is not depreciated because refurbishment costs, if any, are insignificant.

Property and Equipment

Property and equipment are stated at cost. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets as follows:

Building improvements	10 years
Machinery and equipment	4-7 years
Computer software and equipment	3-5 years

Costs of improvements or betterments that substantially extend the useful life of an asset are capitalized. Costs for repairs and maintenance are expensed as incurred. Upon the disposition of property and equipment, related costs and accumulated depreciation are removed from the Company's books and related gains or losses are reflected in operations. Depreciation expense is reflected in cost of sales totaling \$18,000 and \$8,000 for 2007 and 2006, respectively, and operating expenses totaling \$20,000, and \$32,000 for 2007 and 2006, respectively, in the accompanying consolidated financial statements based on applicable asset use.

Accrued Warranty Costs

The Company provides for the estimated cost of product warranties at the time revenue is recognized. While the Company engaged in extensive product quality programs and processes, including actively monitoring and evaluating the quality of its component suppliers, the Company's warranty obligation is affected by product failure rates and the related material usage, field service and delivery costs incurred in correcting a product failure. Should actual product failure rates, material usage, or service delivery costs differ from the Company's estimates, revisions to the estimated warranty liability would be required.

Warranty cost and accrual information is as follows for the years ended December 31:

(in thousands)

Period	Beginning Balance	Charged to costs and expense	Deductions	Ending Balance
2007	\$ 113	\$ (41)	\$ (9)	\$ 63
2006	\$ 41	\$ 105	\$ (33)	\$ 113

Accrued Lease Termination Costs

At the cease-use date, the future lease payments and related costs, from the date of abandonment of a lease to the end of the remaining lease term, net of contractual or estimated sublease rental income, are recorded in selling, general and administrative expenses on the consolidated statements of operations. The current portion of accrued lease termination costs is included in accrued liabilities on the consolidated balance sheets. The non-current portion of accrued lease termination costs is presented separately on the consolidated balance sheets. The net lease termination cost is discounted using a credit-adjusted risk-free rate of interest. The Company evaluates these assumptions each quarter and adjusts the liability accordingly.

Research and Development Costs

Research and development costs are expensed in the period incurred.

Amistar Corporation

Notes to Unaudited Consolidated Financial Statements, Continued

Income Taxes

Income taxes are accounted for under the asset and liability method. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided for deferred tax assets if it is more likely than not that the Company will not realize deferred tax assets usage in future operations.

Advertising

Advertising costs are charged to expense as incurred. The Company incurred no expenses during the years ended December 31, 2007, and 2006, respectively.

Stock-Based Compensation

Effective January 1, 2006, the Company adopted Financial Accounting Standards Board (FASB) revised Statement of Financial Accounting Standards No. 123 (FAS 123R), "Share-Based Payment," which establishes accounting for share-based awards exchanged for employee services and requires companies to expense the estimated fair value of these awards over the requisite employee service period.

Under FAS 123(R), share-based compensation cost is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense over the employee's requisite service period. The Company has no awards with market or performance conditions. Under the modified prospective application, prior periods are not revised for comparative purposes. The valuation provisions of FAS 123(R) apply to new awards and to awards that are outstanding on the effective date and subsequently modified or cancelled. Estimated compensation expense for awards outstanding at the effective date will be recognized over the lesser of the remaining service period or four years using the compensation cost calculated for pro forma disclosure purposes under FASB Statement No. 123, "Accounting for Stock-Based Compensation" (FAS 123).

On November 10, 2005, the FASB issued FASB Staff Position No. FAS 123(R)-3, "Transition Election Related to Accounting for Tax Effects of Share-Based Payment Awards."

The Company has elected to adopt the alternative transition method provided in this FASB Staff Position for calculating the tax effects of share-based compensation pursuant to FAS 123(R). The alternative transition method includes a simplified method to establish the beginning balance of the additional paid-in capital pool (APIC pool) related to the tax effects of employee share-based compensation, which is available to absorb tax deficiencies recognized subsequent to the adoption of FAS 123(R).

The Company has elected to continue utilizing the Black-Scholes valuation model to measure fair value of future grants. FAS 123R requires forfeitures on grants issued subsequent to January 1, 2006, to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Stock option grants of 81,500 shares at a weighted average fair value of \$1.87 per share using the Black-Scholes valuation model were made in the year ended December 31, 2006, with the following weighted average assumptions:

Volatility	73.0%
Risk-free interest rate	5.13%
Forfeiture rate	14.60%
Dividends	0%

The volatility assumption was based on historical closing stock prices of the Company's stock consistent with the option term.

The risk-free interest rate assumption was based on the observed interest rates consistent with the option term.

The forfeiture rate assumption was based on the Company's historical option cancellation information.

The Company has adopted the safe-harbor, mid-point of term, estimated option life of 3.75 years for any grants made after January 1, 2006.

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Notes to Unaudited Consolidated Financial Statements, continued

The Company recorded estimated share-based compensation expense of \$11,000 related to the 2006 grants and total share-based compensation expense for all awards was recognized for the year ended December 31, 2006, is as follows (in thousands, except per share data).

	Years Ended	
	2007	2006
Cost of sales	\$ 1	\$ 5
Selling	1	11
General and Administrative	32	99
Engineering, research and development	3	21
Share-based compensation expense, before of taxes	37	136
Related income tax benefits	-	-
Share-based compensation expense, net of taxes	\$ 37	\$ 136
Net share-based compensation expense, per common share:		
Basic and Diluted	\$ 0.00	\$ 0.04
Weighted average shares outstanding	3,307,544	3,263,890

Earnings per Common Share

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

	Years ended December 31,	
	2007	2006
Weighted-average shares basic	3,308	3,264
Dilutive effect of stock options	-	-
Weighted-average shares, diluted	3,308	3,264

Options to purchase 151,000 and 204,000 shares of common stock were not included in the calculation of diluted net income (loss) per share for the years ended December 31, 2007 and 2006, respectively, because the effects of these instruments were anti-dilutive.

Use of Estimates

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues, and expenses, and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. Estimates include those related to the allowance for doubtful accounts, inventory reserves for obsolescence, asset impairment, warranty obligations and lease termination costs. Actual results could materially differ from those estimates.

Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents, trade receivables, accounts payable and accrued liabilities approximate fair value because of the short maturity of those instruments.

Amistar Corporation
Notes to Unaudited Consolidated Financial Statements, continued

Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of

SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" provides a single accounting model for long-lived assets and long-lived assets to be disposed of. SFAS No. 144 provides the criteria for classifying an asset as held for sale and the scope of businesses to be disposed of that qualify for reporting as discontinued operations and changes the timing of recognizing losses on such operations. In accordance with SFAS No. 144, long-lived assets, such as property, plant, and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. The estimate of cash flows would be determined, based on management's projection of income expected to be generated over the remaining economic life of the asset.

Actual results can materially differ from such estimates. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet. There were no impairment charges during the two years ended December 31, 2007.

Guarantees and Indemnifications

In November 2002, the FASB issued FASB Interpretation ("FIN") No. 45 "Guarantor's Accounting and Disclosure Requirements for Guarantees, including Indirect Guarantees of Indebtedness of Others -- an interpretation of FASB Statements No. 5, 57 and 107 and rescission of FIN 34." The following is a summary of the Company's agreements that the Company has determined are within the scope of FIN No. 45:

The Company provides a one-year warranty for most of its products. See "Warranty Liabilities."

Under its bylaws, the Company has agreed to indemnify its officers and directors for certain events or occurrences arising, as a result of the officer or director serving in such capacity. The term of the indemnification period is for the officers or director's lifetime. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited. However, the Company has a director and officer's liability insurance policy that limits its exposure and enables it to recover a portion of any future amounts paid. As a result of its insurance policy coverage, the Company believes the estimated fair value of these indemnification agreements is minimal and has no liabilities recorded for these agreements as of December 31, 2007.

The Company enters into indemnification provisions under its agreements with other companies in its ordinary course of business, typically with business partners, contractors, customers and landlords. Under these provisions the Company generally indemnifies and holds harmless the indemnified party for direct losses suffered or incurred by the indemnified party as a result of the Company's activities or, in some cases, as a result of the indemnified party's activities under the agreement. The maximum potential amount of future payments the Company could be required to make under these indemnification provisions is unlimited. The Company has not incurred material costs to defend lawsuits or settle claims related to these indemnification agreements. As a result, the Company believes the estimated fair value of these agreements is minimal. Accordingly, the Company has no liabilities recorded for these agreements as of December 31, 2007.

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, which will become 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 is currently evaluating the impact of this guidance.

Amistar Corporation
Notes to Unaudited Consolidated Financial Statements, Continued

FASB Statement No. 157, Fair Value Measurements ("FAS 157")

In December 2006, the FASB issued FAS 157, which will become 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 impact, if any, to the Company from the adoption of FAS 157 in 2008, will depend on the Company's assets and liabilities at that time that are required to be measured at fair value.

(3) Inventories

Inventories at December 31, 2007 and 2006, consists of the following, net of reserves of \$1,248,000 and \$1,480,000 at December 31, 2007 and 2006, respectively (In thousands):

	December 31, 2007	December 31, 2006		
		AIA	ddn	Total
Raw Material	\$ 116	\$ 245	\$ -	\$ 245
Work In Process	452	642	-	642
Finished Goods	335	462	5	467
Total	<u>\$ 903</u>	<u>\$ 1,349</u>	<u>\$ 5</u>	<u>\$ 1,354</u>

The reserves for obsolescence relate primarily to product lines that were discontinued in prior years.

DataPlace™ Product Line

During 2007 and 2006, the Company has sold its DataPlace 100LP units out of inventory on hand at December 31, 2001. The Company sold two and three DataPlace 100LP units in 2007 and 2006, respectively.

At December 31, 2007, the Company had one completed DataPlace100LP machine included in finished goods inventory at a carrying value of \$40,000. The carrying value of five DataPlace100LP machines in work in process was zero at December 31, 2007, as they were fully reserved.

The Company has considered the current and projected state of the machine's technology, its expected future competitive position, and has made estimates of anticipated DataPlace demand over the next two years. Estimates of future demand are highly subjective and subject to material change. The Company, based on its sales in 2007 and future sales projections, estimates that it has a two-year supply of DataPlace 100LP machines, net of reserved machines at December 31, 2007.

(4) Debt

On December 16, 2004, the Company consummated a sale-leaseback transaction whereby the headquarters facility was sold and the Company recorded a gain on the sale-leaseback of property of approximately \$4,165,000, which was originally amortized over the ten-year term of the lease. The Company amortized \$300,000 and \$2,304,000 of the deferred gain on sale-leaseback of property during the years ended December 31, 2007 and 2006, respectively. During 2008, the Company abandoned its lease and the balance of the deferred gain of \$1,127,000 was recognized.

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. As of the date of this report, 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, which expired on January 4, 2008.

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Notes to Unaudited Consolidated Financial Statements, Continued

(5) Income Taxes

Income tax expense for continuing operations consists of the following (in thousands):

		Federal	State	Total
2007	Current	\$ 59	\$ 24	\$ 83
	Deferred	-	-	-
		<u>\$ 59</u>	<u>\$ 24</u>	<u>\$ 83</u>
2006	Current	\$ -	\$ 3	\$ 3
	Deferred	-	-	-
		<u>\$ -</u>	<u>\$ 3</u>	<u>\$ 3</u>

Actual income taxes for 2007 and 2006 differ from "expected" income taxes for those years computed by applying the U.S. federal statutory rate of 34% to loss for continuing operations before taxes as follows (in thousands):

	2007	2006
Income tax expense (benefit)	\$ 120	\$ (210)
State and foreign income taxes (benefit), net of federal income tax benefit	21	(32)
Change in valuation allowance	(77)	118
Permanent difference	20	82
Income tax carryforwards and credits	1	33
Other, net, including change in estimate	(2)	12
	<u>\$ 83</u>	<u>\$ 3</u>

The "Other, net, including change in estimate" amounts for 2007 and 2006 represent revisions of estimates of Federal and State NOL carryforwards, and adjustments from amounts estimated for financial statement purposes to the actual amounts reported on the tax returns filed in the subsequent period.

The tax effects of significant temporary differences, which comprise deferred tax assets and liabilities, consist of the following (in thousands):

	2007	2006
Deferred tax assets:		
Allowance for doubtful accounts	\$ 9	\$ 32
Warranty accrual	25	45
Inventory allowance	497	608
Accrued vacation	6	34
Deferred gain	449	568
State loss carryforwards and income tax credits	737	706
Federal loss carryforwards and tax credits	4,817	4,619
Fixed assets	23	5
Organization costs	10	18
Other, net	130	145
Gross deferred tax assets	<u>6,703</u>	<u>6,780</u>
Valuation allowance	(6,703)	(6,780)
Total deferred tax assets	-	-
Deferred tax liabilities	-	-
Net deferred tax assets	<u>\$ -</u>	<u>\$ -</u>

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent

Amistar Corporation
Notes to Unaudited Consolidated Financial Statements, Continued

upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the amount and timing of scheduled reversal of deferred tax liabilities, projected future taxable income, and projections for future taxable income over the periods, which the deferred tax assets are deductible. Management believes it is more likely than not that the Company will not realize the benefits of these deductible differences.

The Company has tax credits totaling \$236,000 at December 31, 2007, which begins expiring in 2008. In addition, the Company has federal and state net operating loss carry forwards in the amount of \$13,735,000 and \$11,101,000 at December 31, 2007, which are expected to begin expiring in 2021 and 2014, respectively.

During 2006, income tax expense primarily resulted from the minimum tax liability to various states.

The Company's majority-owned subsidiary, Distributed Delivery Networks, files separate Federal and State income tax returns.

(6) Employee Benefit Plans

Stock Option Plans

In 1994, the Company adopted an incentive stock option plan (the "1994 Plan") for employees. The Plan allows for grants of options to purchase up to 310,000 shares of authorized but un-issued common stock. Stock options are granted with an exercise price equal to the stock's fair market value at the date of grant, generally vest over four years from the date of grant, and expire five years after the date of grant. No further grants can be made from the 1994 Plan due to expiration of the ten-year term of the plan.

In 2005, the Company adopted and the shareholders approved a new stock option plan (the "2005 Plan") for employees. The 2005 Plan allows for grants of incentive and non-qualified options to purchase up to 300,000 shares of authorized but un-issued common stock and has similar provisions as the 1994 Plan. The 2005 Plan provides for grants to directors and consultants.

There were no shares granted during 2007 and 81,500 shares granted to employees and directors during 2006 from the 2005 Plan.

Stock option activity during the periods indicated is as follows:

	Year Ended December 31,			
	2007		2006	
	No. of Shares	Weighted- Average Exercise Price	No. of Shares	Weighted- Average Exercise Price
Beginning balance	203,750	\$ 2.6300	134,250	\$ 2.1400
Options granted	-		81,500	3.3000
Options exercised	-		(12,000)	1.6500
Options expired/cancelled	(53,000)	2.4600	-	-
Ending balance	<u>150,750</u>	<u>\$ 2.6900</u>	<u>203,750</u>	<u>\$ 2.6300</u>
Balance exercisable	<u>86,000</u>		<u>48,250</u>	

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Notes to Unaudited Consolidated Financial Statements, Continued

The range of exercise prices on options outstanding at December 31, 2007 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
\$0.81 - \$1.00	17,750	0.16	\$ 0.81	17,750	\$ 0.81
\$1.76 - \$2.50	44,000	1.29	2.16	38,500	2.16
\$2.51 - \$3.40	89,000	3.27	3.31	29,750	3.35
<u>\$0.81 - \$3.40</u>	<u>150,750</u>	<u>2.05</u>	<u>\$ 2.69</u>	<u>86,000</u>	<u>\$ 2.29</u>

Aggregate intrinsic value of options outstanding as of December 31, 2007, was zero.

Bonus Plan for Executive Officers

On August 7, 1997, the Compensation Committee of the Board of Directors adopted a bonus plan for executives of the Company effective with years beginning January 1, 1997. The plan provides that bonuses will be paid to certain executives of the Company based on a formula of after tax profits which exceed an 8% return on equity, weighted 70% on the current year and 30% on the prior year. The bonus is calculated as a percentage of salary which equals 3, 4, or 5 times the percentage of after tax profits which exceeds an 8% return on equity, weighted 70% on the current year's performance and 30% on the prior year's performance. All executive officers participate in the plan. No bonuses were accrued or paid during the two years ended December 31, 2007.

401k Plan

The Company has established a 401(k) savings plan for the benefit of its employees. The plan permits eligible employees to contribute to the plan up to the limits set by the Internal Revenue Code. The Company made a matching contribution to the plan equal to 50% of the first 6% of compensation contributed by each participant until May 2006. Participants are fully vested in all of their contributions and attain a vested right to the Company's matching contributions at the rate of 20% for each full year of service after one year until participants are fully vested after six full years of service. The Company contributed \$19,000 in 2006.

(7) Business Concentrations

Most of the Company's customers are located in the United States. Combined sales to one customer represented 36% of total sales in 2007. No other customer's combined sales were more than 10% of total sales.

(8) Related Party Transactions

On March 30, 2006, the Company and Mr. Marshall (a Director with the Company) entered into Stock Purchase and Registration Rights Agreements by which the Company would issue 62,500 unregistered shares of common stock in return for \$250,000, or \$4.00, per share to be used for working capital. The Registration Rights Agreement required the Company to file a Registration Statement on Form S-3 to effect a shelf registration covering the shares no later than April 30, 2006, which was not consummated and as of March 30, 2007, was no longer applicable due to the de-registration of the Company's shares.

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 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. As of the date of filing of this report, no amounts have been advanced on the line and the line expired on March 28, 2008.

Amistar Corporation

Notes to Unaudited Consolidated Financial Statements, Continued

(9) Subsequent Events

As announced in its press release on February 5, 2008, the Company committed to a plan of restructuring that involved a sale of substantially all its operating assets. 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 its tangible operating assets 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 and other assets totaling \$140,000 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 on sale and lease back of building of \$1,127,000 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.

Amistar Corporation

Management's Discussion and Analysis of Results of Operations and Plan of Operation

Forward Looking Statements

This annual 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, decreased or lack of growth in the electronics industry, adverse changes in customer order patterns, increased competition, pricing pressures, fluctuations in the price of the Company's stock, ability of the Company and its distributor AAI to continue as a going concern for the long term.

We did not engage our independent public accounting firm to complete a review or audit of our interim or annual financial statements for the year ended December 31, 2007.

Year ended December 31, 2007 compared to 2006

Net Sales

Net sales for the year ended December 31, 2007 decreased \$2,211,000, or 34%, to \$4,270,000, compared to \$6,481,000 in 2006. The decrease in net sales was primarily due to decreases in distributed machine and DataPlace label machine sales.

Gross Profit

Gross profit decreased \$793,000, or 54%, to \$665,000 during the year ended December 31, 2007, compared to \$1,458,000 in the comparable period in 2006. The decrease was due primarily to decreased sales in the year ended December 31, 2007. Gross profit percentage of sales decreased 6% to 16% during the year ended December 31, 2007, compared to 22% in the comparable period of 2006. The decrease in gross profit percentage was due primarily to a higher percentage mix of custom factory automation sales to total sales in the year ended December 31, 2007, compared to 2006.

Operating Expenses

Selling, general and administrative, engineering, research and development expenses decreased \$1,466,000, or 33% to \$2,973,000 in the year ended December 31, 2007, from \$4,439,000 in 2006, due primarily to the reduction in expenses following the sale of the APM assets in April 2007, and to a lesser extent due to expense reductions in continuing operations.

Other Income

Other income increased \$296,000 to \$2,660,000 in 2007, from \$2,364,000, due primarily to the gain on sale of assets to Parata and partially offset by a lower recognition of gain on the sale lease-back of property.

Income Taxes

The \$83,000 provision in the year ended December 31, 2007, represents primarily the Federal alternative minimum tax and the state income tax related to the gain on sale of APM assets. The provision for the comparable period of 2006 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.