ZTEST Electronics Inc.

Consolidated Financial Statements

June 30, 2005

MOORE STEPHENS COOPER MOLYNEUX LLP
CHARTERED ACCOUNTANTS

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Auditors' Report

To the Shareholders of ZTEST Electronics Inc.

We have audited the consolidated balance sheets of ZTEST Electronics Inc. as at June 30, 2005 and June 30, 2004, and the consolidated statements of operations and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2005 and June 30, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Signed: ***"Moore Stephens Cooper Molyneux LLP"***

Chartered Accountants

Toronto, Ontario
September 16, 2005

ZTEST Electronics Inc.

Consolidated Balance Sheet
June 30

		2005		2004
Assets				
Current assets				
Cash	**$**	**116,075**	$	36,088
Accounts receivable		**425,183**		486,410
Inventories *(note 3)*		**259,135**		126,344
Prepaid expenses and other assets		**35,368**		45,508
Current portion of amount receivable *(note 4)*		**17,000**		-
		852,761		694,350
Equipment *(note 5)*		**876,316**		428,645
Investments and advances *(note 6)*		**4**		4
	$	**1,729,081**	$	1,122,999
Liabilities				
Current liabilities				
Customer deposits	**$**	**62,437**	$	2,584
Accounts payable and accrued liabilities		**412,423**		754,947
Dividends payable		**402,119**		489,784
Notes payable and other advances *(note 7)*		**181,962**		313,774
Current portion of lease obligation *(note 8)*		**-**		1,971
Current portion of long-term debt *(note 9)*		**495,694**		109,594
Current portion of preferred shares *(note 11)*		**136,024**		136,024
		1,690,659		1,808,678
Long-term debt *(note 9)*		**1,922,244**		1,533,052
Preferred shares *(note 11)*		**805,649**		1,335,884
Commitments *(note 10)*				
Deficiency in assets				
Share capital *(note 11)*		**20,547,026**		19,627,637
Contributed surplus *(note 11)*		**83,493**		1,845
Equity portion of convertible debentures *(note 9)*		**111,422**		82,674
Deficit		**(23,431,412)**		(23,266,771)
		(2,689,471)		(3,554,615)
	$	**1,729,081**	$	1,122,999

The accompanying notes are an integral part of these financial statements.

Approved by the Board

Signed: *"John Perreault"*

Director

Signed: *"Wojciech Drzazga"*

Director

Consolidated Statement of Operations and Deficit
for the year ended June 30

		2005		2004
Revenue				
Product sales	$	**3,376,029**	$	2,443,656
Design services		**3,820**		22,741
Interest and other		**1,629**		622
		3,381,478		2,467,019
Expenses				
Cost of product sales		**2,182,783**		1,703,815
Selling, general and administrative		**956,052**		793,586
Interest expense - long-term debt *(note 12)*		**126,513**		79,709
Financing fees		**107,529**		-
Dividends on preferred shares		**75,559**		102,397
Interest expense - other *(note 12)*		**38,163**		128,390
Amortization of equipment		**34,182**		40,068
Foreign exchange		**(15,488)**		(12,754)
		3,505,293		2,835,211
Loss from operations		**(123,815)**		(368,192)
Other income or deductions ***(note 15)***		**(3,322)**		-
Loss before provision for income taxes		**(127,137)**		(368,192)
Provision for income taxes *(note 13)*		**-**		-
Net loss for the year		**(127,137)**		(368,192)
Deficit, beginning of year		**(23,266,771)**		(22,850,872)
		(23,393,908)		(23,219,064)
Dividends		**(37,504)**		(47,707)
Deficit, end of year	$	**(23,431,412)**	$	(23,266,771)
Net loss per share - basic and fully diluted	$	**(0.003)**	$	(0.011)
Weighted average shares outstanding		**38,090,629**		32,257,606

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Cash Flows
for the year ended June 30

		2005		2004
Cash flow from operating activities				
Net loss for the year	**$**	**(127,137)**	$	(368,192)
Items not involving cash				
Amortization of equipment		**117,723**		99,786
Dividends on preferred shares		**75,559**		102,397
Stock based compensation		**81,648**		1,845
Interest accretion		**35,918**		17,270
Changes in non-cash working capital items				
Accounts receivable		**123,664**		(207,605)
Inventories		**(132,791)**		(56,127)
Prepaid expenses and other assets		**10,140**		(14,916)
Amount receivable		**(17,000)**		-
Customer deposits		**(2,584)**		(22,251)
Accounts payable and accrued liabilities		**(342,524)**		196,082
		(177,384)		(251,711)
Cash flow from investing activities				
Purchase of equipment		**(103,320)**		(20,013)
Cash flow from financing activities				
Repayments of capital lease obligations		**(1,971)**		(3,334)
Net proceeds on long-term debt and notes payable		**362,662**		302,920
		360,691		299,586
Increase in cash		**79,987**		27,862
Cash, beginning of year		**36,088**		8,226
Cash, end of year	**$**	**116,075**	$	36,088

Supplemental Disclosure of Cash Flow Information

During the year the Company had cash flows arising from interest and income taxes paid as follows:

Interest	**$**	**143,666**	$	178,676
Income taxes	**$**	**-**	$	-

The accompanying notes are an integral part of these financial statements.

1. Business of the Company

ZTEST Electronics Inc. ("the Company") amalgamated under the laws of Ontario and carries on business designing, developing, manufacturing and selling circuit boards and other electronic equipment. The Company's shares trade on the TSX Venture Exchange under the symbol "ZTE".

2. Significant Accounting Policies

Going concern basis of presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. This assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. As at June 30, 2005 the Company has incurred losses and has a deficit, to date, of $23,421,171 (2004 - $23,266,771)

Basis of consolidation

These consolidated financial statements have been prepared using the consolidation method and accordingly include the following subsidiaries' assets and liabilities as well as the revenues and expenses arising, subsequent to the date of acquisition:

Permatech Electronics Corporation	100% owned
Northern Cross Minerals Inc.	66.7% owned (inactive)

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and highly liquid short term interest bearing securities with maturity at the date of purchase of three months or less. At June 30, 2005 and June 30, 2004 there were no cash equivalents on hand.

Inventories

Inventories are valued at the lower of cost and replacement cost. Cost is determined on the first in, first out basis.

Equipment

Equipment is stated at cost. Amortization is provided over the related assets' estimated useful lives using the following methods and annual rates with one half of the rates noted below used in the year of acquisition:

Computer software	100	%	declining balance
Computer equipment	30	%	declining balance
Office equipment and furniture	20	%	declining balance
Manufacturing equipment	20	%	declining balance
Leasehold improvements	10	yrs	straight line

Investments

Investments in entities over which the Company has neither significant influence nor control are accounted for using the cost method. The Company currently has investments in three inactive corporations and holds preference shares of another. The carrying value of each of these investments has been written down to the estimated net realizable value of $1 and any future recoveries, should any arise, will be accounted for on a cash basis.

Financial instruments

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximates their fair value due to the short-term maturities of these instruments.

Future income taxes

The Company accounts for future income taxes using the asset and liability method of accounting. Under this method, future income tax assets and future income tax liabilities are recorded based on temporary differences between the financial reporting basis of the Company's assets and liabilities and their corresponding tax basis. The future benefits of income tax assets, including unused tax losses, are recognized subject to valuation allowance, to the extent that it is more likely than not that such losses will be ultimately utilized. These future income tax assets and liabilities are measured using substantially enacted rates and laws that are expected to apply when the tax assets or liabilities are to be settled or realized.

Revenue recognition

Revenue is recorded when the product is delivered and/or the service is completed, which corresponds with the transfer of title.

2. Significant Accounting Policies - continued

Earning per share

Basic earnings (loss) per share are calculated using the weighted average number of common shares outstanding throughout the year. Diluted earnings (loss) per share are computed using the treasury stock method. Stock options and warrants outstanding are not included in the computation of diluted earnings (loss) per share if their inclusion would be anti dilutive.

Foreign exchange

As at the transaction date all asset, liability, revenue, and expense amounts denominated in foreign currencies are translated into Canadian dollars using the exchange rate in effect as at that date. At the year end date all monetary assets and liabilities are translated into Canadian dollars using the exchange rate in effect as at that date. The resulting foreign exchange gains and losses are included in income of the current period.

Measurement uncertainty

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

The Black Scholes option valuation model used by the Company to determine fair values, was developed for use in estimating the fair value of freely traded options. This model requires the input of highly subjective assumptions including future stock price volatility and expected time until exercise. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing model does not necessarily provide a reliable single measure of the fair value of the Company's stock options and warrants granted during the year.

Stock based compensation

The Company has in effect a Stock Option Plan. Stock options awarded are accounted for using the fair value-based method. Fair value is calculated using the Black Scholes model with the assumptions described in note 10. Consideration paid on the exercise of stock options is credited to share capital together with any accumulated contributed surplus.

3. Inventories

	2005	2004
Raw materials and supplies	**$ 152,651**	$ 83,646
Work in process	**20,845**	41,320
Finished goods	**85,639**	1,378
	$ 259,135	$ 126,344

4. Amount Receivable

	2005	2004
Demand promissory note bearing interest at 9.5% per annum with no fixed maturity dates.	**$ 17,000**	$ -

5. Equipment

	2005			2004
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Computer software	**$ 34,268**	**$ 34,268**	**$ -**	$ -
Computer equipment	**263,563**	**248,040**	**15,523**	15,793
Office equipment and furniture	**162,786**	**133,897**	**28,889**	19,530
Manufacturing equipment	**1,495,366**	**698,757**	**796,609**	351,928
Leasehold improvements	**61,004**	**25,709**	**35,295**	41,394
	$ 2,016,987	**$ 1,140,671**	**$ 876,316**	$ 428,645

6. Investments and Advances

The Company holds various securities in the following entities, each of which has been written down to its net realizable value as they are no longer operational nor do they possess any tangible security to be acted upon:

		2005		2004
Dion Entertainment Corp. 2,153,973 common shares and a debenture having a face value of $3,574,522 which is in default.	**$**	**1**	$	1
Nexsys Commtech International Inc. 5,480,314 common shares and 1,830,000 preferred shares representing a 43% voting interest. The Company also holds 4,750,000 warrants and has granted an option on 400,000 shares of Nexsys to a creditor.		**-**		-
Uniqrypt.Com Inc. 1,900,500 common shares representing a 10.0% investment and a convertible debenture having a face value of $318,000, which is in default.		**1**		1
Med-Minder Enterprises Inc. 100,000 shares representing a 2.4% investment and a $120,000 amount receivable for which the Company provided notice of intent to convert but never received the requisite shares.		**1**		1
Chessen Group Inc. 1,705,871 Class A Preference shares.		**1**		1
	$	**4**	$	4

7. Notes Payable and Other Advances

Interest	**Security**	**Terms**		**2005**		2004
Nil	Unsecured	No repayment terms	**$**	**2,000**	$	2,000
Prime + 2%	Unsecured	No repayment terms (1)		**55,192**		57,692
6%	Unsecured	On demand		**16,767**		16,767
8%	Unsecured	No repayment terms (2)		**45,930**		96,430
8.5%	Unsecured	No repayment terms (3)		**45,434**		41,744
10%	Unsecured	No repayment terms (1)		**-**		10,922
12%	Unsecured	No repayment terms (4)		**16,639**		52,639
12%	Unsecured	No repayment terms (3)		**-**		8,500
14%	Unsecured	No repayment terms		**-**		15,000
16%	Unsecured	No repayment terms (1)		**-**		12,080
			$	**181,962**	$	313,774

(1) Payable to Officers of the Company and/or their spouses.

(2) Includes $41,045 (2004 - $46,545) payable to Officers of the Company and/or their spouses which was converted into 328,630 common shares subsequent to the balance sheet date.

(3) Payable to a company controlled by the spouse of an Officer of the Company.

(4) Includes $16,639 (2004 - $25,139) payable to Officers of the Company and/or their spouses.

8. Obligation Under Capital Lease

		2005		2004
Capital lease bearing interest at 9.8%, matured January 2005. Blended monthly payments of $289 were required.	**$**	**-**	$	1,971
Less: Current portion		**-**		1,971
	$	**-**	$	-

9. Long Term Debt

		2005		2004
Convertible debenture bearing interest at 8% was converted at maturity (January 2005) into common shares of the Company at the rate of one common share for each $0.05 converted. The holder also received 2,000,000 share purchase warrants which expired during the prior year.	$	**-**	$	100,000

9. Long Term Debt - continued

	2005	2004
Convertible non-interest bearing debentures with a face value of $912,202 (2004 - $918,889) maturing December 2006. Convertible, in whole or in part, into units of the Company at the rate of one unit for each $0.10 converted on or before December 1, 2005 or one unit for each $0.11 converted thereafter. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to acquire an additional common share for $0.10 if conversion occurs on or before December 1, 2005 or for $0.11 otherwise. Warrants expire on the earlier of 2 years from the date of conversion and December 1, 2006. (1)	**879,898**	863,507
Convertible non-interest bearing debentures with a face value of $222,292 (2004 - $222,292) maturing December 2005. Convertible, in whole or in part, into units of the Company at the rate of one unit for each $0.10 converted. Each unit consists of one common share and one share purchase warrant which entitles the holder to acquire an additional common share for $0.10 on or before December 1, 2005.	**219,764**	213,810
Convertible non-interest bearing debentures with a face value of $72,600 (2004 - $78,538) maturing December 1, 2005. Convertible, in whole or in part, into common shares of the Company at the rate of one common share for each $0.10 converted. (2)	**72,175**	76,998
Convertible non-interest bearing debentures with a face value of $238,020 maturing January 2008. Convertible, in whole or in part, into units of the Company at the rate of one unit for each $0.10 converted on or before January 27, 2007 or one unit for each $0.11 converted thereafter. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to acquire an additional common share for $0.10 if conversion occurs on or before January 27, 2007 or for $0.11 otherwise. Warrants expire on January 27, 2008.	**225,898**	-
Convertible debenture bearing interest at 10% with a face value of $135,000 maturing September 2006. Monthly interest payments are required. Convertible, in whole or in part, into common shares of the Company at the rate of one common share for each $0.10 converted. The holder also received 1,350,000 share purchase warrants, each of which entitles the holder to acquire an additional common share for $0.10 on or before August 30, 2006.	**130,543**	-
Convertible debenture bearing interest at 8% with a face value of $120,000 maturing January 2007. Monthly interest payments are required. Convertible, in whole or in part, into units of the Company at the rate of one unit for each $0.06 converted. Each unit consists of one common share and one share purchase warrant which entitles the holder to acquire an additional common share for $0.10 on or before January 24, 2007. (3)	**112,801**	-
Term loan, bearing interest at the TD Canada Trust prime rate plus 11%, is secured by a general security agreement, and matures June 30, 2008. Blended monthly principal and interest payments of $10,720 are required. (4)	**308,145**	363,145
Note payable bears interest at 8.5% with no fixed maturity date. Blended monthly payments of $947 are required. (5)	**15,592**	25,186
Term loan bearing interest at 9.5%, is secured by specific equipment, and matures April 20, 2009. Blended monthly principal and interest payments of $6,510 are required.	**250,160**	-
Term loans bearing interest at 9.5%, are secured by specific equipment, and mature June 1, 2009. Blended monthly principal and interest payments of $5,099 are required.	**202,962**	-
	2,417,938	1,642,646
Less: Current portion	**495,694**	109,594
	$ 1,922,244	$ 1,533,052

9. Long Term Debt - continued

The future minimum principal repayments are as follows:

2006	$ 495,694
2007	1,335,718
2008	466,023
2009	120,503
	$ 2,417,938

The liability component of the convertible debt is calculated by present valuing the cash flows at an interest rate applicable to non-convertible debt. The equity value of the convertible debt is comprised of the fair value of the conversion options and the warrants. The carrying value for each component is recognized on a pro rata basis based on their relative fair values. The equity portion of the convertible debt is accreted over its term to the full face value by charges to interest expense.

(1) Debentures with a face value of $83,326 (2004-$83,326) are payable to Officers of the Company and/or their spouses.

(2) During the year debentures with a face value of $5,938 payable to Officers of the Company and/or their spouses were converted into 59,375 common shares.

(3) During the year a debenture with a face value of $75,000 payable to a director of Northern Cross Minerals Inc., a subsidiary of the Company, was converted into 1,250,000 common shares and 1,250,000 share purchase warrants.

(4) Payable to a corporation that is a shareholder of the parent company and whose President is a Director of the parent company.

(5) Payable to a company controlled by the spouse of a Director of the Company.

10. Commitments

Operating leases

Minimum payments under operating leases for premises are approximately as follows:

2006	$ 101,103
2007	104,121
2008	105,630
2009	108,648
2010	108,648
Thereafter	72,432
	$ 600,582

11. Share Capital

(a) Authorized

Unlimited Common shares

Unlimited Non-voting, non participating Class A special shares redeemable by the Company or the holders on a one for one basis for common shares of Northern Cross Minerals Inc.

Unlimited Preferred shares in one or more series of which the following four series have been authorized to date:

Series A redeemable, voting [1] shares were to be repurchased on May 21, 2004. Negotiations as to a means of settlement are ongoing.

Series B non voting shares may no longer be issued. All previously issued shares in this series have been converted into common shares.

Series C redeemable, voting [1] shares bear 7% cumulative dividends payable monthly and must be repurchased May 2007. These shares can be converted by the holder into common shares of the Company at a rate of 1 common share for each 1.7143 Series C shares until May 2007.

Series D redeemable, voting [1] shares bear 7% cumulative dividends payable monthly and must be repurchased June 2007. These shares can be converted by the holder into common shares of the Company at a rate of 1 common share for each 1.6432 Series D shares until June 2007.

(1) All preferred shares carry the right to vote at the meeting of common shareholders due to the fact that the cumulative dividends are at least 12 months in arrears.

11. Share Capital - continued

(b) Issued	Number of Shares	Amount
Common shares June 30, 2003	31,832,210	$ 19,434,887
Historical rounding errors corrected by transfer agent	1,427	-
Debentures converted by Officers and/or their spouses	739,879	77,000
Settlement of accounts payable to Directors	157,500	15,750
Common shares June 30, 2004	32,731,016	19,527,637
Debentures converted	3,376,250	188,426
Preferred shares converted	7,934,000	530,235
Settlement of dividends payable on preferred shares converted	2,007,280	200,728
Common shares June 30, 2005	46,048,546	20,447,026
Class A special shares June 30, 2004 and 2005	1,193,442	100,000
Balance June 30, 2005		$ 20,547,026
Preferred Shares		
Balance June 30, 2003 and June 30, 2004		$ 1,471,908
Conversion of 143,000 Series C preferred shares		(167,243)
Conversion of 255,000 Series D preferred shares		(362,992)
		941,673
Less: Current portion		(136,024)
Balance June 30, 2005		$ 805,649

(c) Details of warrants outstanding are as follows:

Number of Warrants	Price/Warrant	Expiry Date
238,743 [1]	$0.10	February 23, 2006
1,350,000	$0.10	August 30, 2006
66,875	$0.10	December 1, 2006
1,250,000 [1]	$0.10	January 24, 2007
1,177,524	$0.155	April 8, 2007
4,083,142		

During the year 100,000 warrants expired, 1,350,000 warrants were issued in connection with a new debenture, 1,316,875 warrants were issued as a result of certain debentures having been converted and 1,177,524 warrants were issued in connection with new term financing.

[1] Directors and/or Officers of the Company hold these warrants.

(d) Details of options outstanding are as follows:

Common Shares Under Option	Price/Option	Expiry Date
45,000 [1]	$2.35	August 16, 2005
260,500 [1]	$0.89	January 23, 2006
30,000	$0.89	January 23, 2006
100,000 [1]	$0.17	November 27, 2006
900,000 [1]	$0.24	February 19, 2007
200,000 [1]	$0.135	April 30, 2007
900,000 [1]	$0.10	December 17, 2007
950,000 [1]	$0.12	December 18, 2008
150,000	$0.12	December 18, 2008
200,000	$0.12	December 22, 2009
1,000,000 [1]	$0.12	December 22, 2009
100,000 [1]	$0.19	June 14, 2010
4,835,500		

11. Share Capital - continued

During the year a total of 360,000 options expired, including 150,000 held by Directors and/or Officers, no options were exercised, and 1,300,000 new options were granted including 1,100,000 to Directors and/or Officers. Subsequent to the balance sheet date 45,000 options held by Directors and/or Officers expired and an additional 50,000 options were granted to an employee of Permatech Electronics Corporation, a subsidiary of the Company

(1) Directors and/or Officers of the Company hold these options.

(e) Stock Based Compensation:

The fair value of stock options granted during the year and share purchase warrants granted during the year in connection with new term financing have been determined using the Black Scholes model. The amount related to stock options was included in selling, general and administrative expense and the amount related to warrants is included in financing fees for the year. Both are added to contributed surplus.

		2005		2004
Compensation expense related to options	**$**	**24,546**	$	1,845
Financing expense related to warrants	**$**	**57,102**	$	-

The following weighted average assumptions were used to calculate the fair value of the options:

	2005	2004
Dividend yield	**NIL**	NIL
Risk free interest rate	**3.07%-3.17%**	2.60%
Expected stock volatility	**52.78%**	3.02%
Expected life	**2-5 years**	3 years

12. Related Party Transactions

The following related parties had transactions with the Company during the year or outstanding balances at the end of the year.

Nu Way Offerings Limited ("Nu Way")

A shareholder, whose President is a Director of the Company.

1114377 Ontario Inc. ("1114377")

A shareholder, which is controlled by the spouse of a Director of the Company.

James Lalonde

A director of Northern Cross Minerals Inc., a subsidiary of the Company.

Description	**Related Party**		**2005**		2004
Interest expense-other	Nu Way	**$**	**66,456**	$	97,997
Interest expense-long term	1114377	**$**	**1,775**	$	5,959
Interest expense-other	1114377	**$**	**4,204**	$	61
Interest expense-long term	James Lalonde	**$**	**1,085**	$	-
Interest expense-long term	Directors/Officers	**$**	**-**	$	6,102
Interest expense-other	Directors/Officers	**$**	**13,381**	$	12,149

Revenues, expenses and year end balances with the related parties are at exchange amounts established and agreed to by the related parties. All transactions with related parties are in the normal course of operations and have been carried out on the same terms as those accorded to unrelated parties.

13. Income Taxes

Provision for Income Taxes - Current

Income taxes vary from the amounts that would be computed by applying the composite federal and provincial statutory income tax rates for the following reasons:

		2005			2004	
Income taxes (recovery) at statutory rates	$	**(42,720)**	**(36.1)%**	$	(108,801)	(37.1)%
Decrease (increase) in income tax (recovery) resulting from:						
Expenses deducted in the accounts which have no corresponding deduction for tax purposes, primarily goodwill, amortization, and loss on decline in value of investments		**141,490**	**99.0 %**		73,011	24.9 %
Non deductible amounts		**143**	**- %**		56	- %
		98,913	**62.9 %**		(35,734)	(12.2)%
Benefit of tax losses and investment tax credits not recognized (utilized)		**(98,913)**	**(62.9)%**		35,734	12.2 %
	$	**-**	**0.0 %**	$	-	0.0 %

Future Income Taxes

The approximate tax effect of each type of temporary difference that gives rise to the Company's future income tax assets (liabilities) is as follows:

	2005	2004
Resource related expenditures	**$ 4,915,932**	$ 4,473,956
Unappreciated capital cost	**205,108**	174,477
Non-capital losses	**703,220**	757,138
Capital losses	**1,108,162**	1,046,133
Future income tax assets, before valuation allowance	**6,932,421**	6,451,704
Valuation allowance	**(6,932,421)**	(6,451,704)
Net future tax assets	**$ -**	**$ -**

The timing of the utilization of the future tax assets is undeterminable. Consequently, a full valuation allowance has been provided against the future value of these assets.

Tax Loss carry-Forwards

The potential income tax benefits resulting from the application of income tax losses have not been recognized in the financial statements. The following losses include 100% of the respective losses of the subsidiary companies and will expire as follows:

Year	Losses
2007	$ 161,622
2008	369,506
2009	861,518
2010	439,852
2014	114,400
	$ 1,946,898

The full realization of these losses carried forward is subject to the result of audits by Canada Revenue Agency.

In addition, expenses in the amount of approximately $13,610,000 have been recorded in the accounts but have not yet been claimed for income tax purposes and capital losses of approximately $6,136,000 are available indefinitely.

14. Segment Disclosure

The Company has one operating segment, being the designing, developing, manufacturing and selling of electronic equipment. All of the Company's assets are located in Canada.

15. Other Income or Deductions

In August 2004, the Company elected to foreclose on a loan receivable due from its inactive subsidiary Northern Cross Minerals inc. ("Northern Cross") and exercised its rights under a GSA covering all of the assets of Northern Cross. The only assets of Northern Cross are options/rights to various mining properties. The current year cost of maintaining these options/rights amounted to $3,322.

16. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

General

The following Management Discussion and Analysis has been prepared to accompany the consolidated financial statements of the Company as at June 30, 2005 and should only be read in conjunction with those financial statements. This document has been prepared by the Company's management without review or comment from the Company's auditors. Additional information about the Company can be found at www.sedar.com.

Forward-looking Information

This document contains certain information which is forward-looking in nature and is reflective of the expectations of management in accordance with information available as at the date of this document. This forward-looking information incorporates known and unknown risks, uncertainties and other factors, including fluctuations in interest rates and exchange rates, that may cause the Company's actual results to differ materially from any future results of operations, financial position or other achievements expressed in or implied by such forward-looking information and accordingly no undue reliance should be placed thereon.

The Company

The Company operates through a single business segment that carries on business designing, developing, manufacturing and selling circuit boards and other electronic equipment. The management of the Company is comprised of the following individuals:

Name	Position(s)
Wojciech Drzazga	Director and CEO
John Perreault	Director and President
William J. Brown[(1)(2)]	Director
K. Michael Guerreiro[(1)]	Director
Cal Haverstock [(1)]	Director
Donald G. Nurse[(2)]	Director
William R. Johnstone	Secretary
Michael D. Kindy	VP Finance & CFO

(1) Denotes member of audit committee
(2) Denotes member of compensation committee

Corporate Performance

The year ended June 30, 2005 has been a year of cautious optimism for the Company. Total revenues of $3,381,478 are less than the figures management previously cited as being conceivable yet it is difficult to be disappointed when they represent an increase of over 36% in comparison to the prior year. Similarly, the Company has reported a net loss from operations of $123,815 and a net loss for the year of $127,137 which represents a 68% improvement over the prior year but still falls short of management's expectations that the Company would at least break even. Most of this loss arose in the final quarter when non-cash expenses such as stock compensation expense contributed significantly to a net loss from operations of $95,805 and a net loss for the period of $99,127.

2005 represents the third complete fiscal year since the Company concluded the transition from being an incubator and manufacturer of emerging electronic technologies into being, primarily, a manufacturer of circuit boards. The 2005 fiscal year is also the third consecutive year in which the Company's operating volumes, revenues and results of operations have improved and management expects 2006 to be better still. This expectation is predicated, in part, on the strategic acquisition of production machinery at the end of the 2005 fiscal year and the beginning of the 2006 fiscal year which allows the Company to keep pace with legislative and technological changes while simultaneously providing an increase in production capacity.

Corporate Performance - continued

In addition to the improvement that the Company achieved in its operations it also realized improvement relative to its financial position. During the 2005 fiscal year the value of current assets and total assets each increased while the value of current liabilities and total liabilities each decreased. The working capital deficiency, or the amount by which current liabilities exceed current assets, was $837,898 as at June 30, 2005 representing a decrease of $276,430 or 25% in comparison to the deficiency as at June 30, 2004 and an improvement of $1,187,209 or 59% when compared to June 30, 2003. This deficiency actually grew in the final quarter of 2005 by $229,916 as $120,000 more of the long-term debt became current and the Company incurred $62,000 in customer deposits.

The majority of the 2005 improvement was funded by the proceeds of long term debt. These proceeds have been used to invest in the Company's current growth through increased inventory levels, future growth through the acquisition of capital assets, and current stability through the settlement of accounts payable and accrued liabilities. Management knows that additional long term financing will be required although it expects that the majority of the proceeds from any new debt will be allocated towards the acquisition of long-term assets and the settlement of long term liabilities. This allocation will be possible because the Company's operations are expected to continue to generate positive cash flow which will enable it to realize on its current assets and settle its corresponding liabilities without incurring any additional debt.

Some financial trends become evident upon review of the following selected financial data:

	For the fiscal years ended:		
	June 05	June 04	June 03
Total Revenues	3,381,478	2,467,019	1,892,850
Net income (loss) from operations	(123,815)	(368,192)	(740,914)
Per share	(0.003)	(0.011)	(0.023)
Net income (loss) for the period	(127,137)	(368,192)	(539,855)
Per share	(0.003)	(0.011)	(0.017)
Total assets	1,729,081	1,122,999	909,464
Total long-term financial liabilities	2,727,893	3,004,960	1,799,300
Total liabilities	4,418,552	4,677,614	4,225,449
Cash dividends* – preferred shares	113,063	150,104	153,092

	For the three month periods ended:				
	June 05	Mar. 05	Dec. 04	Sept. 04	June 04
Total Revenues	710,395	757,113	993,047	920,923	675,915
Net income (loss) from operations	(95,805)	(76,099)	46,829	1,260	(42,943)
Per share	(0.002)	(0.002)	0.001	0.000	(0.001)
Net income (loss) for the period	(99,127)	(76,099)	46,829	1,260	(42,943)
Per share	(0.002)	(0.002)	0.001	0.000	(0.001)
Total assets	1,729,081	1,246,675	992,455	1,092,700	1,122,199
Total long-term liabilities	2,727,893	2,579,972	2,672,742	2,986,591	3,004,960
Total liabilities	4,418,552	3,908,196	4,518,884	4,657,753	4,677,614
Cash dividends (1) – preferred shares	21,038	21,488	35,269	35,268	35,812

	For the three month periods ended:			
	Mar. 04	Dec. 03	Sept. 03	June 03
Total Revenues	743,029	570,836	485,131	510,752
Net income (loss) from operations	(64,727)	(93,988)	(166,534)	(170,854)
Per share	(0.003)	(0.003)	(0.005)	(0.005)
Net income (loss) for the period	(64,727)	(93,988)	(166,534)	30,205
Per share	(0.003)	(0.003)	(0.005)	0.001
Total assets	987,857	971,463	853,782	909,464
Total long-term liabilities	2,709,696	2,836,297	1,675,919	1,799,300
Total liabilities	4,572,383	4,528,964	4,348,482	4,225,449
Cash dividends (1) – preferred shares	37,694	38,106	38,492	37,588

(1) Cash dividends are being accrued rather than paid

Results of Operations

Total revenues realized in the 2005 fiscal year were $914,459 or 37% higher than total revenues for the preceding year and $1,488,628 or 79% higher than reported in the 2003 fiscal year. While management is encouraged by this annual growth rate it also recognizes that 2005 began very strong with an 81% increase in comparison to the prior year and was then followed by much more modest gains of 3% for the final six months. The fourth quarter revenue of $710,395 is $34,480 or 5% higher than reported in the fourth quarter of 2004 and this brings the tally to 11 consecutive fiscal quarters for which total revenues were greater than the corresponding quarter of the preceding year. The lower growth rate from the third and fourth quarters reflects the fact that the tremendous rates of growth realized over the past 3 fiscal years are quite likely to be replaced by more modest growth rates. One example of this is the fact that the Company varied from the two-year trend whereby revenues grow through the first three quarters of a fiscal year before a seasonal downturn causes a decline in the fourth quarter. The revenue growth realized through the first two fiscal quarters of 2005 was so high that the third quarter, which had modest growth in comparison to the prior year, was the period in which the 2005 slow down began. The industry tradition of slower sales as you enter the summer months did still occur resulting in Q4 revenues being lower than the preceding quarter and the lowest for any quarter of 2005. While Q4 sales have been consistently lower than Q3 this result is not consistent with the 2003 and 2004 fiscal years during which Q4 was the second highest revenue quarter. Management attributes this divergence from the recent trends to the exceptional results of Q1 and Q2 as opposed to any setbacks in Q3 or Q4. Management is certainly expecting 2006 to be a fourth consecutive year of growth however it is probable that the annual growth rate will be more modest and it is also conceivable that the string of consecutive quarters of the Company reporting gains could end.

The Company continues to derive virtually all of its revenue from product sales with minor contributions from product design fees and miscellaneous income. Product design services were believed to be a growing element of the Company's business however it now appears that this belief was a little premature. Design services are offered by many of the mid-sized entities with whom the Company is now starting to compete and accordingly it is expected that demand for this product offering will grow in the future. It should be noted that individuals with design expertise are employed by the Company in other capacities and therefore there is no incremental cost incurred in order to maintain the ability to offer these design services.

Over the past three fiscal years the revenue growth has been attributable to increased business volume and a change in product mix. The Company is now beginning to experience stabilization of the product mix however which means that a greater proportion of future revenue growth will come from volume increases. In order to fuel these volume increases the Company has acquired new equipment that will allow it to increase overall production capacity and to meet the new lead-free requirements that have been legislated in Europe and China and will soon reach North America. Through its expanded sales team, the Company is seeking to utilize this increased capacity by competing with the mid-sized entities for more of the mid-run orders and the more complex short-run orders. While this certainly does not mean that the Company is going to stop providing the short-run orders upon which its reputation in the industry has been built it does allow the Company to seek market share in a segment of the market that it has not previously been capable of penetrating.

The cost of product sales and design services ("cost of sales") for the 2005 fiscal year are 28% higher than incurred in 2004 and 51% higher than reported in 2003. While these changes certainly represent significant increases they are far lower than the corresponding increase in revenues. The resulting increase in gross margin as a percentage of sales is attributable to a combination of changes in the product mix and the fact that the Company remains diligent in its efforts to minimize costs even during growth periods. In 2003 the Company reported gross margins of $416,638 representing 22.4% of corresponding revenues. By 2004 these figures had grown to $760,012 or 30.8% of corresponding revenues, and in 2005 they increased further to $1,197,066 and 35.4% of corresponding revenue. Despite the fact that the margins were at 39% for the fourth quarter it is still believed that overall the product mix is beginning to stabilize and that as a result the gross margins, which should continue to increase in value as revenues increase, will likely begin to stabilize as a percentage of revenue.

Results of Operations - continued

The largest elements of cost of sales are the cost of components, the cost of remuneration and the cost of machinery. For 2005 these categories represented 94% of total cost of sales with the cost of components accounting for 44%, remuneration 39% and machinery costs 11%. These same three elements made up 92% of the total in 2004 and 91% in 2003. At first glance these results would suggest that there has been consistency for three years however a closer look reveals that the cost of components made up only 31% of the total in 2004 and just 18% in 2003. In contrast remuneration made up 59% of the total in 2003 and 46% in 2004 while equipment costs accounted for 15% and 14% respectively. The rising significance of the cost of components is consistent with the change in product mix that the Company has been experiencing however the growth in this area should slow down since the product mix appears to be stabilizing. The decline in remuneration costs as a percentage of the total is a reflection of the increased level of automation in the production process and the fact that the Company was making better use of its production capacity. Further automation, which will increase machinery costs, has recently occurred and will continue in the future however management will also need to consider the prospect of multiple production shifts as a means of further increasing the Company's production capacity. It is entirely conceivable that significant future growth in business volumes will only be feasible with an increase in the labour force

Selling, general and administrative expenses ("SG&A) encompass all costs other than those directly attributable to the production process or the cost of financing the operations. The largest individual elements of this category are always employee and consultant compensation and occupancy costs. The current fiscal year was no exception as compensation amounted to $553,223 or 58% of the total while occupancy costs amounted to $259,706 or 27%. The corresponding figures for 2004 were $364,222 or 48% and $250,929 or 33%. It was noted at the end of the 2003 fiscal year that staffing levels had reached an absolute minimum and that future increases would be necessary in order to support the Company's expanding operations. This prediction began to materialize shortly thereafter as total compensation was 13% higher in the 2004 fiscal year than in the 2003 fiscal year with a disproportionate amount of the increase being incurred in the second half of 2004. The increase in 2005 is in keeping with this trend as the Company has found it necessary to provide pay increases to existing employees and to hire additional people in order to keep up with the increased workload associated with increased business volumes. It should also be noted that these compensation figures include the theoretical values attributed to stock options granted during the year. The Company uses stock options as a means of enticing individuals to provide services to the Company and to reap some of the benefit that these services may provide in the form of higher future share prices. It was determined, in accordance with Canadian generally accepted accounting principles, that the stock options granted to employees, officers and directors during the 2005 fiscal year had a value of $24,546 with most of this being incurred in the fourth quarter. This is in comparison to the theoretical value of $1,845 for the options granted in 2004. Occupancy costs have remained very stable for the last two years having increased only 3% in the current fiscal year and only 1.0% in 2004. The Company has a lease on its operating facility that continues through February 2011 so these costs, subject to significant fluctuation in utility rates or other unforeseen events, will remain both consistent and predictable for quite some time.

The remainder of SG&A is comprised of professional fees, regulatory fees and various other costs. Professional fees are impacted significantly by the amount and nature of financing transactions that the Company undertakes and by the regulatory filings that must be completed. In 2005 the Company had some debenture holders convert into the Company's securities, converted preferred shares and related dividends to common stock and issued some new convertible debentures. These transactions were the major factors behind the 2005 professional fees of $54,537 or 6% of total SG&A as compared to $43,085 in 2004 which also represented 6% of the total. Regulatory fees, which include fees levied by stock exchanges and by the Company's transfer agent, were $30,573 in 2005 or 3% of SG&A as compared to $35,007 and 5% in 2004. These fees are based entirely on the number and size of reportable events that take place and will vary accordingly from period to period. All other individual components of SG&A, which aggregated $58,947 or 6% in 2005 and $61,390 or 8% in 2004, are not significant enough to warrant further investigation.

Results of Operations - continued

The Company's cost of financing, which is comprised of interest on long-term debt, other interest, financing fees and dividends on preferred shares increased by 11% in 2005 as compared to 2004 but is still 10% lower than the amounts incurred in 2003. Since going public in 1996 the Company has been reliant on the private placements, principally of debt, to provide funding in order to meet its obligations and 2005 was no exception. The net cash, being the gross proceeds less any and all cash payments made in settlement of long term debt or short term notes payable, raised in this manner during the 2005 fiscal year was $358,972. The majority of this was raised in the third quarter while net repayments of approximately $67,000 were made in the fourth quarter. This net financing realized in 2005 is in addition to the $302,920 received in 2004 and $382,240 in 2003. It is these amounts that are raised through private placements that give rise to these financing costs.

While the total 2005 cost of financing has increased in comparison to 2004 levels the nature of these costs has also changed such that the cash paid for interest is actually less than the amount paid in 2004. In 2004 the Company began to incur interest accretion as an element of Interest expense - long term debt. Accretion is the pro-rata amortization of the difference between the face value of a convertible debt instrument and the present value of the associated cash flows as determined at the date of issue. In 2004 this non-cash expense amounted to $17,270 and in 2005 it increased to $35,918 with $10,632 of this total being incurred in the fourth quarter alone. As at June 30, 2005 there was a balance of $59,035 still to be accreted over the remaining life of the convertible debentures. Another change is that in 2005 the Company incurred financing fees in the amount of $107,529 as compared to $Nil in each of 2004 and 2003. The 2005 figure is made up of actual cash costs of $50,427 and the theoretical value attributed to stock purchase warrants in the amount of $57,102. The cash based financing fees, which are subject to regulatory approval, are amounts paid or payable to arm's length parties for services they rendered to assist the Company with completing its financing transactions in the third quarter. The stock purchase warrants have been issued in accordance with a loan facility negotiated by the Company during the year whereby up to 88% of the pre-tax value of new machinery purchases can be financed under a 4-year term loan at 9.5% per annum. The company providing the financing is entitled to receive warrants based on the amount financed and the market rates for the Company's common shares on the date the purchase order is issued. These warrants were issued, and the compensation expense was incurred, in the fourth quarter of 2005.

The Company currently has three series of preferred shares outstanding including two series that require the payment of monthly dividends. Canadian generally accepted accounting principles in effect at the time that these preference shares were issued required that a portion of the value of these shares be recorded as a liability with the remainder being added to the value of share capital. The dividends associated with the portion that has been reported as a liability are reported as an expense just as if they were interest costs associated with a loan. For the year ended June 30, 2005 the total dividends attributable to preferred shares was $113,063 of which $75,559 was reported as an expense. The comparable figures for the 2004 fiscal year were $150,104 and $102,397 while 2003 was $153,092 and $104,638. These figures reveal that there was a small decline in 2004 and a much larger one in 2005. The 2004 decline, which occurred in the fourth quarter, is attributable to the fact that the Series A shares matured in May 2004 and therefore dividends stopped accruing on them. This is also a factor throughout 2005 however a larger factor has to do with the conversion of some of the Series C and Series D preferred shares into common shares. This conversion occurred January 2005 and therefore the dividends associated with these shares stopped leading to lower dividends in both the third and fourth quarters. The fact that these converted shares earned dividends for the first half of 2005 means that total dividends and dividend expense in 2006 will be even lower. It should be noted that management is continuing to negotiate with the holder of the Series A preferred shares to effect the redemption that was scheduled to occur in May 2004. These Series A shares have a redemption value of $160,000 of which $136,024 is reported as a current liability and $23,976 is included in share capital. These shares have also earned dividends in the amount of $49,801 that have not yet been paid.

Liquidity

Liquidity will remain a significant concern as long as there is a working capital deficiency however the results of 2005 reflect that real progress is being made in the effort to remedy this situation. An example of this progress is the fact that the value of Accounts receivable exceeds the value of Accounts payable and accrued liabilities for the first time in many years. What makes this even more encouraging is the fact that this situation arose during a period when the average number of days sales included in accounts receivable dropped from 72 to 46.

Improved liquidity will come through improved cash flow from operations and the effective management of available cash. Cash flow from operations has been under significant pressure for the past number of years as the Company was growing, incurring losses and attempting to deal with liabilities that remained from prior years. If we take the net loss for the 2005 fiscal year and add back the non-cash items such as stock based compensation, depreciation, accretion and dividends expensed but not paid we come to a figure of $187,401 making 2005 the first year that this result has been positive. This positive result is another indication that the Company's operations are getting stronger however it was not adequate to fund the increase in inventory and the net payment of accounts payable that occurred during the year. Just as in prior years the Company has had to rely on external financing to cover the shortfall and to fund the acquisition of equipment. It is anticipated that the Company's operations will continue to improve and that it will soon eliminate the need to rely on external financing to support operations.

In addition to meeting working capital requirements the Company must also address the payment or other settlement of the following amounts:

	Due by June 2006	Due by June 2007	Due by June 2009	Due after June 2009	Total Due
Repurchase of preferred shares	160,000	1,205,504	-	-	1,365,504
Convertible debentures	291,939	1,123,242	225,898	-	1,641,079
Other long-term debt	203,755	212,476	360,628	-	776,859
Operating leases	101,103	104,121	214,278	181,080	600,582
Total	756,797	2,645,343	800,804	181,080	4,384,024

Capital Resources

The Company has not entered into any commitments to acquire any equipment however it is generally acknowledged that the Company will be required to bring in additional equipment in order to continue to grow the business. To this end the Company has negotiated a credit facility of up to $2.4million for use exclusively in relation to the acquisition of equipment. This credit line can be used up to the maximum of 88% of the pre-tax amount of any equipment purchases. Each amount borrowed under this facility will become repayable over a 48 month term and will bear interest at the rate of 9.5% per annum. In the 2005 fiscal year the Company utilized $462,074 of this facility leaving a maximum of $1,937,926 available to finance future acquisitions if the need arises.

Related Party Transactions

The Company has participated in a number of transactions with related parties and consequently reports many amounts as being due to related parties. These transactions involve the Company's Officers, Directors, their spouses, companies that are considered related as a consequence of the involvement of one or more of these individuals and a director of a subsidiary Company. The majority of these related party transactions involve the provision of financing to the Company along with the corresponding interest expense. All related party transactions are in the normal course of operations and have been carried out on the same terms as those accorded to unrelated parties.

Related Party Transactions - continued

The following balances are due to/from the related parties defined above as at June 30 of each year:

	2005	2004	2003
Note payable at prime +2%	55,192	57,692	57,692
Notes payable at 8.0%	41,045	46,545	62,045
Note payable at 8.5% (1)	45,434	41,744	38,345
Note payable at 10.0%	-	10,922	-
Notes payable at 12.0%	16,639	33,639	-
Note payable at 16.0%	-	12,080	7,013
Revolving loan payable at 33.0% (2)	-	-	225,047

The following additional balances are due to/from the related parties defined above:

	2005	2004	2003
Debentures payable at 10.5% (3)	-	-	49,500
Debentures payable at 8.0% (4)	-	-	108,750
Non-interest bearing 3 year debentures (5)	80,375	78,304	-
Non-interest bearing 2 year debenture (6)	-	5,822	-
Term loan at prime + 14.3% (2)	308,145	363,145	-
Long-term note payable at 8.5%	15,592	25,186	30,000

The following income and expense items have arisen as a result of transactions involving the related parties defined above:

	2005	2004	2003
Revenue – other	-	-	17,361
Interest expense – long term	2,860	12,061	41,703
Interest expense – other	84,040	110,207	47,666
Consulting fees (7)	-	-	8,100

The following stock options and share purchase warrants have been issued to Directors and/or Officers of the Company and remain outstanding as at the date of this document:

Description	Expiry Date	Number of Common shares
Stock options @ $0.89 per share	January 2006	260,500
Share purchase warrants @ $0.10 per share	February 2006	238,743
Stock options @ $0.17 per share	November 2006	100,000
Share purchase warrants @ $0.10 per share	January 2007	1,250,000
Stock options @ $0.24 per share	February 2007	900,000
Stock options @ $0.135 per share	April 2007	200,000
Stock options @ $0.10 per share	December 2007	900,000
Stock options @ $0.12 per share	December 2008	950,000
Stock options @ $0.12 per share	December 2009	1,000,000
Stock options @ $0.19 per share	June 2010	100,000

In addition to the options and warrants noted above there were 45,000 stock options held by Officers and/or Directors of the Company that expired in August 2005

(1) Interest at 8.5% continues to accrue on this note monthly and is added to the balance of the note

(2) As at June 30, 2004 the balance of this revolving loan had grown to $363,145. At that date the Company concluded negotiations with the creditor to stop any further borrowing under this facility and convert the balance into a term loan.

(3) During the 2004 fiscal year debentures valued at $33,125 were converted and debentures valued at $16,375 were rolled into a new 3 year debenture as per footnote 5.

Related Party Transactions - continued

(4) During the 2004 fiscal year debentures valued at $20,000 were converted, debentures valued at $88,750 were rolled into a new 3 year debenture as per footnote 5 and debentures valued at $5,938 were rolled into a new 2 year debenture as per footnote 6.

(5) Debentures held by related parties have a face value of $83,326 but are subject to accretion as described previously. Accordingly, they are carried on the balance sheet at an amount less than their face value and are adjusted each period by the amount of accretion that is recorded. An additional debenture with a face value of $23,875 was converted during the 2004 fiscal year.

(6) Debenture held by a related party had a face value of $5,938 and was subject to accretion as described previously. This debenture was converted during the 2005 fiscal year into 59,375 common shares.

(7) Consulting fees were paid to a director of a subsidiary company relative to specific transactions that he was involved in. These transactions have not recurred nor are they expected to in the foreseeable future.

Changes in Accounting Policy

The accounting policies followed by the Company are established in accordance with Canadian GAAP and once policies are established they will not, as a matter of policy, be revised unless Canadian GAAP changes. There were no policy changes during the 2005 fiscal year or subsequent thereto.

Convertible instruments and other securities

As at June 30, 2005 the Company has the following securities issued and outstanding:

Description	Quantity	Amount
Common shares	46,048,546	$ 20,023,195
Paid in capital of preferred shares		423,831
Class A special shares	1,193,442	100,000
		$ 20,547,026
Series A preferred shares	166,667	160,000
Series C preferred shares	288,858	505,501
Series D preferred shares	328,640	700,003
		1,365,504
Less: amount accounted for as paid in capital		423,831
Liability element of preferred shares		941,673
Less: Series A amount reported as current		(132,024)
Liability element of preferred shares		$ 805,649

In addition to the shares issued and outstanding the Company has utilized various convertible instruments as a means of raising financing and has issued stock options and share purchase warrants as incentives to various parties. The following list itemizes the common shares that have been reserved to satisfy the conversions and exercising along with the expiry date associated therewith.

Description	Expiry Date	Number of Common shares
Debentures convertible at $0.10	December 2005	12,070,943
Stock options @ $0.89 per share	January 2006	290,500
Share purchase warrants @ $0.10 per share	February 2006	238,743
Share purchase warrants @ $0.10 per share	August 2006	1,350,000
Debentures convertible @ $0.10	September 2006	1,350,000
Stock options @ $0.17 per share	November 2006	100,000
Share purchase warrants @ $0.10 per share	December 2006	66,875
Debentures convertible @ $0.10	January 2007	2,380,200
Debentures convertible @ $0.06	January 2007	2,000,000
Sub-total		19,847,261

Convertible instruments and other securities - continued

Balance forward from previous page		19,847,261
Share purchase warrants @ $0.10 per share	January 2007	1,250,000
Stock options @ $0.24 per share	February 2007	900,000
Stock options @ $0.135 per share	April 2007	200,000
Series C preferred shares	May 2007	288,858
Series D preferred shares	June 2007	328,640
Stock options @ $0.10 per share	December 2007	900,000
Share purchase warrants @ $0.155 per share	April 2008	1,177,524
Stock options @ $0.12per share	December 2008	1,100,000
Stock options @ $0.12per share	December 2009	1,200,000
Stock options @ $0.19 per share	June 2010	100,000
		27,292,283

In the event that certain convertible debentures are converted in accordance with the chart above then the holder will also receive share purchase warrants that are exercisable as follows:

Share purchase warrants at $0.10	December 2005	2,222,925
Share purchase warrants at $0.10	December 2006	9,122,018
Share purchase warrants at $0.10	January 2007	2,000,000
Share purchase warrants at $0.10	January 2008	2,380,200
		15,725,143

In the event that certain debentures, which may be converted at $0.10 until a specified date are not converted by that date then the holder will become entitled to convert them at $0.11 until maturity. In the event that this occurs then the following items noted above will be cancelled and replaced as follows:

Total reserved shares noted above		27,292,283
Debentures convertible at $0.10	December 2005	(9,122,018)
Debentures convertible at $0.10	January 2007	(2,380,200)
Debentures convertible at $0.11	December 2006	8,292,747
Debentures convertible at $0.11	January 2008	2,163,819
		26,246,631

Total reserved shares noted above		15,725,143
Share purchase warrants at $0.10	December 2006	(9,122,018)
Share purchase warrants at $0.10	January 2008	(2,380,200)
Share purchase warrants at $0.11	December 2006	8,292,747
Share purchase warrants at $0.11	January 2008	2,163,819
		14,679,491

While some of the stock options, share purchase warrants, and convertible debentures are held by related parties the Company has no ability to cause any of the items noted above to be converted and/or exercised.