



BCSC British Columbia Securities Commission

QUARTERLY AND YEAR END REPORT

BC FORM 51-901
(previously Form 61)

Freedom of Information and Protection of Privacy Act: The personal information requested on this form is collected under the authority of and used for the purpose of administering the Securities Act. Questions about the collection or use of this information can be directed to the Supervisor, Financial Reporting (604-899-6729), PO Box 10142, Pacific Centre, 701 West Georgia Street, Vancouver BC V7Y 1L2. Toll Free in British Columbia 1-800-373-6393

INSTRUCTIONS

This report must be filed by Exchange Issuers within 60 days of the end of their first, second and third fiscal quarters and within 140 days of their year end. "Exchange issuer" means an issuer whose securities are listed and posted for trading on the Canadian Venture Exchange and are not listed and posted on any other exchange or quoted on a trading or quotation system in Canada. Three schedules must be attached to this report as follows:

SCHEDULE A: FINANCIAL STATEMENTS

Financial statements prepared in accordance with generally accepted accounting principles are required as follows:

For the first, second and third financial quarters:

Interim financial statements prepared in accordance with section 1751 of the CICA Handbook, including the following: balance sheet, income statement, statement of retained earnings, cash flow statement, and notes to the financial statements.

The periods required to be presented, consistent with CICA Handbook section 1751, are as follows:

- a balance sheet as of the end of the current interim period and a comparative balance sheet as of the end of the immediately preceding fiscal year;
- a statement of retained earnings cumulatively for the current fiscal year-to-date, with a comparative statement for the comparable year-to-date period of the immediately preceding fiscal year; and
- income statements and cash flow statements for the current interim period and cumulatively for the current fiscal year-to-date, with comparative statements for the comparable interim periods (current and year-to-date) of the immediately preceding fiscal year.

For the financial year end:

Annual audited financial statements prepared on a comparative basis.

Exchange Issuers with a fiscal year of less than or greater than 12 months should refer to National Policy No. 51 *Changes in the Ending Date of a Financial Year and in Reporting Status* for guidance.

Issuers in the development stage are directed to the guidance provided in CICA Accounting Guideline AcG-11 *Enterprises in the Development Stage* that states "enterprises in the development stage are encouraged to disclose in the income statement and in the cash flow statement cumulative balances from the inception of the development stage."

Issuers that have been involved in a reverse take-over should refer to the guidance found in BCIN #52-701 (previously NIN #91/21) with respect to such transactions including the requirement for disclosure of supplementary information regarding the legal parent's prior financial operations.

SCHEDULE B: SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in Schedule A.

1. *Analysis of expenses and deferred costs*

Provide a breakdown of amounts presented in the financial statements for the following: deferred or expensed exploration, expensed research, deferred or expensed development, cost of sales, marketing expenses, general and administrative expenses, and any other material expenses reported in the income statement and any other material deferred costs presented in the balance sheet.

The breakdown should separately present, at a minimum, each component that comprises 20% or more of the total amount for a material classification presented on the face of the financial statements. All other components of a material classification may be grouped together under the heading "miscellaneous" or "other" in the cost breakdown; the total for "miscellaneous" should not exceed 30% of the total for a material classification.

Breakdowns are required for the year-to-date period only.
Breakdowns are not required for comparative periods.

Issuers in the development stage are reminded that Section 3(9)(b) of the BC Securities Commission's Rules requires a schedule or note to the financial statements containing an analysis of each of exploration, research, development and administration costs, whether expensed or deferred and if the issuer is a natural resource issuer, that analysis for each material property. Because the analysis required by Rule 3(9)(b) must be included in the financial statements, the information does not have to be repeated in Schedule B. Consistent with CICA Accounting Guidelines AcG-11, staff considers an issuer to be in the development stage when it is devoting substantially all of its efforts to establishing a new business and planned principal operations have not commenced. Further, in staff's view, the lack of significant revenues for the past two years normally indicates that an issuer is in the development stage.

2. *Related party transactions*

Provide disclosure of all related party transactions as specified in Section 3840 of the CICA Handbook.

3. *Summary of securities issued and options granted during the period*

Provide the following information for the year-to-date period:

- (a) summary of securities issued during the period, including date of issue, type of security (common shares, convertible debentures, etc.), type of issue (private placement, public offering, exercise of warrants, etc.) number, price, total proceeds, type of consideration (cash, property, etc.) and commission paid, and
- (b) summary of options granted during the period, including date, number, name of optionee for those options granted to insiders, generic description of other optionees (e.g. "employees".) exercise price and expiry date.

4. *Summary of securities as at the end of the reporting period* Provide the following information as at the end of the reporting period:

- (a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions
- (b) number and recorded value for shares issued and outstanding,
- (c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and
- (d) number of shares in each class of shares subject to escrow or pooling agreements.

5. *List the names of the directors and officers as at the date this report is signed and filed.*

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

1. General Instructions
 - (a) Management discussion and analysis provided management with the opportunity to discuss an issuer's business, current financial results, position and future prospects.
 - (b) Focus the discussion on material information, including liquidity, capital resources, known trends, commitments, events, risks or uncertainties, that is reasonably expected to have a material effect on the issuer.
 - (c) For an issuer with active ongoing operations the discussion should be substantive (e.g. generally two to four pages in length); for an issuer with limited operations the discussion may not be as extensive (e.g. generally two to four pages in length); for an issuer with limited operations the discussion may not be as extensive (e.g. one page).
 - (d) The discussion must be factual, balanced and non-promotional.
 - (e) Where the discussion relates to a mineral project, as defined in National Instrument 43-101 "Standards of Disclosure for Mineral Projects," the disclosure must comply with NI 43-101.
2. *Description of Business*
Provide a brief description of the issuer's business. Where an issuer is inactive and has no business, disclose these facts together with a description of any plans to reactivate and the business the issuer intends to pursue.
3. *Discussion of Operations and Financial Condition*
Provide a meaningful discussion and analysis of the issuer's operations for the current year-to-date period presented in the financial statements. Discuss the issuer's financial condition as at the date of the most recent balance sheet presented in the financial statements.

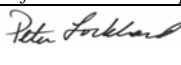
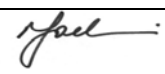
The following is a list of items that should be addressed in management's discussion and analysis of the issuer's operations and financial condition. This is not intended to be an exhaustive list of the relevant items.
 - (a) expenditures included in the analysis of expenses and deferred costs required under Securities Rule 3(9)(b) and Schedule B;
 - (b) acquisition or abandonment of resource properties material to the issuer including material terms of any acquisition or disposition;
 - (c) acquisition or disposition of other material capital assets including material terms of the acquisition, or disposition;
 - (d) material write-off or write-down of assets;
 - (e) transactions with related parties, disclosed in Schedule B or the notes to the financial statements;
 - (f) material contracts or commitments;
 - (g) material variances between the issuer's financial results and information previously disclosed by the issuer, (for example if the issuer does not achieve revenue and profit estimates previously released, discuss this fact and the reasons for the variance);
 - (h) material terms of any existing third party investor relations arrangements or contracts including:
 - i. the name of the person;
 - ii. the amount paid during the reporting period; and
 - iii. the services provided during the reporting period;
4. *Subsequent Events*
Discuss any significant events and transactions that occurred during the time from the date of the financial statements up to the date that this report is certified by the issuer.
5. *Financings, Principal Purposes and Milestones*
 - (a) in a tabular format, compare any previously disclosed principal purposes from a financing to actual expenditures made during the reporting period.
 - (b) Explain any material variances and the impact, if any, on the issuer's ability to achieve previously disclosed objectives and milestones.
6. *Liquidity and Solvency*
Discuss the issuer's working capital position and its ability to meet its ongoing obligations as they become due.

How to File Under National Instrument 13-101 – System for Electronic Document Analysis and Retrieval (SEDAR)

BC Form 51-901 Quarterly and Yearly end Reports are filed under Category of Filing: Continuous Disclosure and Filing Type: Interim Financial Statements or Annual Financial Statements. Schedule A (Financial Statements) is filed under Document Type: Interim Financial Statements or Annual Financial Statements. Schedule B (Supplementary Information) and Schedule C (Management Discussion) are filed under Document Type: BC Form 51-901 (Previously Document type Form 61 (BC)).

Meeting the Form Requirements

BC Form 51-901 consists of three parts: Instructions to schedules a, B and C, issuer details and a certificate. To comply with National Instrument 13-101 it is not necessary to reproduce the instructions that are set out in BC Form 51-901. A cover page to the schedules titled BC Form 51-901 that includes the issuer details and certificate is all that is required to meet the BC Form 51-901 requirements. The form of certificate should be amended so as to refer to one or two of the three schedules required to complete the report.

ISSUER DETAILS		FOR QUARTER ENDED December 31, 2004		DATE OF REPORT YY MM DD 05 04 08		
NAME OF ISSUER HEDLEY TECHNOLOGIES INC.		ISSUER ADDRESS 2601 MATHESON BLVD. E, SUITE 5				
CITY MISSISSAUGA	PROVINCE ONTARIO	POSTAL CODE L4W 5A8	ISSUER FAX NO. (905) 206-1413	ISSUER TELEPHONE NO. (905) 206-0013		
CONTACT NAME JOSEPH ARCURI		CONTACT POSITION CFO		CONTACT TELEPHONE NO. (905) 206-0013 x301		
CONTACT EMAIL ADDRESS: jarcuri@hedleytech.com		WEB SITE ADDRESS: www.hedleytech.com				
<i>Certificate</i> The three schedules required to complete this Report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of this Report will be provided to any shareholder who requests it.						
DIRECTOR'S SIGNATURE 		PRINT FULL NAME PETER D. LOCKHARD		DATE SIGNED April 15, 2005		
DIRECTOR'S SIGNATURE 		PRINT FULL NAME RENE C. GOEHRUM		DATE SIGNED April 15, 2005		

Financial Statements

Audited financial statements and the accompanying notes thereto for the years ended December 31, 2004 and December 31, 2003 are included by reference and can be found at www.sedar.com.

Schedule B
To Annual Report of Hedley Technologies Inc.
For the Year Ended December 31, 2004

1. For the Year Ended December 31, 2004

a) Patents and Deferred Development Costs

	2004	2003
Balance, beginning of the period	\$ -	\$ 1,155,627
Additions during the period		
Patents, trademarks and registration	-	-
Product research	-	24,419
Government grant	-	(16,960)
	-	7,459
Balance end of period	-	1,163,086
Accumulated amortization		
Balance beginning of period	-	1,051,764
Amortization expense	-	111,322
Balance end of period	-	1,163,086
Net Book Value	\$ -	\$ -

b) Selling and marketing

	2004	2003
Product trademark, registrations and permits	\$ 29,650	\$ 9,440
Freight-out and brokerage	879	2,142
Conferences and exhibitions	8,178	16,742
Product advertising and promotions	10,764	4,663
	\$ 49,471	\$ 32,987

Schedule B
To Annual Report of Hedley Technologies Inc.
For the Year Ended December 31, 2004

c) Office

	2004		2003	
Utilities and maintenance	\$	2,701	\$	2,767
Office supplies		9,311		10,888
Postage and courier		8,531		14,663
Telephone		17,898		21,228
Other		3,031		1,835
	\$	41,472	\$	51,381

d) Equipment

Equipment consists of the following:

	Cost		Accumulated Amortization		Net Book Value
Furniture	\$	33,022	\$	28,753	\$ 4,269
Equipment		27,562		22,403	5,159
Mould and design drawings		24,552		15,350	9,202
Computer equipment		68,936		63,190	5,746
	\$	154,072	\$	129,696	\$ 24,376

2. Related Party Transactions

During the year, the Company paid \$25,500 to two of its directors for professional services rendered. Such payments were made at fair market values equal to what the Company would have paid third parties for equivalent services.

Included in accounts payable and accrued liabilities is \$158,855 (2003 - \$89,586) in unpaid remuneration to certain management employees which resulted from a deferral of a portion of their base compensation. Interest of 6% per annum is accrued on these unpaid balances and during the year, \$7,469 (2003 - \$2,800) in interest was accrued thereon.

3. For the Year Ended December 31, 2004.

a) **Securities Issued**

On March 4, 2003 Hedley Technologies Inc. closed two private placements for total gross proceeds of \$400,000. Under the private placements a total of 3,000,000 common shares were issued. The first private placement included the sale of 2,000,000 units at a price of \$0.10 per unit. Each unit consisted of one common share and one warrant to purchase one common share at \$0.10 until March 4, 2005. In the second private placement, 1,000,000 common shares were issued at a price of \$0.20 per share.

Of the total 2,000,000 warrants issued as part of the 2003 private placement, 120,000 were exercised during the year for total cash proceeds to the Company of \$12,000. The remaining warrants were not exercised and expired on March 4, 2005.

The total number of common shares outstanding is 12,315,195 as at December 31, 2004.

b) **Options Granted**

During the year a total of 130,000 stock options were issued to employees, advisors and directors of which 30,000 expire on July 12, 2009 (exercise price - \$0.17) and 100,000 expire on October 14, 2009 (exercise price - \$0.16). The Company has granted 1,145,000 of a total 1,840,000 available stock options under the Employee Stock Option Plan.

4. As at December 31, 2003

a) **Share Capital**

Authorized – 100,000,000 common shares without par value and 25,000,000 preferred shares without par value.

b) **Shares issued and outstanding**

The Company's share capital as at December 31, 2004 consists of the following:

	Number of Common Shares	Share Capital
Balance at beginning of year	12,195,195	\$ 6,842,828
Issued during the year	120,000	12,000
Balance at the end of the period	12,315,195	\$ 6,854,828

c) i) **Stock Options**

The company has granted stock options to directors, advisors and employees entitling them to acquire common shares of the Company as follows

Number of Shares	Exercise Price	Expiry Date
740,000	\$ 0.10	January 17, 2006
150,000	\$ 0.10	December 19, 2007
20,000	\$ 0.10	October 31, 2007
105,000	\$ 0.25	October 30, 2008
30,000	\$ 0.17	July 12, 2009
<u>100,000</u>	\$ 0.16	October 14, 2009
<u>1,145,000</u>		

ii) **Warrants**

On March 4, 2003 Hedley Technologies Inc. closed a private placement for total gross proceeds of \$200,000 which included the sale of 2,000,000 units at a price of \$0.10 per unit. Each unit consisted of one common share and one warrant to purchase one common share at \$0.10 until March 4, 2005.

During the year, 120,000 warrants were exercised during the year for total cash proceeds to the Company of \$12,000. The remaining 1,880,000 warrants were not exercised and expired on March 4, 2005.

d) **Escrow Shares**

None

5. a) **List of Directors**

René C. Goehrum Milton Wakefield
Douglas Larson Peter Lockhard

b) **List of Officers**

René C. Goehrum – Chairman and Chief Executive Officer
Douglas Larson – President
Joseph Arcuri – Chief Financial Officer

The following discussion is based on Hedley Technologies Inc.'s ("Hedley" or the "Company") annual audited consolidated financial statements for the year ended December 31, 2004, which were prepared in accordance with Canadian generally accepted accounting principles. The discussion of financial conditions and results of operations should be read in conjunction with the consolidated financial statements and notes thereto. Audited financial statements and the accompanying notes thereto for the years ended December 31, 2004 and December 31, 2003 are included by reference and can be found at www.sedar.com.

Description of Business

Hedley Technologies Inc. is a publicly traded life science company that acquires or licenses products and commercializes these proprietary science based technologies in order to advance human health and public safety (TSX Venture Exchange trading symbol - "HED").

Hedley has embarked on a growth strategy to enter Canada's pharmaceutical industry. Hedley's focus will be to: source pharmaceutical products that have been successfully developed and proven safe and effective; manage the regulatory process through to product registration (approval); and once approved, market these products in Canada. These pharmaceuticals will compete in both the branded and generic market segments and will not require further product development investment other than regulatory costs.

The Company currently manufactures and markets two products, namely Protect-It[®] and Insecolo[™]. Hedley also marketed an HIV-1/HIV-2 Rapid Antibody Test as the Global Master Distributor under a license and distribution agreement. The agreement was reached in March 2003 and the rights thereunder were subsequently returned to the manufacturer in February 2005 (see Material Subsequent Event below).

Protect-It[®] is a non-chemical, food-safe grain insecticide. The patented formula contains a natural mineral called diatomaceous earth ("DE"). Protect-It[®] was developed through collaborative research between the Winnipeg based Cereal Research Centre of Agriculture and Agri-Food Canada. Protect-It[®] is used as a preventative treatment against insect infestations in stored grains. It is registered for use in Canada, the United States, China, Croatia and Syria.

Insecolo[™] is a natural insecticide for home and garden use made from a patented formula of DE and food grade additives. It is registered for use in Canada and the United States and is marketed in Canada by SC Johnson and Son Limited under the Raid[®] Earthblends[™] Ant & Earwig Dust brand.

Review of Operations

The following is a summary of the operational and financial results for the year ended December 31, 2004.

In the past, Hedley's primary business has been the development, manufacture and marketing of low toxicity insecticides, with the preponderance of its revenues coming from Protect-It[®]. Sales volume is dictated by climate as it relates to growing and harvesting grain crops. With limited resources, the Company had concentrated its efforts on developing markets in Canada and the USA. Therefore, the business has been quite cyclical, with the majority of demand for Protect-It[®] occurring in June through September for grain, and a lesser need from the Southern U.S. states for peanut crops in November and December. Over the past two fiscal years, sales have been augmented by the manufacturing agreement entered into with SC Johnson for the distribution of the Insecolo[™] product into the Canadian home and garden market.

Sales for the year ended December 31, 2004 were \$711,035 down \$101,809 (12.5%) from the same period in 2003. This decrease resulted entirely from lower sales of Insecolo[™]. Fiscal 2003 was the first year in which SC Johnson marketed the Insecolo[™] product and as such there was an initial inventory

investment, on its part, from which Hedley benefited. Fiscal 2004 was a more representative sales year for the Insecolo™ product.

The net loss for the year amounted to \$312,657 compared to a loss of \$414,875 a year ago. Given the stable gross profit, the decrease in the loss for the year relates primarily to decreased depreciation and amortization expense. This results from the Company's decision to no longer invest in insecticide market and product development. In the past, such costs were capitalized as an asset on the Company's balance sheet and subsequently amortized, as an expense, over a five year period.

Revenue for the fourth quarter was \$65,610 compared to \$66,393 for the equivalent prior period. Net loss for the current fourth quarter was \$146,019 compared to a net loss of \$196,917 for the equivalent prior period. The net loss per share for the year decreased from \$0.04 per share in 2003 to \$0.02 per share in 2004.

Although sales decreased 12.5% for the full year, overall gross profit margin slightly decreased by 2.5% or \$11,264 compared to the prior year. This is attributed to the sales growth experienced in Canada by the relatively higher margin Protect-It® product off-set by a reduction in sales of the lower margin Insecolo™ product. Also, throughout the year, the Company concentrated its efforts on improving margins for its products and better managing inventory purchases and levels. Canadian sales of Protect-It® experienced 18% growth over previously record high 2003 levels while US sales decreased by 39%. Sales to markets other than Canada and the US, although modest in total, increased approximately fourfold.

As at December 31, 2004, current assets were \$594,541, down \$147,049 resulting primarily from losses sustained from operations. Losses before interest, taxes, depreciation and amortization totalled approximately \$304,029 compared to \$293,957 for the equivalent prior period. The current year loss before interest, taxes, depreciation and amortization was financed as follows:

Cash	\$ 93,602
Deferred revenue	70,656
Warrants exercised	12,000
Deferred salaries	69,271
Working capital management	58,500
Loss before interest, taxes, depreciation and amortization	\$ 304,029

Total expenses for the year were \$752,217, versus \$893,022 for the same period last year. This reduction resulted primarily from a decrease in depreciation to \$8,628 from \$120,918 in 2003 as noted above. The reduction in total expenses was offset by an increase in travel, selling and marketing costs of \$47,726 over the prior year. This increase in travel, selling, and marketing costs resulted from our presence at industry events such as the International AIDS Conference in Bangkok and other market development costs incurred internationally for the HIV rapid test.

On March 4, 2003, a total of 3,000,000 common shares were issued in two private placements. The first private placement included the sale of 2,000,000 units at a price of \$0.10 per unit. Each unit consisted of one common share and one warrant to purchase one common share at \$0.10 until March 4, 2005. In the second private placement, 1,000,000 common shares were issued at a price of \$0.20 each. Of the 2,000,000 warrants issued as part of these private placements, 120,000 were exercised during the year resulting in cash proceeds to the Company of \$12,000. Subsequent to year end, the remaining 1,880,000 warrants were not exercised and expired on March 4, 2005.

The Company's property and liability insurance expired in 2003. Hedley continues to operate without insurance coverage and management continues to seek appropriate coverage.

Material Differences in Actual Use of Proceeds

There has been no material difference in the actual use of proceeds from any previous disclosure by the Company regarding the intended use of the proceeds.

Investor Relations Activities

Investor relations functions were accomplished through personnel whose duties include dissemination of news releases, investor communications and general day-to-day operations of the company. Mr. René Goehrum, Chairman and Chief Executive Officer, Mr. Joseph Arcuri, Chief Financial Officer and Mr. Douglas Larson, President and Chief Operating Officer assist in the implementation of our investor relations program.

Subsequent Material Transactions

During 2003, the Company entered into a Distribution Agreement to distribute, on a world-wide basis, a rapid Human Immunodeficiency Virus ("HIV") diagnostic device. Subsequent to year end, the Company returned the rights associated with the Distribution Agreement to the manufacturer of the diagnostic device for consideration of \$535,000 plus repayment of previous advances made by Hedley to the manufacturer of \$400,000. On February 2, 2005, \$750,000 in cash was received from the manufacturer plus a non-interest bearing promissory note of \$185,000 due May 1, 2005.

Subsequent to year-end, Hedley entered into a Distribution Agreement with a Texas-based pest management company to distribute Protect-It[®] in the United States. As part of this agreement, the US distributor will manage all marketing and distribution of the Protect-It[®] brand in that market.

Legal Proceedings, Liquidity and Solvency

To date, management of the Company is not aware of any legal proceedings which may affect the Company. Working capital at December 31, 2004 was \$281,824 versus \$425,868 on September 30, 2004 and \$575,061 on December 31, 2003. Other than normal trade payables the Company is debt-free.

Hedley's working capital position, coupled with the consideration received from the return of the HIV Rapid Antibody Test Kit distribution rights to the manufacturer, provides sufficient capital, along with forecasted sales, to meet its ongoing obligations for the foreseeable future.