QUARTERLY AND YEAR END REPORT

BC FORM 51-901

(previously Form 61)

BCSC British Columbia Securities Commission

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;
   (i) legal proceedings;
   (j) contingent liabilities;
   (k) default under debt or other contractual obligations;
   (l) a breach of corporate, securities or other laws, or of an issuer's listing agreement with the Canadian Venture Exchange including the nature of the breach, potential ramifications and what is being done to remedy it;
   (m) regulatory approval requirements for a significant transaction including whether the issuer has obtained the required approval or has applied for the approval;
   (n) management changes; or
   (o) special resolutions passed by shareholders

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

NAME OF ISSUER: HEDLEY TECHNOLOGIES INC.			FOR QUARTER ENDED: March 31, 2005	DATE OF REPORT YY MM DD: 05 05 27
ISSUER ADDRESS: 2601 MATHESON BLVD. E, SUITE 5				
CITY: MISSISSAUGA	PROVINCE: ONTARIO	POSTAL CODE: L4W5A8	ISSUER FAX NO.: (905) 206-1413	ISSUER TELEPHONE NO.: (905) 206-0013
CONTACT NAME: JENNIFER YOUNG		CONTACT POSITION: CONTROLLER		CONTACT TELEPHONE NO.: (905) 206-0013 X301
CONTACT EMAIL ADDRESS: jarcuri@hedleytech.com	WEB SITE ADDRESS: www.hedleytech.com			

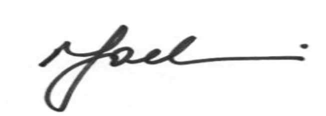
Certificate *The three schedules required to complete this Report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of this Report will be provided to any shareholder who requests it.*

DIRECTOR'S SIGNATURE	PRINT FULL NAME: PETER D. LOCKHARD	DATE SIGNED: May 27, 2005
DIRECTOR'S SIGNATURE	PRINT FULL NAME: RENE C, GOEHRUM	DATE SIGNED: May 27, 2005

HEDLEY TECHNOLOGIES INC.
CONSOLIDATED BALANCE SHEET
AS AT MARCH 31, 2005 AND DECEMBER 31, 2004

	March 31 2005	**December 31 2004**
ASSETS		
Current		
Cash	$ 710,209	$ 89,814
Accounts receivable	263,685	46,733
Inventories	23,408	47,658
Prepaid expenses and deposits	8,793	410,336
	1,006,095	594,541
Equipment	23,013	24,376
	$ 1,029,108	**$ 618,917**
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 185,565	$ 242,061
Deposits payable	0	70,656
	185,565	312,717
SHAREHOLDERS' EQUITY		
Share capital	6,854,827	6,854,828
Contributed surplus	23,755	23,755
Deficit	(6,035,039)	(6,272,383)
Total Shareholders' Equity	843,543	306,200
	$ 1,029,108	**618,917**

Approved by the Directors



DIRECTOR

DIRECTOR

HEDLEY TECHNOLOGIES INC.
CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT
FOR THE THREE MONTHS ENDED MARCH 31, 2005 AND 2004

	Three Months Ended March 31	
	2005	**2004**
REVENUE		
Sales	$ 732,357	$219,205
Cost of goods sold	74,480	97,991
Gross profit	657,877	121,214
EXPENSES		
Amortization and depreciation	1,362	1,768
Consultants	7,358	34,947
Management salaries	57,502	56,385
Equipment rental	0	319
Interest and bank charges	2,687	2,158
Foreign exchange	(602)	(794)
Legal and accounting	11,413	9,118
Office and miscellaneous	5,499	9,727
Printing and shareholder relations	580	1,278
Rent	4,156	4,010
Salary and benefits	26,941	42,139
Selling and marketing	4,326	7,516
Transfer agent and filing fees	3,608	3,309
Travel and accommodations	(4,743)	15,064
Warehousing	446	1,146
	120,533	**188,090**
Profit (Loss) from operations	537,344	(66,876)
Deficit, beginning of period	(6,572,383)	(6,259,726)
Deficit, end of period	**($ 6,035,039)**	**($ 6,326,602)**
Profit (Loss) per share	**$ 0.044**	**($ 0.005)**

HEDLEY TECHNOLOGIES INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2005 AND 2004

	Three Months Ended March 31 2005	2004
OPERATING ACTIVITIES		
Net (loss) gain for the period	$ 537,344	($ 66,876)
Items not requiring cash		
Amortization and depreciation	1,362	1,768
Other		36
	538,706	**(65,072)**
Change in non-cash working capital items:		
Accounts receivable	183,048	(71,360)
Inventories	24,250	2,473
Prepaid expenses and deposits	1,543	(20,707)
Accounts payable and accrued liabilities	(56,496)	73,391
Deferred revenue	(70,656)	
Cash applied to operating activities	**620,395**	**(81,275)**
INVESTING ACTIVITIES		
Purchase of capital assets	-	-
Net Change in investment in securities	(600,000)	
Patents and deferred development costs	-	-
Cash from investing activities	**(600,000)**	**-**
FINANCING ACTIVITIES		
Proceeds form customer deposits	-	39,865
Proceeds from exercised warrants	-	7,000
Cash from financing activities	-	**46,865**
INCREASE (DECREASE) IN CASH	**20,395**	**(34,410)**
CASH, BEGINNING OF PERIOD	89,814	183,416
CASH, END OF THE PERIOD	**$ 110,209**	**$ 149,006**
TERM DEPOSITS	**600,000**	
CASH AND EQUIVALENTS – END OF PERIOD	**$ 710,209**	**$ 149,006**

1. Basis of presentation

These consolidated financial statements present the accounts of Hedley Technologies Inc. (the "Company") and its two wholly owned subsidiaries, Hedley Technologies (USA) Inc. and HTI Agritech Inc. Hedley Technologies (USA) Inc. (formerly HTI Agritech (USA) Inc.) was incorporated on May 13, 1994 in the state of Washington, USA. HTI Agritech was incorporated on January 30, 1996 in the Province of British Columbia, Canada. Both subsidiaries commenced operations during 1996.

These financial statements have been prepared on the basis that the company will be able to realize its assets and satisfy its liabilities in the normal course of business. The Company has incurred substantial losses in its operating history resulting in a deficit of $6,035,039 as at March 31, 2005. Continued operation of the Company as a going concern is dependent upon it obtaining adequate additional financing and/or generating sufficient revenues from its products. Refer to Note 7.

All intercompany transactions have been eliminated in the consolidated financial statements. The accounts of Hedley Technologies (USA) Inc. have been consolidated using the temporal method of foreign currency translation.

The financial statements contained herein have neither been reviewed nor audited by the Company's auditors.

2. Significant accounting policies

The accounting policies of the Company are in accordance with Canadian Generally Accepted Accounting principles and their basis of application is consistent with that of the previous year. Outlined below are the policies considered to be particularly significant.

(a) Equipment

Equipment is stated at cost. The Company records amortization of equipment at the following rates and methods:

Furniture	20% declining balance
Equipment	20% declining balance
Mould and design drawings	20% declining balance
Computer equipment	30% declining balance

(b) Inventories

Finished goods and raw materials are stated at the lower of cost and net realizable value.

(c) Foreign currency translation

Amounts denominated in foreign currencies have been translated into Canadian dollars as follows:

i. Monetary assets and liabilities at the rate of exchange prevailing at the balance sheet date;

ii. Non-monetary assets and liabilities at the rate of exchange prevailing at the time of acquisition of the assets or assumption of the liabilities; and

iii. Revenue and expenses at rates approximating the rates of exchange prevailing on the transaction date except for amortization, which is translated at the same rate as the assets to which it relates.

Gains or losses on translation are included in current period's operations.

(d) Future income taxes

Income taxes are accounted for under the asset and liability method of accounting for income taxes. Under the asset and liability method, future 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. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. See Note 4.

(e) Use of estimates by management

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 disclosures 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 these estimates.

(f) Revenue recognition

Revenue resulting from the sale of goods is recognized when goods are shipped to and accepted by distributors, resellers or final customers.

3. Equipment

Equipment consists of the following:

March 31, 2005	Cost	Accumulated Amortization	Net Book Value
Furniture	$ 33,022	$ 28,967	$ 4,055
Equipment	25,447	20,546	4,901
Mould and design drawings	20,852	12,111	8,741
Computer Equipment	66,243	60,927	5,316
	$ 145,564	**$ 122,551**	**$ 23,013**

4. Income taxes

As at December 31, 2004, the Company has accumulated operating losses for Canadian tax purposes of approximately $2,332,213 and for American tax purposes of approximately US$511,783, which may be carried forward to reduce taxable income in future years. The Canadian losses expire between the years 2005 and 2014, and the American losses expire between the years 2017 and 2024. The potential income tax benefits arising from these losses and carryforwards are not recorded as a future income tax asset due to the uncertainty of their utilization.

The Company also has excess of unamortized capital cost over net book value of equipment of approximately $416,000, which can be used to reduce taxable income in future years. The company also has a carryforward of Investment Tax Credits of $72,000 and a balance of Scientific Research and Experimental Development expenditures of approximately $427,500 which can be carried forward and used to reduce taxable income in future years.

5. Insurance Coverage

The Company's insurance coverage has expired. The Company is currently operating without insurance coverage. Management continues to seek appropriate coverage.

6. Financial instruments and concentration of risk

The carrying values of cash, accounts receivable, long-term investment, accounts payable and accrued liabilities and notes payable approximate their respective fair values.

It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial statements. There is an exposure to credit risk on accounts receivable which management mitigates by monitoring all accounts and following up on unpaid or overdue items.

7. Return of Distribution Rights

During 2003, The Company entered into a Distribution Agreement to distribute, on a world-wide basis, a rapid Human Immunodeficiency Virus diagnostic device. During the quarter, 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 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 quarter-end, on April 27th 2005, Hedley received the final payment of $185,000 due from the diagnostic device manufacturer.

1. For the Three Months Ended March 31, 2005

a) Cost of Goods Sold

		2005
Inventory, beginning of the period	$	47,658
Additions during the period		
Contract manufacturing costs		1,178
Freight Recovery		(4,005)
Raw material purchases		76,246
Foreign exchange loss (gain)		(23,979)
Royalties		791
		50,230
Goods available for sale		97,888
Inventory, end of period		(23,408)
Cost of goods sold	$	**74,480**

b) Selling and marketing

		2005
Product trademark, registrations and permits	$	4,048
Freight-out and brokerage		278
Conferences and exhibitions		-
Product advertising and promotions		-
	$	**4,326**

c) Office and miscellaneous

		2005
Utilities and maintenance	$	978
Office supplies		546
Postage and courier		387
Insurance		814
Telephone		2,173
Other		601
	$	**5,499**

2. Related Party Transactions

None

3. For the Quarter Ended March 31, 2005:

a) Securities Issued

None

b) Options Granted

None

4. As at March 31, 2005:

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

	Number of Shares	Amount
Balance at beginning of period	12,315,195	$ 6,854,828
Exercise of Warrants	0	0
Balance at the end of the period	12,315,195	$ 6,854,828

There are no preferred shares issued and outstanding.

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
670,000	$0.10	January 17, 2006
150,000	$0.10	December 19, 2007
20,000	$0.10	October 31, 2007
100,000	$0.25	October 30,2008
25,000	$0.17	July 12, 2009
Total 965,000		

ii) Warrants

During 2003, the Company closed a private placement 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 2004, 120,000 warrants were exercised 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 and Chief Operating Officer

Joseph Arcuri – Chief Financial Officer*

* Mr. Arcuri resigned as Chief Financial Officer subsequent to quarter-end, on April 15, 2005.

The following discussion is based on Hedley Technologies Inc.'s ("Hedley" or the "Company") interim consolidated financial statements for the three months ended March 31, 2005, 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.

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.

Results of Operations

Product sales for the first three months of 2005 were $125,543 down $93,662 (-42.7%) from the same period in 2004. The decrease resulted primarily from timing differences of Canadian orders of Protect-It®. Other Income for the first three months of 2005 was $606,814 versus zero dollars for the first three months of 2004. This resulted from the return of distribution rights to the manufacturer of the INSTI®. The total net income for the period ended March 31, 2005 was $537,344 (2004 – Loss $66,876) up $ 604,220 from the equivalent period of a year ago. The net profit per share for the three month period was $0.044 up from a loss of ($0.005) per share for the period ending March 31, 2004.

The decrease in sales, when compared to the prior year-to-date results, was driven by a $100,091 decrease in Protect- It® sales and offset by a 14.5% increase in Insecolo™ sales. The prior year period included a large out of season order which was not duplicated this year. The decrease in higher margin Protect- It® sales decreased gross margin earned from product sales from 55% in the year ago quarter to 41% in the three months ending March 31, 2005.

As at March 31, 2005 current assets were $1,006,095, up $411,554 from December 31, 2004. This increase resulted primarily from sale of the INSTI® distribution rights. Cash on hand at quarter end was up $620,395 from December 31, 2004 which is offset by an increase in accounts receivable of $31,952.

Inventory levels decreased by $24,250 from December 31, 2004. Accounts payable and accrued liabilities have decreased by $127,152 from fiscal 2004 year end. The accounts payable and accrued payables decrease is attributed primarily to customer deposits taken into income as part of the final transaction relating to the INSTI® distribution rights; and partial payment of deferred management compensation.

Total operating expenses, excluding depreciation and amortization, for the quarter amounted to $120,533 compared to $188,090 for the equivalent prior year period; a decrease of $67,557 or 35.9%. This decrease is a result of decreased labour and travel costs associated with the exit from the INSTI® business and a change in the headcount associated with the U.S. Protect-It business.

Depreciation and amortization decreased $406 and is a reflection of the Company's reduced research and development initiatives and its migration to sales network and channel development.

The Company has discontinued marketing the INSTI®. Therefore, no further investment in the form of human resources, travel, promotion, marketing and other costs will be made related to this product.

There were 12,315,195 common shares issued and outstanding at March 31, 2005. On March 4, 2005, 1,880,000 unexercised share purchase warrants expired. There are no share purchase warrants outstanding as at March 31, 2005.

The Company continues to operate without property and liability insurance. 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 issuer 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 & CEO, Mr. Douglas Larson, President & COO and Mr. Joseph Arcuri, Chief Financial Officer, assist in the implementation of our investor relations program. Mr. Arcuri resigned as Chief Financial Officer effective April 15, 2005.

Legal Proceedings, Liquidity and Solvency

At this time, no legal proceedings by/or affecting the Company have been commenced. Working capital at March 31, 2005 was $820,530 versus $281,824 on December 31, 2004. Other than normal trade payables the Company is debt-free. The Company is in good standing and has sufficient capital, along with forecasted sales, to meet its ongoing obligations for the foreseeable future.