

**RTICA CORPORATION**  
(A DEVELOPMENT STAGE COMPANY)

Consolidated Financial statements  
(Expressed in Canadian dollars)

Years ended May 31, 2005, 2004 and 2003

**UNAUDITED**  
(DRAFT #1)

# RTICA CORPORATION

(A DEVELOPMENT STAGE COMPANY)

Consolidated Balance Sheets  
(Expressed in Canadian dollars)

May 31, 2005 and 2004  
(Unaudited) **DRAFT #1**

	2005	2004
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 31,351	\$ 138,680
GST and other receivables	9,599	27,188
Inventories	43,156	47,693
Prepaid expenses	22,455	22,536
	<u>106,561</u>	<u>236,097</u>
Fixed assets	191,656	258,324
Goodwill, net of accumulated amortization	1	1
Deferred development costs	1	1
	<u>\$ 298,219</u>	<u>\$ 494,423</u>
<b>Liabilities and Shareholders' Equity (Deficiency)</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,764,886	\$ 1,271,095
Promissory notes	1,240,585	923,934
Due to government	444,840	445,000
	<u>3,450,311</u>	<u>2,640,029</u>
Convertible debentures	2,489,886	2,417,462
Minority Interest	569,227	304,504
Shareholders' equity (deficiency):		
Share capital	9,735,616	9,735,616
Other paid-in capital	3,500	3,500
Equity component of convertible debenture	227,486	227,486
Deficit	(16,177,807)	(14,834,174)
	<u>(6,211,205)</u>	<u>(4,867,572)</u>
	<u>\$ 298,219</u>	<u>\$ 494,423</u>

On Behalf of The board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

# RTICA CORPORATION

(A DEVELOPMENT STAGE COMPANY)

Consolidated Statements of Operations and Deficit  
(Expressed in Canadian dollars)

(Unaudited) **DRAFT #1**

	2005	Years ended May 31, 2004	2003	Cumulative period from June 13, 1991 (inception ) to May 31, 2005
Income:				
Sales	\$ -	\$ 28,074	\$ 151,454	\$ 179,528
Interest	4	6,929	3,233	215,974
Fees and licenses	-	-	-	622,482
	4	35,003	154,687	1,017,984
Operating expenses:				
Development	101,509	434,909	754,566	5,202,631
Consulting	113,348	208,691	425,853	2,865,212
Sales and marketing	122,360	115,352	337,366	1,231,652
Professional fees	79,890	91,304	200,832	1,514,576
General and administrative	22,629	65,706	270,660	1,218,220
Management fees	156,000	160,850	164,500	1,498,486
Rent and property taxes	35,471	114,452	113,106	601,388
Amortization of fixed assets	62,162	87,750	85,715	523,550
Factory overhead	14,679	40,161	70,785	234,203
Travel	22,701	17,034	39,242	488,891
Amortization of goodwill	-	-	-	108,937
Interest and bank charges	612,888	544,098	273,123	1,708,045
	1,343,637	1,880,307	2,735,748	17,195,791
Loss for the period	(1,343,633)	(1,845,304)	(2,581,061)	(16,177,807)
Deficit accumulated during development stage, beginning of period	(14,834,174)	(12,988,870)	(10,407,809)	
Deficit accumulated during development stage, end of period	\$ (16,177,807)	\$ (14,834,174)	\$ (12,988,870)	\$ (16,177,807)

# RTICA CORPORATION

(A DEVELOPMENT STAGE COMPANY)

Consolidated Statements of Cash Flows  
(Expressed in Canadian dollars)

(Unaudited) DRAFT #1

	2005	2004	2003	Cumulative period from June 13, 1991 (inception) to May 31, 2005
<b>Cash provided by (used in):</b>				
<b>Operating activities:</b>				
Loss for the period	\$ (1,343,633)	\$ (1,845,304)	\$ (2,581,061)	\$ (16,177,807)
Items not involving cash:				
Interest on convertible debenture & promissory note	115,124	160,201	-	423,663
Interest paid by issue of preferred shares	264,723	264,000		569,227
Interest expense on converted loan			85,715	96,000
Amortization of fixed assets	62,162	87,750		632,487
Expenses settled by issuance of common shares or options		2,250	1,250	468,488
Expenses settled by issuance of preferred Shares			40,504	
Foreign exchange gain on promissory note	(1,049)	(1,646)		(2,695)
Change in non-cash operating working capital:				
Short-term investments		400,000		
GST and other receivables	17,589	63,902	(63,138)	(9,599)
Prepaid expenses	81	27,668	(39,519)	(37,692)
Inventory	4,537	5,241	(52,934)	(43,156)
Accounts payable and accrued liabilities	493,791	316,101	42,906	1,764,886
	(386,675)	(519,837)	(2,566,277)	(12,316,198)
<b>Financing activities:</b>				
Due to government	(160)		-	444,840
Issuance of convertible debentures		64,135	2,537,211	4,413,000
Issuance of common shares			630,949	3,113,116
Proceeds from promissory notes	275,000	575,600	(90,000)	1,405,750
Issuance of special warrants				2,870,659
Exercise of share purchase warrants				553,541
	274,840	639,735	3,078,160	12,800,906
<b>Investing activities:</b>				
Short-term investments			(400,000)	
Purchase of fixed assets		(10,607)	(86,646)	(719,712)
Proceeds on disposal of fixed assets	4,506			4,506
Deferred development costs			-	(1)
Cash acquired on reverse takeover			-	261,850
	4,506	(10,607)	(486,646)	(453,357)
<b>Foreign exchange gains held on foreign currency</b>				
Change in cash and cash equivalents	(107,329)	109,291	25,237	31,351
Cash and cash equivalents, start of period	138,680	29,389	4,152	
Cash and cash equivalents, end of period	\$31,351	\$ 138,680	\$ 29,389	\$ 31,351