

**ALPHINAT INC.**  
**INTERIM FINANCIAL REPORT**  
**For the first quarter ended**  
**November 30, 2004**

**ALPHINAT INC.**

## Unaudited Statement of Earnings

	Three-month period ended November 30, 2004
	\$
Revenue	
Interest	1,614
Expenses	
Professionals fees	11,588
Listing fees	2,925
Transfer agent expenses	670
Office expenses	3,225
Interest and bank charges	235
	18,643
Net loss for the period	(17,029)
Net loss par share	(0.0016)
Weighted average number of outstanding shares	10,750,000

**ALPHINAT INC.**

## Unaudited Statement of Deficit

	Three-month period ended November 30, 2004
	\$
Balance – Beginning of period	(301,941)
Net Loss for the period	(17,029)
Share issue expenses	(113,019)
Balance – End of period	(431,989)

**ALPHINAT INC.**  
Unaudited Balance sheet

	November 30 2004	August 31 2004
	\$	\$
<b>Assets</b>		
Current		
Cash	92,734	1,532,919
Temporary investment	1,162,815	-
Sales taxes	37,617	35,304
Advance to company	225,000	-
Prepaid expenses	9,239	12,364
	<u>1,527,405</u>	<u>1,580,587</u>
<b>Liabilities</b>		
Current		
Payables and accrued charges	145,520	68,654
<b>Shareholders' equity</b>		
Capital stock - (Note 3)	1,562,862	1,562,862
Stock-based compensation plan	251,012	251,012
Deficit	(431,989)	(301,941)
	<u>1,381,885</u>	<u>1,511,933</u>
	<u>1,527,405</u>	<u>1,580,587</u>

**On behalf of the Board,**

*(s) Robert Cajolet*

Robert Cajolet, director

*(s) Michel Lesage*

Michel Lesage, director

**ALPHINAT INC.**

Unaudited Statement of cash flows

	Three-month period ended November 30, 2004
	\$
<b>OPERATING ACTIVITIES</b>	
Net loss for the period	(17,029)
Stock-based compensation	-
Change in non-cash working capital items (Note 4)	(147,322)
	(164,351)
<b>INVESTING ACTIVITIES</b>	
Variation of temporary investment	(1,162,815)
	(1,162,815)
<b>FINANCING ACTIVITIES</b>	
Issuance of capital stock	-
Share issue expenses	(113,019)
	(113,019)
Net increase in cash	(1,440,185)
Cash beginning of period	1,532,919
Cash end of period	92,734

## **ALPHINAT INC.**

### Notes to Unaudited Interim Financial Statements

#### **1. Description of business**

The Company was incorporated on March 12, 2004 under the Canada Business Corporations Act and is a Capital Pool Company as defined in policy 2.4 of the Bourse de Croissance TSX Inc. The principal business of the Company is the identification and evaluation of assets or business with a view to completing a qualifying transaction.

The Company completed its initial offering on July 15, 2004, pursuant to the prospectus dated June 28, 2004.

#### **2. Accounting policies**

These unaudited financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a basis consistent with those followed in the most recent financial statements and include the following significant accounting policies:

Temporary investment:

The temporary investment consist of unit of 'CPG Encaissable taux préférentiel d la Banque Royale du Canada" and is carried at the lower of cost and market value.

Loss per share:

The loss per share is calculated using the weighted average number of shares outstanding during the period. Fully diluted loss par share has not been disclosed because the effect of shares exercisable upon the exercise of options and warrants is anti-dilutive.

Stock-based compensation:

Under its Stock Option Plan, the Corporation may grant stock options to its employees, officers and directors. The Corporation adopted the fair value method as prescribed by the CICA Handbook section 3870. The fair value of the options at the date of grant was estimated using the Black-Scholes pricing model. This estimated value is recorded as compensation expense over the vesting period, with a corresponding credit to contributed surplus.

## ALPHINAT INC.

### Notes to Unaudited Interim Financial Statements

#### 3. Share capital

Authorized:

Unlimited number of shares, without per value, of each of the following classes:

Class A shares, voting and participating

Class B shares, non voting and non participating, non cumulative dividend, redeemable by the company or the holder for the amount of the paid-up capital, first as regards redemption

Issued and paid:

10,750,000 ordinary shares	2,000,000
Less: shares issue expenses	(437,138)
	<hr/>
	1,562,862

Escrowed shares:

The 2,000,000 Common shares that were issued prior to the initial offering are held in escrow. Upon completion of the Qualifying Transaction, ten per cent (10%) of the escrowed securities will be released at the time the Final Exchange Bulletin is issued and fifteen per cent (15%) at the expiry date of each period of six (6) months following the completion of the Qualifying Transaction.

Stock-based compensation plan:

The Corporation has established an Incentive Stock option plan for its directors, officers and employees. On July 7, the Corporation has granted options for the purchase of 700,000 Class A shares at a price of \$0.20 par share. The fair value of this option was estimated using de Black-Sholes pricing model with the following assumptions:

Risk-free interest rate	3.96 %
Expected life of options	5 years
Volatility	125 %
Dividend	0

**ALPHINAT INC.**

Notes to Unaudited Interim Financial Statements

**4. Additional information to the statement of cash flows**

Changes in non-cash working capital items

	November 30, 2004 (3 months)
	\$
Decrease (increase) in	
Sales taxes	(2,313)
Advance to a company	(225,000)
Prepaid expenses	3,125
Increase (decrease) in	
Accounts payable and accrued	76,866
	(147,322)
Interest revenues	1,614