

**ALPHINAT INC.**  
**INTERIM FINANCIAL REPORT**  
**For the second quarter ended**  
**February 28, 2005**

**ALPHINAT INC.**

## Unaudited Statement of Earnings

	Three-month period ended February 28, 2005	Six-month Period ended February 28, 2005
	\$	\$
Revenue		
Interest	8,454	10,068
Expenses		
Professionals fees	15,372	26,960
Listing fees	6,974	9,899
Transfer agent expenses	2,517	3,187
Office expenses	3,903	7,128
Interest and bank charges	21	256
	28,787	47,430
Net loss for the period	(20,333)	(37,362)
Net loss par share	(0.0019)	(0.0035)
Weighted average number of outstanding shares	10,750,000	10,750,000

**ALPHINAT INC.**

## Unaudited Statement of Deficit

	Three-month period ended February 28, 2005	Six-month Period ended February 28, 2005
	\$	\$
Balance – Beginning of period	(431,989)	(301,941)
Net Loss for the period	(20,333)	(37,362)
Share issue expenses	(211,625)	(324,644)
Balance – End of period	(663,947)	(663,947)

**ALPHINAT INC.**  
 Unaudited Balance sheet

	February 28 2005	August 31 2004
	\$	\$
<b>Assets</b>		
Current		
Cash	10,498	1,532,919
Temporary investment	1,068,586	-
Interest receivable	8,139	-
Other receivable	850	-
Sales taxes	53,058	35,304
Advance to company	225,000	-
Prepaid expenses	7,415	12,364
	<b>1,373,546</b>	<b>1,580,587</b>
<b>Liabilities</b>		
Current		
Payables and accrued charges	223,619	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	(663,947)	(301,941)
	<b>1,149,927</b>	<b>1,511,933</b>
	<b>1,373,546</b>	<b>1,580,587</b>

**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 February 28, 2005	Six-month period ended February 28, 2005
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	(20,333)	(37,362)
Stock-based compensation	-	-
Change in non-cash working capital items (Note 4)	55,493	(91,829)
	35,160	(129,191)
<b>INVESTING ACTIVITIES</b>		
Variation of temporary investment	94,229	(1,068,586)
	94,229	(1,068,586)
<b>FINANCING ACTIVITIES</b>		
Issuance of capital stock	-	-
Share issue expenses	(211,625)	(324,644)
	(211,625)	(324,644)
Net increase in cash	(82,236)	(1,522,421)
Cash beginning of period	92,734	1,532,919
Cash end of period	10,498	10,498

## **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, second 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

	February 28, 2005 (3 months)	February 28, 2005 (6 months)
	\$	
Decrease (increase) in		
Interest receivable	(8,139)	(8,139)
Other receivable	(850)	(850)
Sales taxes	(15,441)	(17,754)
Advance to a company	---	(225,000)
Prepaid expenses	1,824	4,949
Increase (decrease) in		
Accounts payable and accrued	78,099	154,965
	<u>55,493</u>	<u>(91,829)</u>
Interest revenues	1,614	8,454