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### QUARTER REPORT

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| ISSUER DETAILS  | ISSUER TELEPHONE NO. | FOR QUARTER ENDED  | DATE OF REPORT   |
|---|----------------------|--------------------|------------------|
| CON-SPACE COMMUNICATIONS LTD. website: <a href="http://www.con-space.com">www.con-space.com</a> | (604) 244-9323       | September 30, 2004 | November 4, 2004 |

| ISSUER'S ADDRESS                  | PROVINCE         | POSTAL CODE |
|-----------------------------------|------------------|-------------|
| 505 - 5600 Parkwood Way, Richmond | British Columbia | V6V 2M2     |

| CONTACT PERSON   | CONTACT'S POSITION | CONTACT TELEPHONE NO.: |
|--|--------------------|------------------------|
| Gloria J. Gordon<br><a href="mailto:ggordon@con-space.com">ggordon@con-space.com</a> | Controller         | (604) 244-9323         |

PROCESSED

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#### CERTIFICATE

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

|                           |                    |                  |
|---------------------------|--------------------|------------------|
| <i>Terence A Ibbetson</i> | Terence A Ibbetson | November 4, 2004 |
| DIRECTOR'S SIGNATURE      | PRINT FULL NAME    | DATED SIGNED     |

|                        |                  |                  |
|------------------------|------------------|------------------|
| <i>James L Swanson</i> | James L. Swanson | November 4, 2004 |
| DIRECTOR'S SIGNATURE   | PRINT FULL NAME  | DATED SIGNED     |



*Safety in Communication*<sup>®</sup>

**FINANCIAL INFORMATION AND SUPPORT DISCUSSION FOR  
CON-SPACE'S  
FIRST QUARTER ENDED SEPTEMBER 30, 2004**

**SCHEDULE A - FINANCIAL STATEMENTS**

Attached are the following Financial Statements, prepared in accordance with GAAP (Generally Accepted Accounting Principles) in accordance with section 1751 of the CICA Handbook, and with their comparisons to the equivalent prior periods and included is the:

- Balance Sheet
- Income Statement
- Cash Flow Statement
- Statement of Retained Earnings
- And the Notes to the Financial Statements

**SCHEDULE B – SUPPLEMENTARY INFORMATION**

Included herein or within the Notes to the Financial Statements are various items relating to the business including:

- A breakdown of major expenditures such as:
  - General and Administrative Expenses
- A Statement of Aggregate Expenditures made to parties not at arm's length:
  - CON-SPACE Communications Ltd. has made payments to Ridel Investments Ltd., a Company controlled by two directors, of \$60,000;
- A breakdown of Cost of Inventory and Cost of Goods Sold of \$678,464:

|  | Period Ended<br>Sept 30, 2004<br>\$ | Period Ended<br>Sept 30, 2003<br>\$ |
|--|-------------------------------------|-------------------------------------|
| Beginning Inventory                      | 851,964                             | 685,017                             |
| Purchase, Parts & Supplies               | 550,455                             | 360,818                             |
| Direct Labour & Overhead                 | <u>141,874</u>                      | <u>101,080</u>                      |
| <b>TOTAL INVENTORY</b>                   | <b>1,544,293</b>                    | <b>1,146,915</b>                    |
| Less Ending Inventory                    | <u>972,243</u>                      | <u>720,556</u>                      |
| Cost of Goods Sold                       | 572,050                             | 426,359                             |
| Commission                               | <u>106,414</u>                      | <u>48,322</u>                       |
| <b>Cost of Goods Sold and Commission</b> | <b><u>678,464</u></b>               | <b><u>474,681</u></b>               |

1. Analysis of expenses and deferred costs – See Schedule C and Financial Statements
2. Related party transactions – See Schedule C and Financial Statements (Note 8)
3. Summary of Securities issued and options granted during the period

a) Securities issued – See Schedule C and Financial Statements (Note 7)

b) Options granted – See Schedule C and Financial Statements (Note 7). Options outstanding end of period:

| <u>Name</u> | <u>Number</u> | <u>Expiration date</u> |
|-------------|---------------|------------------------|
| Nil         | <u>Nil</u>    | N/A                    |
|             | <u>Nil</u>    |                        |

4. a) Description of authorized share capital – See Financial Statements (Note 7)
- b) Number and recorded value for shares issued and outstanding – See Financial Statements (Note 7)
- c) Description of options and warrants – See Financial Statements (Note 7)
- d) Number of shares subject to escrow – See Financial Statements (Note 7)

5. List of Directors:

Terence A. Ibbetson  
 James L. Swanson  
 Vincent L. Ready  
 Eric J. Harris  
 Gordon E. Cook (appointed after June 30, 2004)

6. List of Officers

Gloria J. Gordon, Controller  
 Terence A. Ibbetson, President  
 Rosalind C. Nishi, Administration Manager  
 James L. Swanson, Chairman  
 Andrew M. Ibbetson, Vice-President, General Manager UK

## SCHEDULE C - MANAGEMENT DISCUSSION & ANALYSIS

### 1.0 This report includes information up to November 4, 2004

#### 1.1 CON-SPACE Business

The Company, CON-SPACE Communications Ltd, a Tier 1 issuer listed on the TSX Venture Exchange (CCB on VSX-V), is engaged primarily in the development, design, manufacture and marketing of various lines of specialized industrial voice communication products. Many of its products are used in confined spaces, noisy, and hazardous work environments; while others are used to simplify and improve communication through two-way radios. Its products consist of Hardline Intercom Systems, Two-way Radio Accessory equipment and specialized noise attenuation headsets. The company maintains a detailed web site at [www.con-space.com](http://www.con-space.com).

CON-SPACE business is conducted worldwide through internationally incorporated subsidiaries, international divisions and domestically incorporated companies and independent distributors. The immediate company consists of:

- CON-SPACE Communications Ltd – Canadian Parent Public Company
- CON-SPACE Communications Inc – Wholly owned US Subsidiary
- CON-SPACE Communications (UK) Ltd – Wholly owned UK Subsidiary
- CON-SPACE Technologies Inc – Wholly owned Canadian Subsidiary
- CON-SPACE International – Wholly owned Canadian Division

The Company is **ISO-9001:2000 Certified** and supplies its communication products to general industry, fire departments, law enforcement, rescue teams and many military organizations. All branches of the military within the United States as well as many militaries around the world are major customers of the Company.

The Company also has a growing number of OEM (Original Equipment Manufacturers) customers that have CON-SPACE products built and Private Labeled to their specifications, which they market to their customers under their own label. This expanding OEM business is part of the Company's long-term growth strategy.

All consolidated financials are reported in Canadian Currency in accordance with the Canadian "Generally Accepted Accounting Procedures". See Notes to Consolidated Financial Statements (Note 2) in the Company's Annual Report for a more detailed explanation. An Annual Information Form (AIF) is filed on SEDAR each year in October. See [www.sedar.com](http://www.sedar.com) or [www.con-space.com](http://www.con-space.com).

The Company concentrates its efforts on both increasing sales and maintaining tight control on operating expenses. The net effect is a positive steady reduction of Long-Term Liabilities and an increase in Total Asset.

"Forward-looking" statements in this document involve risks and uncertainties associated with, among others, economic, industry conditions, technological

development, and competition and should not be relied upon as actual results may differ materially from those projected.

## 2.0 Selected Annual Information - June 30, 2004

The Company Annual Sales continues to increase with further increases in profitability and earnings per share. Efforts remain in place to continue the following pattern of increasing Sales, Assets, and Earnings while paying down the Long-Term Liabilities.

### 2.1 Annual Financial Summary (\$x1000 except for EPS and DPS)

|                              | <u>June 30, 2004</u> | <u>June 30, 2003</u> | <u>June 30, 2002</u> |
|------------------------------|----------------------|----------------------|----------------------|
| <b>Net Sales</b>             | \$ 5,529,547         | \$ 4,787,117         | \$ 3,176,903         |
| <b>Net Income (Loss)</b>     | \$ 698,214           | \$ 779,315           | \$ 207,168           |
| <b>Net Earnings/Share</b>    | \$ 0.08              | \$ 0.09              | \$ 0.03              |
| <b>Net EPS Fully Diluted</b> | \$ 0.08              | \$ 0.09              | \$ 0.02              |
| <b>Total Assets</b>          | \$ 3,023,302         | \$ 2,291,991         | \$ 1,545,561         |
| <b>Long-Term Liability</b>   | \$ 87,100            | \$ 272,900           | \$ 533,522           |
| <b>Dividends per Share</b>   | \$ 0.00              | \$ 0.00              | \$ 0.00              |

### 2.2 Annual Financial Results of Operations

Fiscal 2004, ended June 30<sup>th</sup>, was a year of continued growth for CON-SPACE as all areas of the business expanded. Sales grew by 15.5 percent despite the general slump in the World Economy and the slowness of the American economy in particular. Overall assets of the Company increased by 31.9 percent while long-term debts decreased by 68.1 percent.

Total annual consolidated sales for the fiscal 2004 ended at \$5,529,547 compared to \$4,787,117 a 15.5% increase. Gross profits for 2004, increased by 12.1% to \$2,598,772 from \$2,318,129 in 2004 while total operating expenses (including depreciation) increased by 14.4% or \$250,192 to \$1,982,386 compared to 2004's expenses of \$1,732,194.

The Company's net profit for the year ending June 30, 2004 was \$698,214 or \$0.08 per share, exceeding forecasted profits of \$631,825 and compared to the 2003 net profit of \$779,315 or \$0.09 per share. During the year, the Company's weighted average issued and outstanding share base increased from 8,468,580 common shares for 2003 to 9,258,150 common shares for 2004.

New records for sales during the 2004 fiscal year were set with not only the Company's traditional business, but also with the on-going growth of OEM (Original Equipment Manufacturer), 'Private Label' business and International business.

As 2003 and 2004 were strong growth years for CON-SPACE and this trend is expected to continue throughout 2005 and beyond. Even though challenges of a confused economy and a declining American dollar, management feels very positive about the overall prospects for continuing growth.

Corporate insurance costs have continued to increase as a result of terrorist events that have occurred worldwide during the past few years. Insurance costs in the year ended June 30, 2004 increased to \$98,990 from \$53,956 for 2003. It is interesting to note that 2002 insurance costs were \$22,230. The main area of increase is Liability Insurance and Director's and Officer's Insurance.

Accounting and Legal expenses increased to \$37,728 in 2004 from \$30,663 for 2003. This expense can be expected to continue its increase due to the new accounting and auditing requirements. Office supplies, computer, and rent expenses decreased by \$8,451 in 2004 due in part to the efforts to keep expenses down in spite of increased staffing and their related costs.

Expenses did increase in marketing efforts, the cost of advertising, travel and tradeshow increased by \$53,186 during 2004 over 2003.

Due to the relative strength of the Canadian dollar foreign exchange increased by a total of \$32,686 over 2003.

Long-term debts declined from \$272,900 at the end of 2003 to \$87,100 at the end of 2004, while overall interest expense increased by \$39,547 to \$129,442. This increase was a result of short-term loans to support material purchasing for large orders received during the year. Time spent on Research and Development declined during 2003 and therefore the expense increased from \$93,845 in 2003 to \$130,791 in 2004 as more time is going into the design and development on new products.

An amount of \$36,250 was spent in the preparation of documents for potential institutional investors, annual and quarterly reports, and investor relation's activities. This compares to an expense of \$33,125 for 2003. Regulatory and Filing Fees relate to filing, sustaining, SEDAR and legal fees totaled \$25,324 compared to \$23,189 for 2003.

Salaries, wages and benefits increased during the year from \$642,624 during 2003 to \$779,591 in 2004. This increase resulted from additional staff, benefits, and salary increases.

## **2.3 Annual Major Contracts**

The Company entered into a license agreement with Vital Sound, Inc. of the United States, to manufacture and distribute world wide, a new product called the "Vital Sound". Vital Sound, Inc. is the patent applicant holder for this devise and CON-SPACE did the design work on the product. Sales of this product began in April of 2002.

The company received a major order from the UK - Fire Inspectorate in January of this year for a total of CDN \$976,985. This order was shipped at the customer's request during the month of March and has since been fully paid.

The private labeling OEM (Original Equipment Manufacturer) business continues to grow with OVER 22 companies now purchasing from CON-SPACE. A new product, "the EZ-RADIOCOM II", was designed for Tyco-Scott is now in full production and shipping Tyco-Scott. More advanced versions of the EZ-RADIOCOM II are also under final design development for specific use by fire departments.

Other major projects with the US Navy continue to be worked on, including the use of the Company's equipment in Gas Free Environments. Eighteen pages of the new Navy and Marine training documentation are dedicated to the CON-SPACE equipment and its use.

The Company continues to work with the military and to actively solicit other OEM contracts.

## **2.4 Annual Financing and Use of Proceeds**

Employee stock options totaling \$17,640 for 126,000 common shares were exercised during the year. During the year, three directors exercised the remaining balance of 250,000 outstanding options for a value of \$35,000. These funds were used to increase the company's inventory and cover other operating expenditures. There were no private placements or other financing proceeds received during 2004.

## **2.5 Annual Investor Relations Activities**

During fiscal 2004, the Company contracted with QIS Capital Ltd., at a cost of \$2,500 per month, to assist in handling its Investor Relation activities. This arrangement was established in September of 2003. The Company feels it is now time to begin promoting itself as an investment opportunity to the investment market. The company also uses Agora Communications for News Release preparation and distribution, as well as Precision IR services to attracting new potential shareholders. Starting after the second quarter of 2003 the company also contracted with Fundamental Research Corp to provide a complete independent financial analysis of itself that could be upgraded after the end of each quarter and published to the general public and on SEDAR. This contract was to run for a year. Total expenditure for the year on Investor relations (which also includes the publication of the Annual and Quarterly Reports and the cost of the Annual General Meeting) equaled \$36,250.

## **2.6 Annual Related-Party Transactions**

The Company entered into a management agreement dated June 30, 1991 for management services at \$15,200 per month to Ridel Investments Ltd., a Company controlled by two directors. The Director's Compensation Committee approved and amended this management services agreement in July of 2003 to increase the remuneration to \$20,000 per month. This agreement is subject to an annual review by the Board of Directors.

There were no related party transactions other than in the normal business of selling products to different operating divisions for resale within their respective territories.

## **2.7 Annual Legal Proceedings, Contingent Liabilities, Defaults and Concerns with Working Capital**

Management is not aware of any current or pending legal proceedings, contingent liabilities nor is it in default of any of its contractual commitments, other than as presented herein.

Working capital has improved substantially in the two last years as the result of regular business increases and major orders. Expenses, however, remain under tight control as the Company concentrates on eliminating its long-term debt.

The Company has applied for and received approval in spring of 2003 for a three-year time-release of escrow shares.

The Company has an established \$500,000 line of credit with its bank.

## **2.8 Annual Relevant Items that may Impact the Company, Special Resolutions, Senior Management Changes, Acquisitions or Dispositions**

CON-SPACE Communications Ltd. was officially granted Tier 1 status on the TSX Venture exchange in January 2003. Tier 1 represents the Exchange's premier Tier and is reserved for the Exchange's most advanced Issuers.

CON-SPACE is recognized worldwide as the leading designer and manufacturer of specialized voice communication equipment used by Police, Fire, Rescue, Government Agencies, Militaries, Municipalities and general industry. The Company has distribution throughout North America, Great Britain, Australia, and parts of Asia, South America, and Europe. The Company also supplies many other manufacturers with Private Labeled products. Its products were used to make initial contact with nine trapped miners in the Pennsylvania coalmine disaster of July 2002 and successfully contributed to their rescue.

During fiscal 2000 a new Company, CON-SPACE Technologies Inc., was incorporated to take over all manufacturing as of July 1, 2000 but the actual date of start up has been postponed due an attempt to keep expenses to a minimum.

### 3.0 Summary of Quarterly Results – September 30, 2004

#### 3.1 Quarterly Financial Summary (\$x1000 except for EPS and DPS)

|                       | <u>2005</u> | <u>2004</u>           |                       |                       |                       | <u>2003</u>           |                       |                       |  |
|-----------------------|-------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|--|
|                       | <u>1st</u>  | <u>4<sup>th</sup></u> | <u>3<sup>rd</sup></u> | <u>2<sup>nd</sup></u> | <u>1<sup>st</sup></u> | <u>4<sup>th</sup></u> | <u>3<sup>rd</sup></u> | <u>2<sup>nd</sup></u> |  |
| Net Sales             | \$ 1,491    | 1,601                 | 1,951                 | 1,014                 | 964                   | 981                   | 1,886                 | 1,127                 |  |
| Net Income after tax  | \$ 170      | 271                   | 360                   | 56                    | 11                    | 23                    | 459                   | 240                   |  |
| Net Income Tax        | \$ 112      | 0                     | 0                     | 0                     | 0                     | 0                     | 0                     | 0                     |  |
| Net Earnings/Share    | \$ 0.02     | 0.03                  | 0.04                  | 0.01                  | 0.00                  | 0.00                  | 0.05                  | 0.03                  |  |
| Net EPS Fully Diluted | \$ 0.02     | 0.03                  | 0.04                  | 0.01                  | 0.00                  | 0.00                  | 0.05                  | 0.03                  |  |
| Total Assets          | \$2,937     | 3,023                 | 3,301                 | 2,291                 | 2,221                 | 2,292                 | 2,666                 | 1,768                 |  |
| Long-Term Liability   | \$ 51       | 87                    | 120                   | 153                   | 214                   | 273                   | 328                   | 418                   |  |
| Dividends per Share   | \$ Nil      | Nil                   | Nil                   | Nil                   | Nil                   | Nil                   | Nil                   | Nil                   |  |

#### 3.2 Quarterly Financial Results of Operations

The Company had sales of \$1,490,771 for the 1<sup>st</sup> quarter ended September 30, 2004 resulting in a pre-tax net profit of \$282,697 or \$0.03 per share and an after tax net profit of \$170,417 or \$0.02 per share. The 1<sup>st</sup> quarter sales represents a 54.7% increase over the \$963,518 reported for the same period a year ago.

The Company has continued to invest for growth in response to continued sales growth and demand for CON-SPACE products internationally, as well as, anticipated growth and demand for the foreseeable future, the Company continues to invest in an infrastructure that will be capable of meeting and servicing such growth; while at the same time controlling discretionary operating costs.

Operating expenses (excluding depreciation) for the 1<sup>st</sup> quarter increased by 5.3% to \$486,539 compared to last year's 1<sup>st</sup> quarter of \$461,862.

Net profit for the first quarter ended September 30, 2004, after taxes of \$112,280, closed at \$170,417 or \$0.02 per share, compared to last year's first quarter net profit of \$11,073 or \$0.00 per share.

The Company has continues to invest its profits back into the business for the development of the long-term accelerating growth. This shows in the increasing expenses. Nonetheless, CON-SPACE still produced a total of 3 cents per share net profit pre-tax. The Company fully expects to be in a taxable position from here on in.

### **3.3 Quarter Major Expenses, Accounts Receivables, Inventory, and any unusual variances to Sales, Cost of Goods Sold, Foreign Exchange or Amortization**

Corporate liability insurance costs have continued to increase during the past three years as a result of the terrorist events that have occurred worldwide since 9/11. Insurance costs in the quarter ended September 30, 2004 remained constant at \$15,353 as compared to last year's \$15,670 for the same period. The renewal of CON-SPACE's product liability insurance in October, 2004 will result in an expected minimum increase of 13.5% to \$65,800 per annum.

Office supplies, computer, and rent expenses decreased \$3,905 during the first quarter of 2005 to \$31,263. This compares to \$35,168 for the previous year.

The cost of advertising, travel, and tradeshow's decreased by \$8,031 to \$35,612 during the 1<sup>st</sup> quarter, as compared to the same period's previous year total of \$43,643. Of the first quarter advertising expense of \$30,859, \$11,005 was spent on investor relation's activities; as compared to the first quarter last year during which \$13,924 was spent on investor relations from a total of \$37,517 in advertising.

Research and Development expense has decreased \$25,773 in the first quarter 2005 to a total of \$19,105, as compared to \$44,878 for the same period in 2004. The majority of this decrease represents a decrease in engineering time allocated to support new product development.

Public Company Expenses related to filing, sustaining, SEDAR and legal fees for the 1<sup>st</sup> quarter increased \$11,683 to \$16,878 as compared to \$5,195 for the same quarter last year. The majority of this change is the result of compensation costs related to the directors and audit committee members for their increased governance responsibilities.

Salaries, wages and benefits increased for the quarter ending September 30, 2004 to \$216,103 as compared to \$156,420 for the same period previous year. This increase is the result of additional staff requirements to meet continued sales growth, their related benefits, and salary increases.

### **3.4 Quarterly Economic Factors Affecting Company**

The Company continues to deal with the effects of a declining American Dollar that has the effect of reducing reportable sales as most of the Company's sales are in US dollars. The Company reacted appropriately and put into effect a price increase at the beginning of December 2003. It is expected that a further increase will occur by January 1, 2005. To date there has been no negative reaction to the price increase.

### **3.5 Quarterly Major Contracts Obtained or Cancelled**

The private labeling OEM business continues to grow with the increasing supply of products for customers like Tyco-Scott and their new "EZ-RADIOCOM II" which was designed by the Company specifically for Tyco-Scott.

So far this year, Audiopack Technologies Inc., a United States manufacturer of electronic communication equipment, has become a new OEM customer of the Company. The Company now manufactures "Private Labeled" product for a growing number of manufactures.

Many other major projects with various customers, including militaries and government agencies, police forces and fire departments continue to progress. This area is a rapidly growing in sales and reputation.

### **3.6 Quarterly Financing and Use of Proceeds**

On July 8, 2004, 397,500 common shares held in escrow were released for trading, with the next expected release January 8, 2005.

Warrants totaling \$4,500 or 10,000 shares were exercised in the 1st quarter of 2005.

These funds were added to the regular working capital of the Company for use in R&D, inventory increases and product promotional activities. The Company continues its search for additional working capital.

### **3.7 Quarterly Investor Relations Activities**

In September of 2003 the Company contracted with Quinton Investment Services Corp., <http://www.qiscapital.com>, out of Kamloops, B.C., at a cost of \$2,500 per month, to assist in handling its Investor Relation activities. This activity continues.

The Company also uses the services of Agora.com at <http://www.agoracom.com> for writing and disseminating its news releases at a cost of \$1,250.00 per month during the 1st Quarter 2005. Agora also hosts a Bullboard on CON-SPACE, and may be found at <http://www.agoracom.com>, as does Stockhouse at <http://stockhouse.com>.

The Company also uses Precision IR, an Annual Report Service, to widen its distribution of the Annual Report and to attract the attention of potential investors. The cost of this service varies depending on the number of inquiries received.

As the Management of the Company feel it is extremely important to provide its shareholders, investment institutions, and the general investing public a complete and unbiased evaluation of the Company and therefore contracted with Fundamental Research Corp. to provide an initial evaluation and 4 following quarterly evaluations on the Company and its business. Their reports may be found at <http://www.fundamentalresearchcorp.com/PDF/ccbye2004.pdf>.

News Releases, News Letters, and various other information items are regularly e-mailed to every requesting party. You may be added to that list by sending your name and email address to [invest@con-space.com](mailto:invest@con-space.com).

Finally, all information known to be published about the company may be found on its website at <http://www.con-space.com>.

### **3.8 Quarterly Related Party Transactions**

The has a management agreement for management services at \$20,000 per month with Ridel Investments Ltd., a Company controlled by two directors.

There were no related party transactions other than in the normal business of selling products to different operating divisions for resale within their respective territories.

### **3.9 Quarterly Legal Proceedings, Contingent Liabilities, Defaults and concerns with Working Capital**

Management is not aware of any current or pending legal proceedings, contingent liabilities nor is it in default of any of its contractual commitments, other than as presented herein.

Working capital has improved substantially in the last year as the effects of major orders concluded during the year and the respective accounts receivable have been collected. However, expenses continue to increase for research and development, growth of manufacturing staff and sales promotional activities.

The Company increased its line of credit to \$500,000 with its bank and arranged for the availability of an additional \$200,000 for major order manufacturing in September of 2004. The Company is currently in negotiations with the Bank of Montreal to increase its line of credit to \$1,000,000; along with additional funds for the acquisition of capital assets.

### **3.10 Quarterly Other Relevant Items that may impact the Company, Special Resolutions, Senior Management Changes, Acquisitions or Dispositions**

The management of the Company believes in and follows the intent of the new multi-lateral continuous disclosure requirements. As such, new procedures for the Board of Directors, Continuous Disclosure, Audit Committee, and the Compensation Committee have been or are being written and passed into policy.

These items are expected to be completed prior to the next Annual General Meeting scheduled for November 10, 2004.

In a further attempt to meet the new requirements this document is in the process of alteration to comply with the new MD & A guidelines.

#### **4.0 Items Subsequent to the Period Close**

**4.1** The Company has been informed by its bank, the Bank of Montreal, that it is in the final stages of approving an increase the line of credit to \$1,000,000; along with additional funds for the acquisition of capital assets to the extent of a further \$250,000.

**CON-SPACE COMMUNICATIONS LTD.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004 AND 2003**

**(IN CANADIAN DOLLARS)**

**These Interim Financial Statements have not been reviewed by the Corporate Auditors**

## CON-SPACE COMMUNICATIONS LTD.

CONSOLIDATED BALANCE SHEET SEPTEMBER 30, 2004 & JUNE 30, 2004  
(Prepared by Management and not reviewed by Corporate Auditors)

|                                       | Sept 30<br>2004<br>\$ | June 30<br>2004<br>\$ |
|---------------------------------------|-----------------------|-----------------------|
| <b>ASSETS</b>                         |                       |                       |
| <b>CURRENT ASSETS</b>                 |                       |                       |
| Cash                                  | 343,973               | 522,820               |
| Accounts Receivable (Note 9)          | 944,253               | 847,278               |
| Inventory (Note 4)                    | 972,243               | 851,964               |
| Prepaid Expenses                      | 44,047                | 54,238                |
| Future Income Tax Assets              | 221,803               | 221,803               |
|                                       | 2,526,319             | 2,498,103             |
| <b>CAPITAL ASSETS (Note 5)</b>        | 199,338               | 206,086               |
| <b>DEMO INVENTORY</b>                 | 201,598               | 196,361               |
| <b>INCOME TAX RECOVERIES</b>          | 10,472                | 122,752               |
|                                       | 2,937,727             | 3,023,302             |
| <b>LIABILITIES</b>                    |                       |                       |
| <b>CURRENT LIABILITIES</b>            |                       |                       |
| Accounts Payable                      | 288,210               | 499,782               |
| Bank Indebtedness (Note 9)            | 408,496               | 393,481               |
| Corporate Taxes Payable               | 14,589                | 18,625                |
| Current Portion LTD (Note 10)         | 158,567               | 182,466               |
|                                       | 869,862               | 1,094,354             |
| <b>LONG TERM DEBT</b>                 |                       |                       |
| Loan (Note 10)                        | 51,100                | 87,100                |
|                                       | 920,962               | 1,181,454             |
| <b>SHAREHOLDERS' EQUITY</b>           |                       |                       |
| <b>SHARE CAPITAL (Note 7)</b>         | 2,424,405             | 2,419,905             |
| <b>DEFICIT- Beginning of the year</b> | (578,057)             | (1,276,271)           |
| Earnings (Deficit)                    | 170,417               | 698,214               |
| End of period                         | (407,640)             | (578,057)             |
|                                       | 2,937,727             | 3,023,302             |
| <b>APPROVED BY THE DIRECTORS</b>      |                       |                       |

*Terence A. Ibbetson*

T. A. Ibbetson, President

*James L. Swanson*

James L. Swanson, Chairman

- See Accompanying Notes

## CON-SPACE COMMUNICATIONS LTD.

### CONSOLIDATED INCOME STATEMENT

FOR THE PERIODS ENDED SEPTEMBER 30, 2004 & SEPTEMBER 30, 2003

(Prepared by Management and not reviewed by Corporate Auditors)

|                              | 3 months<br>ended Sept<br>30, 2004<br>\$ | YTD<br>ended Sept<br>30, 2004<br>\$ | 3 months<br>ended Sept<br>30, 2003<br>\$ | YTD<br>ended Sept<br>30, 2003<br>\$ |
|------------------------------|--|-------------------------------------|--|-------------------------------------|
| SALES                        | 1,490,771                                | 1,490,771                           | 963,518                                  | 963,518                             |
| COST OF GOODS SOLD           | <u>678,464</u>                           | <u>678,464</u>                      | <u>474,681</u>                           | <u>474,681</u>                      |
| GROSS MARGIN                 | 812,307                                  | 812,307                             | 488,837                                  | 488,837                             |
| OTHER INCOME - Other         | ---                                      | ---                                 | ---                                      | ---                                 |
| - Foreign Exchange           | (30,294)                                 | (30,294)                            | (3,369)                                  | (3,369)                             |
|                              | <u>782,013</u>                           | <u>782,013</u>                      | <u>485,468</u>                           | <u>485,468</u>                      |
| <b>OPERATING EXPENSES</b>    |  |                                     |  |                                     |
| Accounting and Legal         | 9,578                                    | 9,578                               | 7,842                                    | 7,842                               |
| Advertising and Promotion    | 30,859                                   | 30,859                              | 37,517                                   | 37,517                              |
| Bad Debts                    | (275)                                    | (275)                               | 171                                      | 171                                 |
| Insurance                    | 15,353                                   | 15,353                              | 15,670                                   | 15,670                              |
| Interest and Service Charges | 28,188                                   | 28,188                              | 37,672                                   | 37,672                              |
| Management & Consulting Fees | 48,000                                   | 48,000                              | 47,250                                   | 47,250                              |
| Miscellaneous                | 35                                       | 35                                  | (299)                                    | (299)                               |
| Office Rent                  | 14,824                                   | 14,824                              | 17,531                                   | 17,531                              |
| Office Supplies & Computer   | 16,439                                   | 16,439                              | 17,637                                   | 17,637                              |
| Postage and Courier          | 6,638                                    | 6,638                               | 4,227                                    | 4,227                               |
| R&D and Production Expenses  | 19,105                                   | 19,105                              | 44,878                                   | 44,878                              |
| Regulatory and Filing Fees   | 16,878                                   | 16,878                              | 5,195                                    | 5,195                               |
| Salaries, Wages and Benefits | 216,103                                  | 216,103                             | 156,420                                  | 156,420                             |
| Telephone                    | 8,467                                    | 8,467                               | 8,169                                    | 8,169                               |
| Travel and Accommodation     | 18,319                                   | 18,319                              | 25,636                                   | 25,636                              |
| Trade Shows                  | 17,293                                   | 17,293                              | 18,007                                   | 18,007                              |
| Utilities                    | 1,035                                    | 1,035                               | 837                                      | 837                                 |
| Repair & Maintenance         | 4,411                                    | 4,411                               | 2,908                                    | 2,908                               |
| Vehicle Expenses             | <u>15,289</u>                            | <u>15,289</u>                       | <u>14,594</u>                            | <u>14,594</u>                       |
|                              | 486,539                                  | 486,539                             | 461,862                                  | 461,862                             |
| OPERATING INCOME (LOSS)      | 295,474                                  | 295,474                             | 23,606                                   | 23,606                              |
| DEPRECIATION/AMORTIZATION    | (12,777)                                 | (12,777)                            | (12,533)                                 | (12,533)                            |
| CORPORATE TAX EXPENSE        | <u>(112,280)</u>                         | <u>(112,280)</u>                    | ---                                      | ---                                 |
| NET INCOME (LOSS)            | 170,417                                  | 170,417                             | 11,073                                   | 11,073                              |
| DEFICIT, BEGINNING OF PERIOD | <u>(578,057)</u>                         | <u>(578,057)</u>                    | <u>(1,276,271)</u>                       | <u>(1,276,271)</u>                  |
| DEFICIT, END OF PERIOD       | <u>(407,640)</u>                         | <u>(407,640)</u>                    | <u>(1,265,198)</u>                       | <u>(1,265,198)</u>                  |
| OPERATING INCOME PER SHARE   | <u>0.03</u>                              | <u>0.03</u>                         | <u>0.00</u>                              | <u>0.00</u>                         |
| NET INCOME PER SHARE         | <u>0.02</u>                              | <u>0.02</u>                         | <u>0.00</u>                              | <u>0.00</u>                         |

- See Accompanying Notes

# CON-SPACE COMMUNICATIONS LTD.

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIODS ENDED SEPTEMBER 30, 2004 & SEPTEMBER 30, 2003

(Prepared by Management and not reviewed by Corporate Auditors)

|  | 3 months<br>ended Sept<br>30, 2004<br>\$ | YTD<br>ended Sept<br>30, 2004<br>\$ | 3 months<br>ended Sept<br>30, 2003<br>\$ | YTD<br>ended Sept<br>30, 2003<br>\$ |
|--|--|-------------------------------------|--|-------------------------------------|
| <b>CASH PROVIDED BY (USED FOR)</b>         |  |                                     |  |                                     |
| <b>OPERATING ACTIVITIES</b>                |  |                                     |  |                                     |
| NET PROFIT (LOSS)                          | 170,417                                  | 170,417                             | 11,073                                   | 11,073                              |
| Add Non-Cash Items                         |  |                                     |  |                                     |
| Depreciation & Amortization                | 12,777                                   | 12,777                              | 12,533                                   | 12,533                              |
| Corporate Tax Expense                      | 112,280                                  | 112,280                             | ---                                      | ---                                 |
|  | 295,474                                  | 295,474                             | 23,606                                   | 23,606                              |
| Net changes in non-cash operating accounts |  |                                     |  |                                     |
| Accounts Receivable                        | (96,974)                                 | (96,974)                            | 5,937                                    | 5,937                               |
| Inventory                                  | (120,279)                                | (120,279)                           | (35,539)                                 | (35,539)                            |
| Prepaid Expenses                           | 10,191                                   | 10,191                              | (1,203)                                  | (1,203)                             |
| Accounts Payable                           | (215,608)                                | (215,608)                           | (60,748)                                 | (60,748)                            |
| Operating Bank Loan                        | 15,015                                   | 15,015                              | 36,690                                   | 36,690                              |
|  | (112,181)                                | (112,181)                           | (31,257)                                 | (31,257)                            |
| <b>INVESTING ACTIVITIES</b>                |  |                                     |  |                                     |
| Acquisition of Capital Assets              | (6,029)                                  | (6,029)                             | (9,182)                                  | (9,182)                             |
| Increase in Demo Inventory                 | (5,238)                                  | (5,238)                             | (3,317)                                  | (3,317)                             |
|  | (11,267)                                 | (11,267)                            | (12,499)                                 | (12,499)                            |
| <b>FINANCING ACTIVITIES</b>                |  |                                     |  |                                     |
| Deferred Financing Costs                   | ---                                      | ---                                 | ---                                      | ---                                 |
| Loan Long Term                             | (59,899)                                 | (59,899)                            | (66,204)                                 | (66,204)                            |
| Issuance of Share Capital                  | 4,500                                    | 4,500                               | 8,260                                    | 8,260                               |
|  | (55,399)                                 | (55,399)                            | (57,944)                                 | (57,944)                            |
| <b>INCREASE (Decrease) IN CASH</b>         | (178,847)                                | (178,847)                           | (101,700)                                | (101,700)                           |
| CASH, Beginning in period                  | 522,820                                  | 522,820                             | 391,925                                  | 391,925                             |
| CASH, End of period                        | 343,973                                  | 343,973                             | 290,225                                  | 290,225                             |

- See Accompanying Notes

**CON-SPACE COMMUNICATIONS LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED SEPTEMBER 30, 2004 AND 2003**  
**(IN CANADIAN DOLLARS)**

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**1. NATURE OF OPERATIONS**

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The Company is engaged in the development, manufacture and marketing of lines of industrial safety communications products for use in hazardous and confined spaces. Business is conducted through domestic and international divisions and subsidiaries. The Company supplies industry, government, fire departments, rescue teams and the military.

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**2. SIGNIFICANT ACCOUNTING POLICIES**

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a) Principles of consolidation

These financial statements include the accounts of the Company and its wholly-owned subsidiaries, CON-SPACE TECHNOLOGIES INC., CON-SPACE COMMUNICATIONS INC., and CON-SPACE COMMUNICATIONS (U.K.) LTD. As at the report date, CON-SPACE TECHNOLOGIES INC. is inactive. All significant intercompany balances, revenue and expenditures have been eliminated.

b) Inventories

Inventories are recorded at the lower of cost or net realizable value. Cost is determined on the first-in, first-out basis. The Company uses certain inventory for demonstration purposes. Demonstration inventory is recorded at the lower of cost or net realizable value and has been reported on the balance sheet as a long-term asset.

c) Amortization of property plant and equipment

Amortization is provided at the following annual rates. (Except in the year of purchase in which the Company uses ½ the normal rate.)

|                          |   |
|--------------------------|---|
| Tools and test equipment | 20% Declining balance                             |
| Furniture and equipment  | 20% Declining balance                             |
| Computer equipment       | 30% Declining balance                             |
| Software                 | 30% Declining balance                             |
| Trademarks and licenses  | Straight line over life of trademark and licenses |
| Leasehold improvements   | Straight line over five years                     |

d) Long-lived assets

The carrying value of long-lived assets, which includes property, plant and equipment and demonstration inventory, is reviewed for impairment whenever events or circumstances indicate the recoverable value may be less than the carrying amount. Recoverable value is based on estimates of undiscounted future net cash flows expected to be recovered from specific assets or groups of assets through use or future disposition. Impairment charges are recorded in the period in which determination of impairment is made by management.

**CON-SPACE COMMUNICATIONS LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**YEARS ENDED SEPTEMBER 30, 2004 AND 2003  
(IN CANADIAN DOLLARS)**

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**2. SIGNIFICANT ACCOUNTING POLICIES - CONT'D**

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e) Product development

Development costs for product that have not yet gone into commercial production, including allocations for related administration and overhead are recorded as period costs.

f) Foreign exchange

The Company's functional currency is the Canadian dollar.

Balance sheet items denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the balance sheet date for monetary items and at exchange rates in effect at the transaction rate for non-monetary items. Income statement items are translated at actual rates or average rates prevailing during the year. Currency exchange gains and losses are charged to income as realized. The operations of the Company's subsidiaries are considered to be integrated with that of the parent; accordingly, the financial statements of the subsidiaries have been translated into Canadian dollars using the temporal method as describe above.

g) Trademarks

The Company has registered trademarks in Canada and the United States consisting of **CON-SPACE**, **Safety in Communication** and the **CON-SPACE** logo. **CON-SPACE** has also been registered in Australia. The costs of registration have been capitalized and are being amortized over the expected life of the trademarks.

h) Cost of sales

Cost of sales includes materials, labor and overhead costs associated with the manufacture of the Company's products.

i) Earnings per share

Earnings per share is calculated using the weighted average number of shares outstanding during the year.

Diluted earnings per share is calculated using the treasury stock method, which assumes that any proceeds obtained upon exercise of options would be used to purchase common shares at average market price during the period.

j) Related party transactions

Related party transactions, including expenses paid to directors, officers or companies controlled by directors and officers, are recorded at their exchange amounts.

**CON-SPACE COMMUNICATIONS LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED SEPTEMBER 30, 2004 AND 2003**  
**(IN CANADIAN DOLLARS)**

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**2. SIGNIFICANT ACCOUNTING POLICIES - CONT'D**

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k) Measurement uncertainty

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 disclosure of contingent assets and liabilities to the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to allocation of overhead and other indirect costs to cost of sales and inventory, the allocation of direct costs to research and development expense, the determination of impairment of assets and useful lives for depreciation and amortization, future income tax valuation allowance and the determination of fair value for stock-based awards and compensation. Financial results as determined by actual events could differ from those estimates.

l) Risk management

Currency risk

The Company's customers are primarily outside of Canada. The Company does not hedge its foreign currency exposure and accordingly may be at risk for foreign currency price fluctuations. As at the year end, approximately \$315,500 of the cash balance was denominated in pounds sterling and held in the Company's UK subsidiary and approximately \$270,000 of the cash balance was denominated in United States dollar. In addition, approximately \$520,000 of the accounts receivable balance and \$280,000 of the accounts payable balance is denominated in United States dollar and British Pound Sterling.

Credit risk

The Company is potentially exposed to concentration of credit risks as approximately 54% of sales are to 6 foreign customers. Credit risk is managed by dealing only with customers whose credit standing meet internally approved policies, and by ongoing monitoring of credit risk. As at the year end, the Company did not have significant concentrations of credit exposure to individual customers or related groups of customers.

Interest rate risk

The Company is potentially exposed to interest rate risk as the majority of short-term and long-term loans have floating interest rates. **(See Notes 9 and 10).**

m) Future income taxes

The liability method of tax allocation is used in accounting for income taxes. Under this method an enterprise would recognize a future income tax liability whenever recovery or settlement of the carrying amount of an asset or liability would result in future income tax outflows. Similarly, an enterprise would recognize a future income tax asset whenever recovery or settlement of the carrying amount of an asset or liability would generate future income tax reductions. In the case of unused tax losses, income tax reductions, and certain items that have a tax basis but cannot be identified with an asset or liability on the balance sheet, the recognition of future income tax benefits is determined by reference to the likely realization of a future income tax reduction.

**CON-SPACE COMMUNICATIONS LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2004 AND 2003  
(IN CANADIAN DOLLARS)**

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**2. SIGNIFICANT ACCOUNTING POLICIES - CONT'D**

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n) **Stock-based compensation**

The Company grants stock options to executive officers, directors, employees and consultants. The Company records all awards made using a fair value method. All awards to employees and non-employees are expensed in the period of granting, vesting or pricing revision.

The fair value of options and other stock based awards to employees or consultants, issued or altered in the period, are determined using the Black-Scholes option pricing model.

o) **Revenue recognition**

Product sales revenue is recognized upon shipment to outside customers.

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**3. FINANCIAL INSTRUMENTS**

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The fair values of the Company's cash, accounts receivable, bank indebtedness and accounts payable approximate their carrying amounts due to their immediate or short-term maturity.

The carrying amounts for long-term debts approximate fair values based on financing terms currently available to the Company on the measurement dates.

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**4. INVENTORIES**

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|                    | <u>2004</u>    | <u>2003</u>    |
|--------------------|----------------|----------------|
|                    | <u>\$</u>      | <u>\$</u>      |
| Parts and supplies | 413,007        | 294,976        |
| Work in progress   | 349,099        | 216,182        |
| Finished goods     | 210,137        | 209,398        |
|                    | <u>972,243</u> | <u>720,556</u> |

(See Note 9)

**CON-SPACE COMMUNICATIONS LTD.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2004 AND 2003  
(IN CANADIAN DOLLARS)

**5. CAPITAL ASSETS**

| Accumulated                      | 2004           |                |                | 2003           |
|----------------------------------|----------------|----------------|----------------|----------------|
|                                  | Cost           | Amortization   | Net            | Net            |
| Tools and test equipment         | 204,606        | 121,418        | 83,188         | 57,747         |
| Furniture and equipment          | 117,040        | 95,332         | 21,708         | 26,289         |
| Computer equipment               | 152,267        | 124,508        | 27,759         | 21,255         |
| Software                         | 72,789         | 55,075         | 17,714         | 22,229         |
| Trademarks, patents and licenses | 86,910         | 46,112         | 40,798         | 66,719         |
| Leasehold improvements           | 43,856         | 35,685         | 8,171          | 8,328          |
|                                  | <u>677,468</u> | <u>478,130</u> | <u>199,338</u> | <u>202,567</u> |

**6. PRODUCT DEVELOPMENT COSTS**

Product development was primarily for enhancements to existing lines. Accordingly, research and development costs as detailed below have been charged to current year operations.

|                  | 2004          | 2003          |
|------------------|---------------|---------------|
|                  | \$            | \$            |
| Administration   | 94            | 810           |
| Labor            | 10,381        | 35,813        |
| Safety approvals | 8,630         | 8,255         |
|                  | <u>19,105</u> | <u>44,878</u> |

**CON-SPACE COMMUNICATIONS LTD.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2004 AND 2003  
(IN CANADIAN DOLLARS)

**7. SHARE CAPITAL**

- a) The authorized capital of the Company consists of 175,000,000 shares divided into:
- i) 50,000,000 common shares without par value
  - ii) 20,000,000 second common shares without par value
  - iii) 5,000,000 Class "A" preferred shares with a par value of \$0.001 per share
  - iv) 100,000,000 Class "B" preferred shares with a par value of \$1.00 each

|                            |                  |                  |                  |                  |
|----------------------------|------------------|------------------|------------------|------------------|
| b) Issued                  | <u>2005</u>      |                  | <u>2004</u>      |                  |
|                            | # of<br>Shares   | \$               | # of<br>Shares   | \$               |
| <b>Common</b>              |                  |                  |                  |                  |
| Balance, beginning of year | 9,485,980        | 2,419,905        | 9,109,980        | 2,367,265        |
| Issued during year:        |                  |                  |                  |                  |
| Private placement i)       |                  |                  |                  |                  |
| - shares                   | -                | -                | -                | -                |
| - warrants (437,000)       | 10,000           | 4,500            | -                | -                |
| Options ii)                | -                | -                | 376,000          | 52,640           |
| Finance fee iii)           | -                | -                | -                | -                |
| Share issue costs          | -                | -                | -                | -                |
|                            | <u>9,495,980</u> | <u>2,424,405</u> | <u>9,485,980</u> | <u>2,419,905</u> |

- i) During the first quarter of fiscal 2005, 10,000 warrants at \$0.45 per share were exercised for a total of \$4,500.
- ii) 2004:  
During the 2004 fiscal year the Company issued a total of 376,000 common shares at \$0.14 per share from the exercise of stock options for total proceeds of \$52,640. 59,000 or \$8,260 were in the first quarter ending September 30, 2004.

**CON-SPACE COMMUNICATIONS LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2004 AND 2003  
(IN CANADIAN DOLLARS)**

**7. SHARE CAPITAL – CONT'D**

c) Share purchase warrants outstanding are as follows:

|                                     | <u>Number<br/>of warrants</u> | <u>Weighted<br/>average<br/>exercise<br/>Price</u> |
|-------------------------------------|-------------------------------|--|
| Outstanding, beginning of year      | 437,000                       | 0.66   |
| Exercised - 1 <sup>ST</sup> quarter | <u>10,000</u>                 |  |
| Outstanding, September 30, 2004     | <u><u>427,000</u></u>         | <u><u>0.66</u></u>                                 |

| <u>Outstanding<br/>Warrants</u> | <u>Exercise<br/>Price</u> | <u>Expiry<br/>Date</u> |
|---------------------------------|---------------------------|------------------------|
| 237,000                         | 1.00                      | March 19, 2005         |
| <u>190,000</u>                  | 0.45                      | February 25, 2005      |
| <u><u>427,000</u></u>           |                           |                        |

**CON-SPACE COMMUNICATIONS LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED SEPTEMBER 30, 2004 AND 2003**  
**(IN CANADIAN DOLLARS)**

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**7. SHARE CAPITAL – CONT'D**

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e) Escrow and restricted shares

2,650,000 common shares were held in escrow subject to release in accordance with the policies of the TSX Venture Exchange. As the Company is classified as a Tier 1 issuer, the release of escrow shares is as follows:

- 5% on December 20, 2002
- 20% on July 14, 2003
- 15% on January 8, 2004, July 8, 2004, January 8, 2005, July 8, 2005 and January 8, 2006.

During the 2004 fiscal year 927,500 (2003 – 132,500) shares held in escrow were released. As at the year end, 1,590,000 shares were held in escrow.

On July 8, 2004 a further 397,500 common shares held in escrow were released. At the end of the first quarter of fiscal 2005, 1,060,000 shares remain in escrow.

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**8. RELATED PARTY TRANSACTIONS**

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The Company approved and amended a management services agreement originally dated June 30, 1991 for the provision of management services. Under the terms of the amended agreement, the remuneration for management services increased to \$20,000 per month (2003 - \$15,000 per month) payable to Ridel Investments Ltd., a private company controlled by two directors. This agreement is subject to an annual review by the Board of Directors. Total management fees charged to income in the 2004 were \$240,000 (2003 - \$192,400).

The management compensation contract for 2005 is currently under review by the management compensation committee.

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**9. BANK INDEBTEDNESS**

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|                   | <u>2004</u>    | <u>2003</u>    |
|-------------------|----------------|----------------|
|                   | <u>\$</u>      | <u>\$</u>      |
| Bank indebtedness | <u>408,496</u> | <u>365,777</u> |

Bank indebtedness consists of a \$500,000 operating line of credit bearing interest at the bank's prime rate plus 1.375% and is secured by a general security agreement covering all assets of the Company, direct security covering inventory and accounts receivable and an assignment of insurance proceeds on certain assets.

**CON-SPACE COMMUNICATIONS LTD.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2004 AND 2003  
(IN CANADIAN DOLLARS)

**10. LONG-TERM DEBT**

|   | 2004<br>\$ | 2003<br>\$ |
|---|------------|------------|
| <b>Government of Canada:</b>  |            |            |
| Western Economic Diversification  |            |            |
| The loan was repaid during the year.  | -          | 48,938     |
| <b>Bank of Montreal: (See Note 9 for security information)</b>  |            |            |
| Demand loan bearing interest at prime plus 1.5%<br>monthly principal payments of \$1,667 due<br>October, 2004.  | 1,667      | 21,250     |
| <b>Business Development Bank of Canada:</b>   |            |            |
| Term loan with principal repayments as follows: 12 monthly<br>payments of \$11,000 commencing July 23, 2004; 6 monthly<br>payments of \$12,000 commencing July 23, 2005; \$15,100 on<br>January 23, 2006. Interest is payable monthly at 2% above<br>the bank's floating base rate. | 186,100    | 309,100    |
| Additional interest:<br>The Company is required to pay the bank monthly additional<br>interest in the form of royalty on sales equal to 0.7745% of<br>its gross consolidated sales beginning July 23, 1998.   |            |            |
| Term loan with principal repayments as follows: 6 payments of<br>\$7,300 commencing July 23, 2004. Interest on the outstanding<br>principal is payable monthly at 4% above the bank's floating<br>base rate. The loan is due in December, 2004.                                     | 21,900     | 106,800    |
| Additional interest:<br>The Company is required to pay the bank monthly additional<br>interest in the form of royalty on sales equal to 0.0517% of<br>gross consolidated sales. The additional interest is payable<br>until December 23, 2004 or until the loan has been repaid     |            |            |
| The loans from the Business Development Bank of Canada<br>are secured by a general security agreement over assets.  | 209,667    | 486,088    |
| Less: current portion   | 158,567    | 271,838    |
|   | 51,100     | 214,250    |

Estimated principal payments due in each of the next five fiscal years: \$

|                     |         |
|---------------------|---------|
| 2005                | 182,466 |
| 2006                | 87,100  |
| 2007 and thereafter | -       |
|                     | 269,566 |

**CON-SPACE COMMUNICATIONS LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2004 AND 2003  
(IN CANADIAN DOLLARS)**

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**11. COMMITMENTS**

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The Company has an operating lease commitment for office premises, requiring payments in each of the next five years as follows:

|      | <u>\$</u> |
|------|-----------|
| 2005 | 48,000    |
| 2006 | 48,000    |
| 2007 | 48,000    |

See subsequent events.

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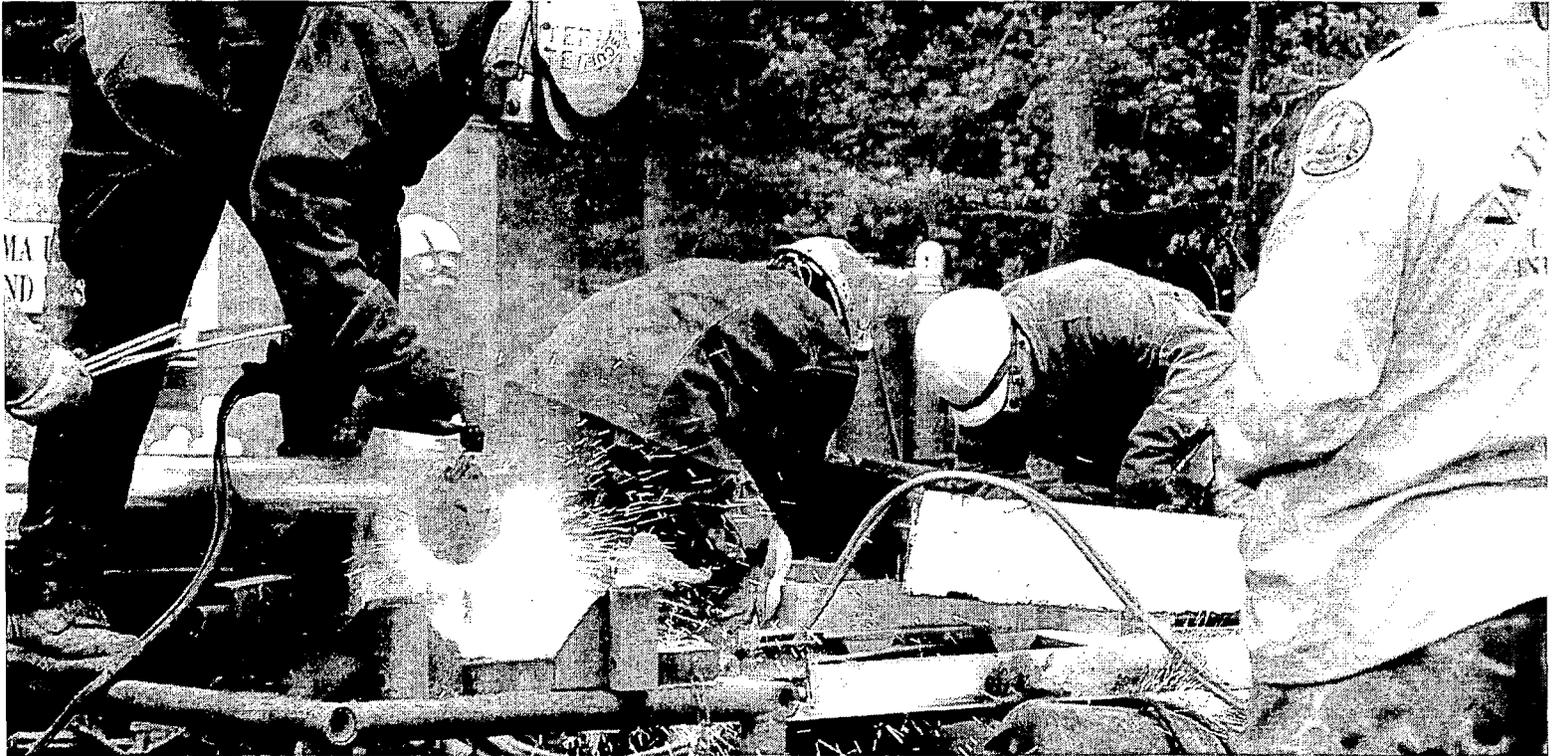
**12. SUBSEQUENT EVENTS**

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Negotiations are in process for the lease of additional manufacturing space, adjacent to the present location, for required expansion purposes. Occupancy is planned for the spring of 2005.

The Bank of Montreal has verbally agreed to an increase in the operating line to \$1,000,000 with an additional \$250,000 for capital asset acquisition. Finalization of the agreement is expected in the 2<sup>nd</sup> quarter of fiscal 2005.

2004 NOV 16 A 11:23

**LETTER FROM MANAGEMENT**

Historically the first quarter of our financial year is somewhat slow as it includes the holiday months of July and August. This year however, momentum has not slowed, in fact, it has increased. With sales growing 55% over last year's first quarter we are very encouraged with our future prospects. Plus, as we progress through the second quarter, our order rate remains strong.

Success is contagious and it has spread throughout the Company. We are happy to report that your Company is no longer struggling to be heard, no longer concerned with its day-to-day survival, and is no longer at the feet of the banks for support. CON-SPACE is doing very well, but is not planning to rest on its laurels.

We have a renewed focus on our future, while maintaining the strategy established years ago to first get our house in order and then build upon our strengths. So far this year the Company has contracted for a new all-inclusive purchasing, inventory and accounting system, one that handles multi companies and multi currencies. Further, to handle the high influx of orders and increased demands from our OEM customers, we are in process of a planned expansion of our Engineering and Manufacturing departments, which includes acquiring the space they will require.

The Company has reached the point where it is well established, strong and growing, it is therefore time to consider further expansion via acquisition.

As this year progresses it will be the intention of your management to look at potential corporate candidates that could fit into our long-term strategy.

We have always felt that we need to begin creating the future "now". With a solid 12 years of creating the future behind us, it is time to look to the next stage. We trust you will stay with us and believe you will be pleased with our future

As always, thank you for your support and we extend our best wishes to each and every one of you.

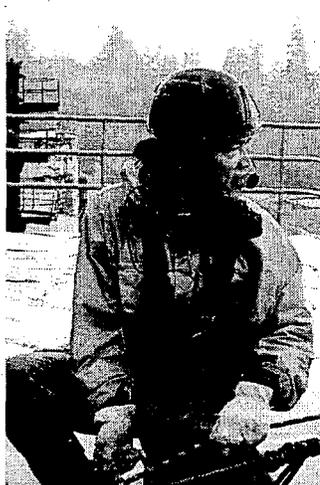


*Terry Ibbetson*  
&  
*Jim Swanson*

**INSIDE THIS ISSUE**

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**THE LATEST NEWS**



**CON-SPACE ON THE ROAD**

As it has done in past years, CON-SPACE once again attended the FEMA (Federal Emergency Management Agency) Structural Collapse training school in Virginia Beach, VA.

CON-SPACE Regional Sales Manager, George Laquian represented our Company this year and was on site to lend his expertise in the area of communication. He had the following comments to report:

"135 students, and 55 instructors attended this year's school. The students were divided into 18 squads, with each squad going through a fourteen-hour rotation on confined space rescue with CON-SPACE being an integral part of the course.

Approximately half the students were from the East Coast, with the Taskforces of VA-TF-1&2, CT, OH, MA, PA, MD, and DE being well represented. The other students came from the following state task forces: UT, NV, CA, IL, MN, and WA. I estimate that half of the students had CON-SPACE hardline systems in their home departments, but not all the students had been trained on the equipment. National distributors such as Fisher Safety and MES Global showed up with booths, as well as local Distributors such as Safeware, Aramsco, and Blue

Ridge Rescue Suppliers. The SCT School has grown steadily in size and sophistication since the first one held six years ago. At that time, the number of students stood at 45. Next year's school is estimated to be 150 students. Many students told me "off the record" that it is the best structural collapse-training course offered in the US, far exceeding similar courses offered in Texas A&M, Fairfax County VA, and Miami-Dade. SPEC Rescue informed me that FEMA has just approved the formation of 30 USAR Light Task Forces, which will be 36 members in size and be forward deployable like a regular USAR task force."

**CON-SPACE ANNOUNCES  
PRELIMINARY Q1 REVENUES  
OF \$1,475,000**

CON-SPACE is pleased to report preliminary first quarter results demonstrating extraordinary gains in year-over-year revenues. Sales for the first quarter ended September 30 were \$1,475,000, up over 50% compared to the same quarter last year Quarter of \$963,500. Based on this showing, the Company believes that all indications for reaching the planned annual revenue objective of \$6.3M are on track.

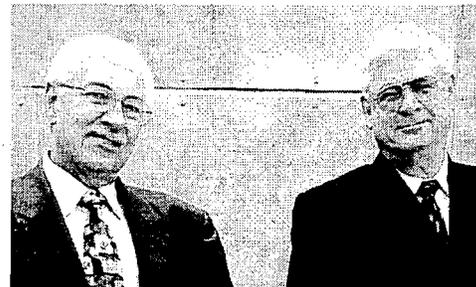
CON-SPACE Chairman, James L. Swanson, said "Management takes great

pride in being able to continuously demonstrate a great business plan and execution strategy that is ultimately proven out by delivering real revenue growth such as this. Based on this incredible quarter and continued growth of the Company, CON-SPACE is now seriously considering expanding the size of our premises by a further 50%." Final results for the first quarter will be released in November.

**FUNDAMENTAL RESEARCH CORP.  
CONTINUES COVERAGE  
ON CON-SPACE**

CON-SPACE wishes to advise investors that Fundamental Research Corp. has initiated coverage of the Company in a 10-page report released today. The full report is available at:

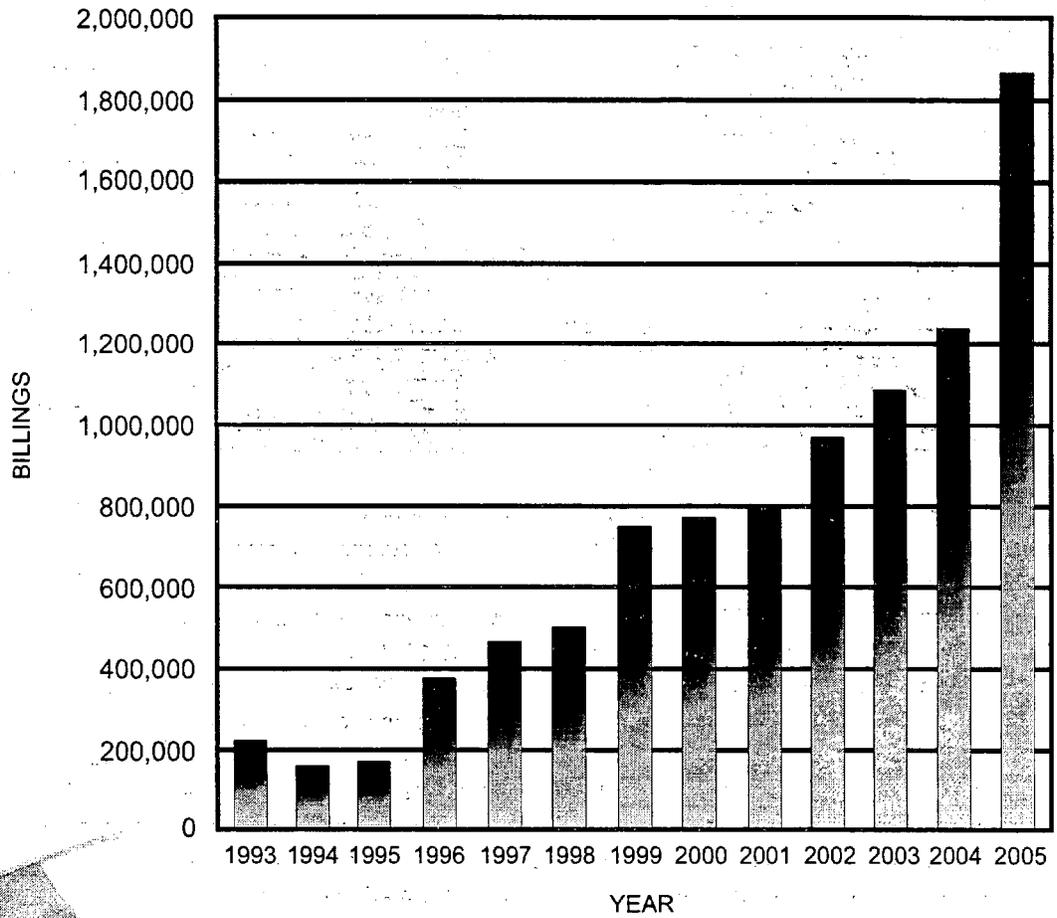
<http://www.fundamentalresearchcorp.com>  
and <http://www.agoracom.com/con-space/FRReport.pdf>



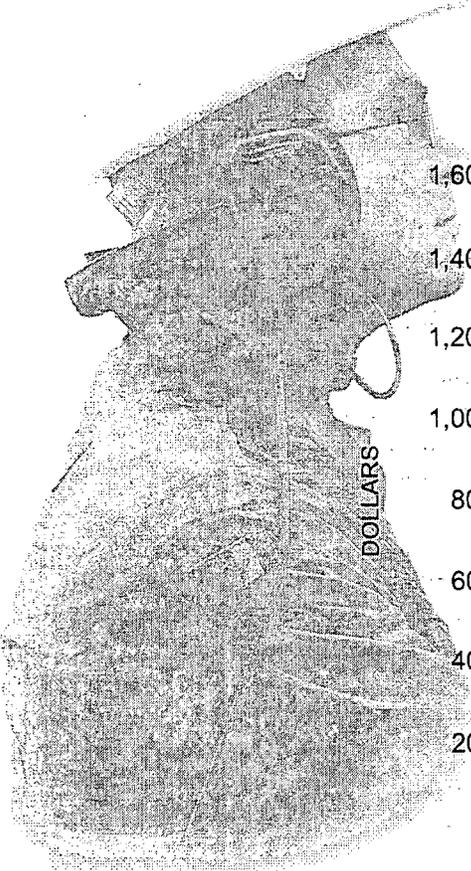
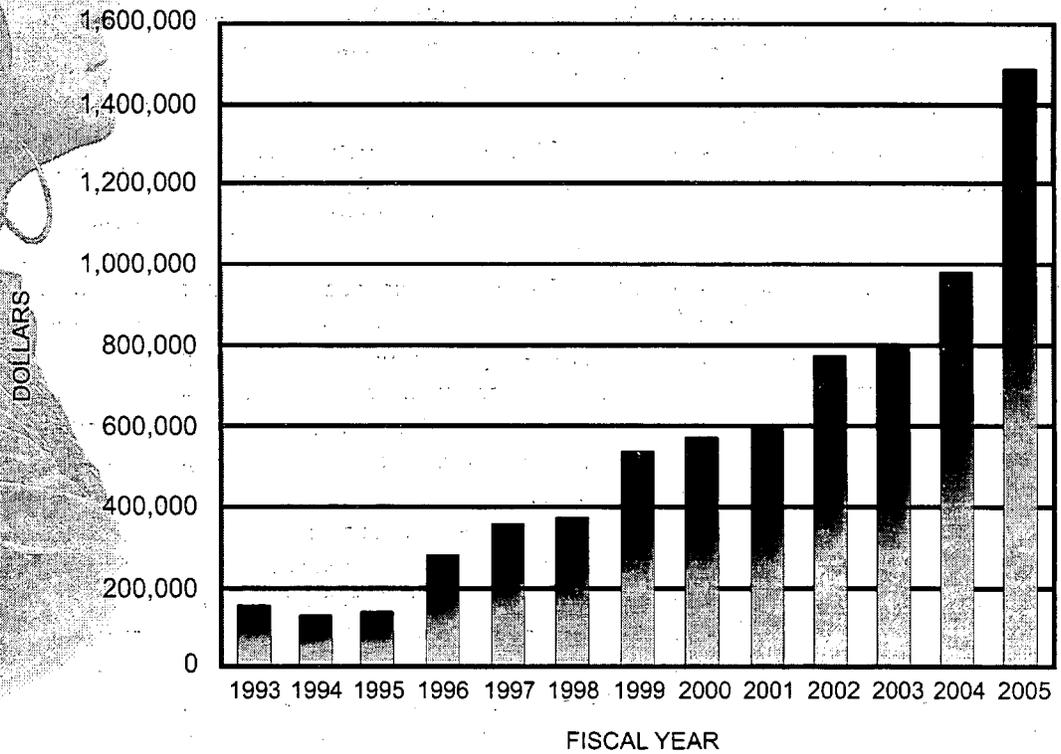
Fundamental Research Corp. is an independent equity research firm providing institutional-quality fundamental research on smaller cap companies. The companies covered are selected using a very strict value screen in order to identify under-valued stocks (BUY) or grossly overvalued stocks (REDUCE). CON-SPACE commissioned an independent research report from Fundamental Research Corp. based on the fact it is an affiliate of Investrend Research and a member of the FIRST Research Consortium that sets the standards and ethics for independent research agreed to by all members of the association.

**FINANCIAL CHARTS**

**SALES THRU OCTOBER**



**FIRST QUARTER SALES COMPARISON**



**NEW CUSTOMER LIST:** During every quarter, every month, every week CON-SPACE adds new corporations and / or organizations to its list of customers. Here is a brief list of some of the customers added since June 1st, 2004. How many are near you?

| COMPANY                                   | INDUSTRY           |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
|---|--------------------|------------|----------|-------------|-----------------|------------|---------------------|-------------------|---------------|------------|-----------------|---------------|--------|---------------------|----------|--------|---------------|-----------------|--------|--------|------------|----------------|-----------|--|
|   | Aircraft/Aerospace | Automotive | Chemical | Electronics | Food Processing | Government | Hazardous Materials | HomeLand Security | Hydroelectric | Industrial | Law Enforcement | Manufacturing | Marine | Medical/Health Care | Military | Mining | Petrochemical | Pharmaceuticals | Rescue | Safety | Technology | Transportation | Utilities |  |
| Hatch Electric Generating Plant           |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| L3 Digital Safe Technology                |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Los Angeles, CA Fire Department           |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Atlantic International Airport            |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Canadian Wireless Technologies            |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Marshall, MN Police Department            |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Greeley City, KS Hospital                 |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Lincoln County, EMS                       |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| US Air Force-AEW/ ECONS Iraq              |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Evendale, OH Fire Dept.                   |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Capital Health Systems, Trenton, NJ       |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Parker County, CA, Emergency Management   |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Maui Fire Department                      |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| IS Liquid Waste Services                  |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Stockton, Ca, Fire Department             |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Charleston County, SC, EMS                |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Henderson, NV Fire Department             |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Gastonia Fire Department                  |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| St. Luke's Presbyterian Medical Center    |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Summit Medical Center                     |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Flk Grove, CA, Water Safety               |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Cherry Grove, Fire Department             |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Boihel Fire Department                    |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Maury Regional Hospital                   |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Turner County Fire Rescue                 |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Georgia Emergency DODACC                  |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Southern Marin, CA EMS                    |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Arlington Memorial Hospital               |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Kent Fire Department                      |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Della Fire & Emergency Services           |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Hartford County, Urban Search & Rescue    |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Neo Resins Inc.                           |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| HCA Newport Richey Hospital               |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Ft. Sill Army Base                        |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| FMC Chemical (UK)                         |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Outdoor Recreational Equipment            |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Los Alamos National Lab                   |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Fr. Aviation Services (UK)                |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| City of Galveston, TX                     |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Rock Hill, SC Fire Department             |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| San Ramon, CA Fire Department             |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Ministry of Defence (UK)                  |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Arizona Hiking Shack                      |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Soledad, CA, Department of Corrections    |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Farm & Home Oil                           |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Aerriet                                   |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Savannah, GA MEM Medical Centre           |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| City of Calgary, AB FD                    |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Barton County, Emergency Medical Services |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Tripler Army Medical Center               |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Pierre, SD Fire Department                |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Virginia Beach, VA Fire Department        |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| NOAA Honolulu Port Office                 |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Aztec Engineered Production               |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Manitoba Emergency Medical Services       |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Union Tank Car                            |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Westburne Industrial Enterprises          |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Portland Fire Department                  |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| West Penn, PA Hospital                    |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Ten 8 Fire Equipment                      |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Kearney, NJ Fire Department               |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Armstrong World Industries                |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Spec Tactical, SQD, Louisville, KY        |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Rockton, IL Fire Department               |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| City of Costa Mesa, CA                    |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Edmonds, WA Fire Department               |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Sirraton, ANG Fire Department             |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Tenn Air National Guard                   |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Safe Force Hire Station (UK)              |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| UK County (UK)                            |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |
| Howarths Safety Services (UK)             |                    |            |          |             |                 |            |                     |                   |               |            |                 |               |        |                     |          |        |               |                 |        |        |            |                |           |  |

**CONSOLIDATED QUARTERLY FINANCIAL STATEMENTS****CONSOLIDATED BALANCE SHEET**

|  | Sept 30<br>2004    | June 30<br>2003    |
|--|--------------------|--------------------|
| <b>ASSETS</b>                                  |                    |                    |
| Current Assets                                 | \$8,526,319        | \$2,498,103        |
| Property, Plant & Equipment (Net Amortization) | 199,338            | 206,086            |
| Demo Inventory                                 | 201,598            | 196,361            |
| Future Income Tax Recoveries                   | 10,472             | 122,752            |
| <b>Total Assets</b>                            | <b>\$2,937,727</b> | <b>\$3,023,302</b> |
| <b>LIABILITIES AND SHAREHOLDERS</b>            |                    |                    |
| Current Liabilities                            | \$869,862          | \$1,094,354        |
| Long Term Debt                                 | 51,000             | 87,100             |
| Shareholders' Equity                           | 2,016,765          | 1,841,848          |
| <b>Total Liabilities and Equity</b>            | <b>\$2,937,727</b> | <b>\$3,023,302</b> |

**CONSOLIDATED INCOME STATEMENTS**

|                                    | Three Months<br>Period Ended<br>Sept 30, 2004 | Three Months<br>Period Ended<br>June 30, 2003 |
|------------------------------------|---|---|
| Sales                              | \$1,490,771                                   | \$963,518                                     |
| Cost of Goods Sold and Commissions | 678,464                                       | 474,681                                       |
| Operating Expenses                 | 529,610                                       | 477,764                                       |
| Operating Profit (Loss)            | 282,697                                       | 11,073  |
| Income Tax Recovery                | 112,280                                       | 0   |
| Net Profit                         | <b>\$170,417</b>                              | <b>\$11,073</b>                               |
| Net Profit (Loss) per Common Share | <b>\$0.02</b>                                 | <b>\$0.00</b>                                 |

**FINANCIAL RESULTS - FIRST QUARTER**

CON-SPACE sales closed at \$1,490,771 for the 1st quarter ended September 30, 2004 resulting in a pre-tax net profit of \$282,697 or \$0.03 per share and an after tax net profit of \$170,417 or \$0.02 per share. The 1st quarter sales represents a 54.7% increase over the \$963,518 reported for the same period a year ago.

The Company has continued to invest for growth in response to continued sales growth and demand for CON-SPACE products internationally, as well as, anticipated growth and demand for the foreseeable future, the Company continues to invest in an infrastructure that will be capable of meeting and servicing such growth; while at the same time controlling discretionary operating costs.

Operating expenses (excluding depreciation) for the 1st quarter increased by 5.3% to \$486,539 compared to last year's 1st quarter of \$461,862.

Net profit for the first quarter ended September 30, 2004, after taxes of \$112,280, closed at \$170,417 or \$0.02 per share, compared to last year's first quarter net profit of \$11,073 or \$0.00 per share.

The Company continues to invest its profits back into the business for the development of the long-term accelerating growth. This shows in the increasing expenses. Nonetheless, CON-SPACE still produced a total of 3 cents per share net profit pre-tax. The Company fully expects to be in a taxable position from here on in.



**Shareholder Relations**

James L. Swanson  
Chairman  
Gloria Gordon  
Controller

Dire  
James L. Swa  
Chair  
Terence A. Ibbet  
Preside  
Eric J. Hal  
Direc  
Vincent L. Reac  
Directe  
Gordon E. Coal  
Director

**Investor Relations**  
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**Stock Transfer Agent**  
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Trading Symbol **CCB**  
Listed on the TSX Venture Exchange  
U.S. Sec 12(g) Exemption No. 82-3378  
Listed in Standard & Poor's

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The TSX Venture Exchange has neither approved nor disapproved of the information contained herein.

PLEASE VISIT OUR NEW INVESTOR RELATIONS SITE ([www.con-space.com](http://www.con-space.com) & just click on 'Investor Relations')

**HOW TO STAY IN TOUCH**

May we send our News Releases directly to you? Please send your e-mail address to:

[jswanson@con-space.com](mailto:jswanson@con-space.com)

If you would like to speak to our Chairman directly please call Jim Swanson at: (800) 755-2528 or (604) 244-9323

You may also visit us online at:

[www.con-space.com](http://www.con-space.com)

**\*Just click on 'Investor Relations'**

Corporation has grown substantially, we felt it was time for our Investor Relations area of the website to branch out into its own subsite category. Therefore you will now find a brand new site dedicated to Investor Relations. We encourage you to visit our newly constructed Investor Relations page on a regular basis to stay updated on all the latest news and activity.