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82- SUBMISSIONS FACING SHEET

Follow-Up Materials

MICROFICHE CONTROL LABEL



REGISTRANT'S NAME

ComSpace Communications Ltd

*CURRENT ADDRESS

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**FORMER NAME

~~WILSON FINANCIAL~~

**NEW ADDRESS

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FISCAL YEAR 12-31-04

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FORM 51-901F

QUARTER REPORT

12-31-04
AA/S

ISSUER DETAILS	ISSUER TELEPHONE NO.	FOR QUARTER ENDED	DATE OF REPORT
CON-SPACE COMMUNICATIONS LTD. (604) 244-9323 website: www.con-space.com		December 31, 2004	February 14, 2005

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 ggordon@con-space.com	Controller	(604) 244-9323

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	February 14, 2005
DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATED SIGNED

<i>James L Swanson</i>	James L. Swanson	February 14, 2005
DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATED SIGNED

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	Nil	N/A
-----	-----	-----

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

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

CON-SPACE Communications Ltd

SCHEDULE C - MANAGEMENT DISCUSSION & ANALYSIS

FORM 51-102F1

For the 2nd Quarter Ended December 31, 2004

The following discussion and analysis provides information that management believes is relevant to an assessment and understanding of the Corporation's interim consolidated results of operations and financial condition. This "Management's Discussion and Analysis" should be read in conjunction with the unaudited interim consolidated financial statements for the six months ended December 31, 2004 and the annual consolidated financial statements of the Corporation for the year ended June 30, 2004 and the notes thereto. Comparisons made to prior periods represent the corresponding period during the preceding year unless otherwise indicated. This report includes information up to February 14, 2005.

Background and Description of the Business

The Company, CON-SPACE Communications Ltd, a Tier 1 issuer, listed on the TSX Venture Exchange (CCB on VSX-V), is engaged 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

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.

NOTE: "Forward-looking" statements are not guarantees of future performance. They involve risks, uncertainties and assumptions and the Corporation's actual results may differ materially from those anticipated in these forward-looking statements. Factors which may cause such differences include, but are not limited to those set forth under "Business Risks". The Corporation does not take any obligation to release any public information of the results of any revision to these forward-looking statement, which may be made to reflect events or circumstances occurring in the future.

Overall Performance

- 37% increase in year to date Gross Revenues
- 362% increase in Operating Income
- Operating expenses as a % of sales decline from 45% to 28%
- 186% increase in Net Income

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

	2005		2004				2003	
	2 nd	1 st	4 th	3 rd	2 nd	1 st	4 th	3 rd
Net Sales	\$ 1,236	1,491	1,601	1,951	1,010	964	981	1,886
Net Income after tax	\$ 21	170	271	360	56	11	23	459
Net Income Tax	\$ 5	112	0	0	0	0	0	0
Net Earnings/Share	\$ 0.00	0.02	0.03	0.04	0.01	0.00	0.00	0.05
Net EPS Fully Diluted	\$ 0.00	0.02	0.03	0.04	0.01	0.00	0.00	0.05
Total Assets	\$ 3,136	2,937	3,023	3,301	2,291	2,221	2,292	2,666
Long-Term Liability	\$ 15	51	87	120	153	214	273	328

Dividends per Share \$ Nil Nil Nil Nil Nil Nil Nil Nil Nil Nil

Sales for the 2nd quarter, ended December 31, 2004, increased 22% (\$0.23 million) to \$1.24 million while sales for the first half increased 37% (\$0.73 million) to \$2.7 million. These increases have resulted from larger volumes sales with existing customers, particularly OEM customers, and the continued addition of new customers despite the impact of the strengthening Canadian dollar.

The gross margin for the six month period was \$1.36 million, an increase of \$0.36 million, or 136%, compared to the same six month period in the prior year while the gross margin for the 2nd quarter increased by \$0.06 million to \$0.58 million, an increase of 12%. The amount of increase was reduced by both the timing of a large OEM order that was near completion at quarter close but not shipped until after December 31, 2004 and the declining US dollar.

The Company continues its focus on OEM (private labeled) business, which currently represents 45% of its FY 2005 revenues (FY 2004 28%). This strategically allows for the quickest and most efficient channels of getting products to market while continuing the development of manufacturing efficiencies which then allow the Company to put further efforts into marketing its own branded products directly through sales agents. In fact, the Company recently hired a new senior sales manager to further develop this market.

One significant area of growth for the Company in recent months has been the supplying of products to emergency response teams throughout the United States. This growth is contributed to by the Office of Homeland Security addressing the terrorist threat. The heightened concerns of emergency preparedness to deal with biological or nuclear terrorist attacks, has resulted in many organizations inventorying equipment in case of such an event. Most organizations that will have a response role in a terrorist act are logical candidates for the Company's equipment. Continued

growth in this market is foreseen for well into the future as new, replacement and upgraded products come online to further enhance the safety and working equipment of these users.

Through the Company's marketing efforts to continually strengthen brand awareness while developing new products to meet the markets needs sales to industrial users, military, public safety and governmental agencies are expected to continue expanding.

Expenses

Total expenses have increased for the three month period by \$0.09 million to \$0.55 million and for the six month period by \$0.14 million to \$1.02 million. As a percentage of sales total expenses were at 38% of sales down from 45% for the six month period FY 2004.

Changes in the grouping of similar immaterial expenses, to enhance presentation on the quarterly reports, has resulted in certain of the prior year's comparative figures being reclassified to conform with this year's presentation.

Public Company

Public company expenses, consisting of accounting, legal, investor relations, regulatory and filing fees increased year over year by 50% to \$0.091 million from \$0.061 million with \$0.024 million of the increase being in regulatory filing fees. However, when measured as a percent of sales, these expenses increased only 1/3 of one percent over last year first half expenses.

Sales and Marketing

Sales and marketing expenses consist of staff travel, trade shows, advertising materials and accommodation. For the six month period ending December 31, 2004 items in this category have remained fairly constant. Any increase in expenditures in this area is expected to be commensurate with increased sales volumes.

General and Administrative

General and administrative expenses consist of: maintaining internal information systems, office occupancy costs, supplies, insurance, interest, and consulting fees.

For both the quarter and six month period ends, increases in rent, office supplies, vehicle charges account for the majority of the increase in general and administrative costs of about \$0.035 million. However, when measured as a percentage of sales, general and administrative costs for the six month period decreased from 14% to 11%.

Product Development Expense

The Company expenses all product development related costs. Product development costs for both the quarter and six month period have decreased by 61% and 53% to \$0.035 million and \$0.054 million respectfully. Further decreases in product development are not anticipated by the Company. As all salaries and benefits are grouped together they are not included in development expenses in this analysis. The Company continues its commitment to allocate appropriate resources to refine existing products and develop of new ones as new technology becomes available or as requested by our customers.

Salaries, Wages and Benefits

The single largest expenditure the company faces is for its personnel... its most important resource. The Company owes its success to the dedication and hard work of its people.

The salary, wage and benefit expenses for both the quarter and six month period have increased to \$0.239 million and \$0.455 million respectfully. The second quarter increased 41% over the same quarter a year earlier while the first half increased 39% over last year's first half. However, on a percentage basis salaries, wages and benefits were 17% of sales for the first half of fiscal 2005 the same as it was one year ago resulting in no growth relative to sales.

Depreciation and amortization

Purchases of production related and testing equipment and the related depreciation remained constant quarterly and year-to-date but as a percentage of sales declined from 1.3% last year to 1.0% this year.

Income

Pre-tax profit for the first half of fiscal 2005, ended December 31, 2004 increased 362% to \$0.31 million (\$0.04 per share) compared to a pre-tax profit of \$0.07 million (\$0.01 per share) one year ago. On an after tax basis, net profit increased 186% to \$0.19 million (\$0.02 per share) compared to last year's first half net profit of \$0.07 million (\$0.01 per share). Taxes payable for the first half are estimated to be \$0.12 million, whereas, there were no taxes payable last year.

Although sales revenues were greater in the current quarter than prior years, increased staffing and office related costs eroded the increased gross margin. Net earnings for the 2nd quarter were \$0.021 (\$0.00 per share) compared to last year's net earnings of \$0.056 (\$0.01 per share).

Sales for the 2nd quarter were affected by a backlog of orders received to late to ship within the quarter that amounted to \$0.85 million.

The Company believes that the decline in net income is related more to the accruing of a large sale during the 2nd quarter and the continued decline of the US dollar, than a trend of increasing overhead expenses relative to sales revenues. Improvement continues to be driven mainly by increased sales revenues and maintaining expenses, as a percent of sales, consistent with the prior year.

LIQUIDITY AND CAPITAL RESOURCES

	<u>Dec 31, 2004</u>	<u>Dec 31, 2003</u>
Current Assets	\$ 2,718,678	\$ 2,498,103
Current Liabilities	<u>\$ 1,082,898</u>	<u>\$ 1,094,354</u>
Net Working Capital	<u>\$ 1,635,780</u>	<u>\$ 1,403,749</u>

CON-SPACE's working capital position remains very strong. Working capital at December 31, 2004 was \$1.64 million compared to \$1.40 million for the same period last year. The current ratio at December 31, 2004 was 2.51 versus 2.28 in the prior year.

For the six month period ended December 31, 2004 cash generated from operations decreased to -\$0.00 million compared to \$0.09 million for the same period in FY 2004.

Although the working capital position of the Company remains strong, all of the cash generated by operations in the current year was consumed by increased working capital requirements, specifically accounts receivable (\$0.06 million), inventories (\$0.59 million) and the repayment of long-term debt (\$0.07 million) which, of course, have resulted from increased sales and the manufacturing of large orders.

The use of cash to fund the increases in Inventories and Accounts Receivable combined consumed over \$0.72 million in cash in the current six month period. As receivables are collected this trend will reverse.

Business Risks

The Company is subject to certain risks associated with the exchange rate fluctuation of the American and the Canadian dollar. A large portion of the Company's sales are denominated in US dollars, while most of the expenses are denominated in Canadian dollars. Although natural hedging occurs due to the purchases of various parts and components from the USA, increases in the Canadian dollar relative to the US dollar has an overall adverse effect on the Company's consolidated income, whereas a decrease would have a positive impact on such income.

As in all businesses, the Company faces political, social, economic and technological risks that could cause actual results to differ materially from those expressed or implied in this management discussion and analysis. The Company considers the following to be of relevance to its current stage of growth:

- Raise financing to accommodate growth – accomplished post quarter closing
- The emergence of superior competing technologies – on-going process
- The development and retention of skilled employees – on-going process

This list is not intended to be exhaustive, but is merely to communicate to shareholders certain key risks faced by the Corporation in its business.

CON-SPACE attempts to mitigate risks through various strategic and operating initiatives, such as ongoing research and development, fair and equitable compensation, workplace policies and procedures, and on-going interaction with both the debt and capital markets. Management believes these strategies reduce the Corporation's business risk to an acceptable level and allow the Corporation to continue to grow while maximizing shareholder value.

Outlook

Management is committed to increasing profits through internal growth and acquisitions. Growth in both the industrial and homeland security markets are forecast as the Company's brand becomes more recognized and its reputation grows.

Management is currently in negotiations to lease additional manufacturing space. With successful completion of these negotiations CON-SPACE will more than double its current manufacturing space. Occupancy is currently planned for late spring 2005.

Committed to effectively manage and monitor the growth, management has undertaken to update the Company's current information systems. This project began in late 2004 and will be completed by June, 2005. The upgraded system will provide better production and inventory management and more effective sales and production analysis.

On January 20, 2005 the Company entered into a financing agreement with Acumen Capital Finance Partners Limited, to act as lead agent for the private placement of one million units at

\$1.00 per unit. This offering was concluded on February 9, 2005. Each unit consists of one common share and 1/2 of one common share purchase warrant. Each whole common share purchase warrant will entitle the holder to acquire one common share at a price of \$1.25 for a period of nine months increasing to \$1.50 for the following nine months. The use of the funds will be to enhance shareholder value by developing new markets and acquisitions.

The offering was made pursuant to the prospectus supplement to the prospectus filed with the SEC on February 9, 2005. The offering was made pursuant to the prospectus supplement to the prospectus filed with the SEC on February 9, 2005.

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CON-SPACE COMMUNICATIONS LTD.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND DECEMBER 31, 2003

(IN CANADIAN DOLLARS)

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

CON-SPACE COMMUNICATIONS LTD.

CONSOLIDATED BALANCE SHEET DECEMBER 31, 2004 & JUNE 30, 2004
(Prepared by Management)

	Dec 31 2004 \$	June 30 2004 \$
ASSETS		
CURRENT ASSETS		
Cash	---	522,820
Accounts Receivable (Note 9)	908,269	847,278
Inventory (Note 4)	1,438,500	851,964
Prepaid Expenses	150,106	54,238
Future Income Tax Assets	<u>221,803</u>	<u>221,803</u>
	2,718,678	2,498,103
CAPITAL ASSETS (Note 5)	211,733	206,086
DEMO INVENTORY	200,001	196,361
INCOME TAX RECOVERIES	<u>5,288</u>	<u>122,752</u>
	<u><u>3,135,700</u></u>	<u><u>3,023,302</u></u>
LIABILITIES		
CURRENT LIABILITIES		
Overdraft	(4716)	---
Accounts Payable	499,544	499,782
Bank Indebtedness (Note 9)	426,049	393,481
Corporate Taxes Payable	14,589	18,625
Current Portion LTD (Note 10)	<u>138,000</u>	<u>182,466</u>
	1,082,898	1,094,354
LONG TERM DEBT		
Loans (Note 10)	<u>15,100</u>	<u>87,100</u>
	<u>1,097,998</u>	<u>1,181,454</u>
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 7)	2,424,405	2,419,905
DEFICIT- Beginning of the year	(578,057)	(1,276,271)
Earnings (Deficit)	<u>191,354</u>	<u>698,214</u>
End of period	<u>(386,703)</u>	<u>(578,057)</u>
	<u><u>3,135,700</u></u>	<u><u>3,023,302</u></u>

APPROVED BY THE DIRECTORS
T. A. Ibbetson, President

James L. Swanson, Chairman

- See Accompanying Notes

CON-SPACE COMMUNICATIONS LTD.
CONSOLIDATED INCOME STATEMENT
FOR THE PERIODS ENDED DECEMBER 31, 2004 & DECEMBER 31, 2003
(Prepared by Management)

	3 months ended Dec 31, 2004 \$	YTD ended Dec 31, 2004 \$	3 months ended Dec 31, 2003 \$	YTD ended Dec 31, 2003 \$
SALES	1,235,744	2,696,221	1,009,853	1,970,002
COST OF GOODS SOLD	<u>657,273</u>	<u>1,335,737</u>	<u>495,304</u>	<u>969,985</u>
GROSS MARGIN	578,471	1,360,484	514,549	1,000,017
OPERATING EXPENSES				
Accounting and Legal	11,073	20,651	10,269	18,111
Investor Relations	18,310	29,315	11,568	25,492
Insurance	20,590	35,943	19,371	35,041
Interest and Service Charges	14,592	25,665	10,789	23,199
Management & Consulting Fees	48,000	96,000	47,250	94,500
Office Rent, Supplies & Misc	62,512	114,086	39,677	90,858
Production Expense, R&D	35,247	54,352	57,666	102,544
Regulatory and Filing Fees	24,531	41,409	12,234	17,429
Salaries, Wages and Benefits	238,524	454,627	169,581	326,001
Marketing & Promotion	28,788	84,254	29,924	97,160
Vehicle Expenses	18,493	33,782	12,010	26,604
Depreciation /Amortization	<u>14,544</u>	<u>27,321</u>	<u>12,849</u>	<u>25,382</u>
	<u>535,204</u>	<u>1,017,405</u>	<u>433,188</u>	<u>882,321</u>
OTHER EXPENSES				
Interest Long Term Debt	19,813	36,928	25,635	50,897
Loss (Gain) on Asset Disposal	<u>(2,667)</u>	<u>(2,667)</u>	<u>---</u>	<u>---</u>
	<u>17,146</u>	<u>34,261</u>	<u>25,635</u>	<u>50,897</u>
OPERATING INCOME	26,121	308,818	55,726	66,799
CORPORATE TAX EXPENSE	<u>(5,184)</u>	<u>(117,464)</u>	<u>---</u>	<u>---</u>
NET INCOME	20,937	191,354	55,726	66,799
DEFICIT, BEGINNING OF PERIOD	<u>(407,640)</u>	<u>(578,057)</u>	<u>(1,265,198)</u>	<u>(1,276,271)</u>
DEFICIT, END OF PERIOD	<u>(386,703)</u>	<u>(386,703)</u>	<u>(1,209,472)</u>	<u>(1,209,472)</u>
OPERATING INCOME PER SHARE	<u>0.01</u>	<u>0.04</u>	<u>0.01</u>	<u>0.01</u>
NET INCOME PER SHARE	<u>0.00</u>	<u>0.02</u>	<u>0.01</u>	<u>0.01</u>

Certain of the prior years figures have been reclassified to conform with current year presentation.

- See Accompanying Notes

CON-SPACE COMMUNICATIONS LTD.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIODS ENDED DECEMBER 31, 2004 & DECEMBER 31, 2003

(Prepared by Management)

	3 months ended Dec 31, 2004 \$	YTD ended Dec 31, 2004 \$	3 months ended Dec 31, 2003 \$	YTD ended Dec 31, 2003 \$
CASH PROVIDED BY (USED FOR)				
OPERATING ACTIVITIES				
NET PROFIT (LOSS)	20,937	191,354	55,726	66,799
Add Non-Cash Items				
Depreciation & Amortization	14,544	27,321	12,849	25,382
Corporate Tax Expense	5,184	117,464	---	---
	40,665	336,139	68,575	92,181
Net changes in non-cash operating accounts				
Accounts Receivable	35,984	(60,990)	(146,860)	(140,923)
Inventory	(466,257)	(586,536)	(94,519)	(130,058)
Prepaid Expenses	(106,059)	(95,868)	(36,101)	(37,304)
Accounts Payable	211,334	(4,274)	49,216	(11,532)
Operating Bank Loan	17,553	32,568	24,870	61,560
	(266,780)	(378,961)	(134,819)	(166,076)
INVESTING ACTIVITIES				
Acquisition of Capital Assets	(26,939)	(32,968)	48	(9,134)
Increase in Demo Inventory	1,597	(3,641)	(2,444)	(5,761)
	(25,342)	(36,609)	(2,396)	(14,895)
FINANCING ACTIVITIES				
Deferred Financing Costs	---	---	---	---
Loan Long Term	(56,567)	(116,466)	(67,041)	(133,245)
Issuance of Share Capital	---	4,500	7,000	15,260
	(56,567)	(111,966)	(60,041)	(117,985)
INCREASE (Decrease) IN CASH	(348,689)	(527,536)	(197,256)	(289,956)
CASH, Beginning in period	343,973	522,820	290,225	391,925
CASH, End of period	(4,716)	(4,716)	92,969	92,969

- See Accompanying Notes

CON-SPACE COMMUNICATIONS LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2004 AND 2003
(IN CANADIAN DOLLARS)

1. NATURE OF OPERATIONS

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.

2. SIGNIFICANT ACCOUNTING POLICIES

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 DECEMBER 31, 2004 AND 2003
(IN CANADIAN DOLLARS)

2. SIGNIFICANT ACCOUNTING POLICIES - CONT'D

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 DECEMBER 31, 2004 AND 2003
(IN CANADIAN DOLLARS)

2. SIGNIFICANT ACCOUNTING POLICIES - CONT'D

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. At the quarter end, approximately \$60,156 of the cash balance was denominated in pounds sterling and held in the Company's UK subsidiary and approximately \$3,504 of the cash balance was denominated in United States dollar. In addition, approximately \$851,712 of the accounts receivable balance and \$96,394 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 the majority of sales are to 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 DECEMBER 31, 2004 AND 2003
(IN CANADIAN DOLLARS)**

2. SIGNIFICANT ACCOUNTING POLICIES - CONT'D

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.

3. FINANCIAL INSTRUMENTS

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.

4. INVENTORIES

	<u>2004</u>	<u>2003</u>
	\$	\$
Parts and supplies	562,777	345,724
Work in progress	481,857	230,861
Finished goods	<u>393,866</u>	<u>238,489</u>
	<u>1,438,500</u>	<u>815,074</u>

(See Note 9)

CON-SPACE COMMUNICATIONS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2004 AND 2003
(IN CANADIAN DOLLARS)

5. CAPITAL ASSETS

Accumulated	2004			2003
	Cost	Amortization	Net	Net
Tools and test equipment	206,306	125,781	80,525	57,313
Vehicles	23,931	1,498	22,433	---
Furniture and equipment	117,040	96,461	20,579	21,233
Computer equipment	153,616	126,786	26,830	31,396
Software	72,789	56,512	16,277	23,249
Trademarks, patents and licenses	86,910	49,353	37,557	50,519
Leasehold improvements	43,856	36,324	7,532	7,512
	<u>704,448</u>	<u>492,715</u>	<u>211,733</u>	<u>191,222</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	1,870	1,418
Labor	23,075	71,625
Safety approvals	29,407	29,501
	<u>54,352</u>	<u>102,544</u>

CON-SPACE COMMUNICATIONS LTD.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 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		2005		2004	
		# of		# of	
		Shares	\$	Shares	\$
Common					
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.

CON-SPACE COMMUNICATIONS LTD.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2004 AND 2003
(IN CANADIAN DOLLARS)**

7. SHARE CAPITAL – CONT'D

c) Share purchase warrants outstanding are as follows:

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

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

CON-SPACE COMMUNICATIONS LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2004 AND 2003
(IN CANADIAN DOLLARS)

7. SHARE CAPITAL – CONT'D

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.

8. RELATED PARTY TRANSACTIONS

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). Management compensation for the 2005 fiscal year is still under discussion by the Compensation Committee.

9. BANK INDEBTEDNESS

	<u>2004</u>	<u>2003</u>
	<u>\$</u>	<u>\$</u>
Bank indebtedness	<u>426,049</u>	<u>365,777</u>

Bank indebtedness consists of a \$1,000,000 operating line of credit bearing interest at the bank's prime rate plus 1.25% 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 DECEMBER 31, 2004 AND 2003
(IN CANADIAN DOLLARS)

10. LONG-TERM DEBT

	<u>2004</u>	<u>2003</u>
	\$	\$
Government of Canada:		
Western Economic Diversification		
The loan was repaid in full during the 2004 fiscal year.	-	37,480
Bank of Montreal: (See Note 9 for security information)		
Demand loan bearing interest at prime plus 1.5% monthly principal payments of \$1,667 due October, 2004. Loan repaid in full.	-	16,667
Business Development Bank of Canada:		
Term loan with principal repayments as follows: 12 monthly payments of \$11,000 commencing July 23, 2004; 6 monthly payments of \$12,000 commencing July 23, 2005; \$15,100 on January 23, 2006. Interest is payable monthly at 2% above the bank's floating base rate.	153,100	279,100
Additional Interest:		
The Company is required to pay the bank monthly additional interest in the form of royalty on sales equal to 0.7745% of its gross consolidated sales beginning July 23, 1998.		
Term loan with principal repayments as follows: 6 payments of \$7,300 commencing July 23, 2004. Interest on the outstanding principal is payable monthly at 4% above the bank's floating base rate. The loan due in December, 2004 – repaid in full.	-	85,800
Additional interest:		
The Company is required to pay the bank monthly additional interest in the form of royalty on sales equal to 0.0517% of gross consolidated sales. The additional interest is payable until December 23, 2004 or until the loan has been repaid		
The loans from the Business Development Bank of Canada are secured by a general security agreement over assets.		
	<u>153,100</u>	<u>419,047</u>
Less: current portion	<u>138,000</u>	<u>265,946</u>
	<u>15,100</u>	<u>153,101</u>

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

2005	182,466
2006	87,100
2007 and thereafter	-
	<u>269,566</u>

CON-SPACE COMMUNICATIONS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2004 AND 2003 (IN CANADIAN DOLLARS)

11. COMMITMENTS

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.

12. SUBSEQUENT EVENTS

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

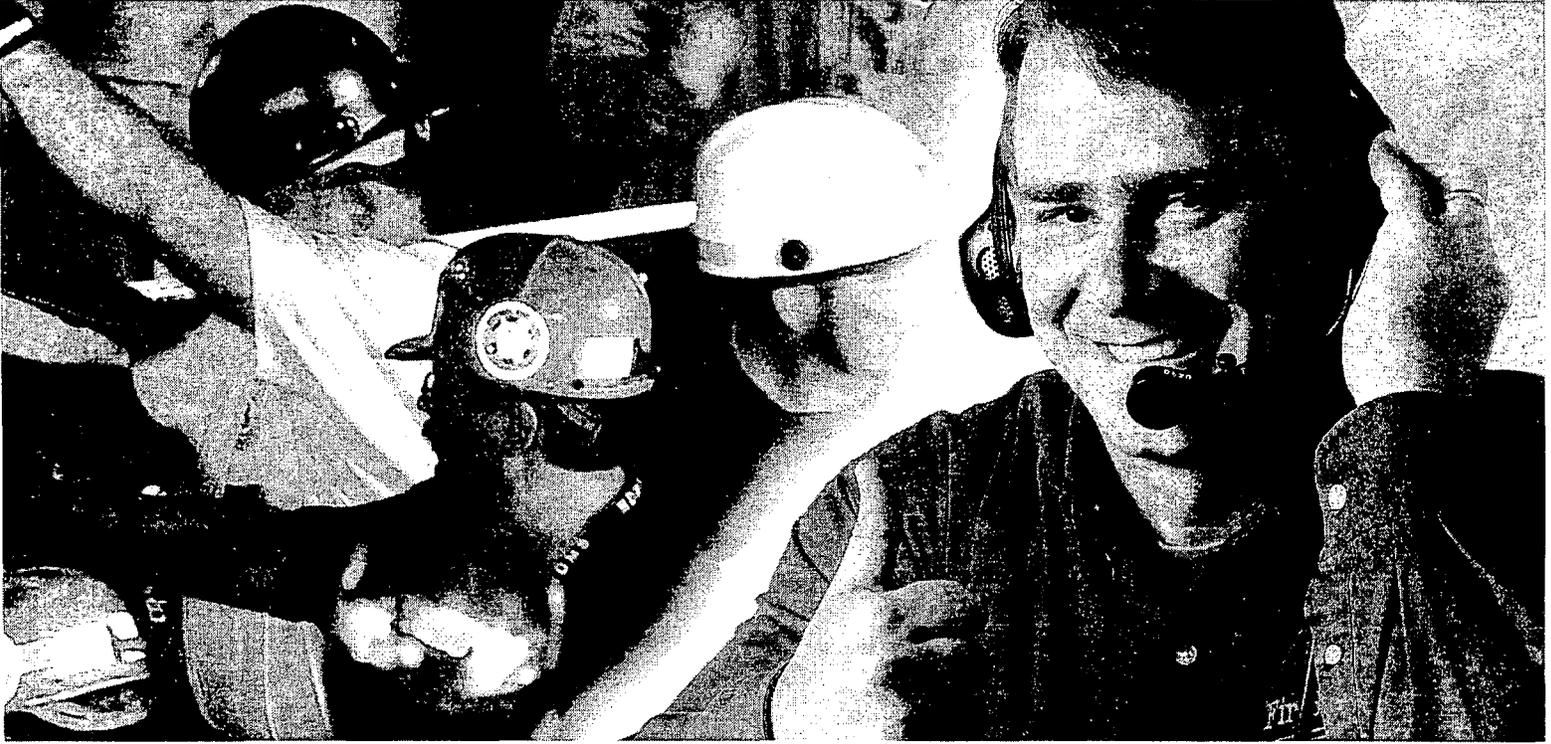
On January 20, 2005 the Company entered into a financing agreement with Acumen Capital Finance Partners Limited to act as lead agent for the private placement of 1.0 M units at \$1.00 per unit. Each unit will consist of one common share and 1/2 of one common share purchase warrant. Each whole common share purchase warrant will entitle the holder to acquire one common share at a price of \$1.25 for a period of nine months and increasing to \$1.50 for the following nine months. Closing date is February 9, 2005. CSC management anticipates the net proceeds (of approximately \$900,000) to be used for working capital, general corporate purposes, and acquisitions.

On January 8, 2005 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.

RECEIVED

Volume 13, Issue 2, February 2005

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**LETTER FROM MANAGEMENT**

Your management is pleased to report another positive quarter close with the end of the second quarter of fiscal 2005, ended December 31, 2004. The quarter's order input reached \$1.88 million resulting in billings of \$1.23 million and leaving a quarter end backlog of over \$0.85 million. Billing grew by 22.4% over last year's comparable period resulting in the highest level of sales of any second quarter to date.

As we now are well into the third quarter it is apparent that the positive upward growth trend is continuing. Order input remains strong with a substantial portion coming from both OEM customers (Private Labeled product) and new systems for the First Responder market. Management remains committed to maintaining this growth.

Additional plans are in place to ensure that this positive growth continues by combining the positive cash flow and the new equity of \$1.0 million, raised by Acumen Capital of Calgary, to the implementation of important engineering and operational initiatives, acceleration of new product launch dates, increase the development of industry leading products, address new emerging markets and expand OEM opportunities. Other projects underway include: the expansion of our facility, the modernization of the manufacturing, accounting, and CRM (Customer Relationship Management) software and the improvement of company wide efficiency. Acquisition opportunities will also be pursued as appropriate.

We are pleased to see that the Company has attracted the confidence of the Financial Community driving the stock price to a new 52 week high of \$1.14 per share. Investor enquiries are up and there is an increase by brokers and their clients to visit and view our operations.

As spring approaches we enter the busy schedule of tradeshow, increased sales travel and new product releases and through all this we expect a strong finish to our year.

We are glad to have you with us and again wish to thank you for your support and input.

Sincerely yours,



Terry Ibbetson

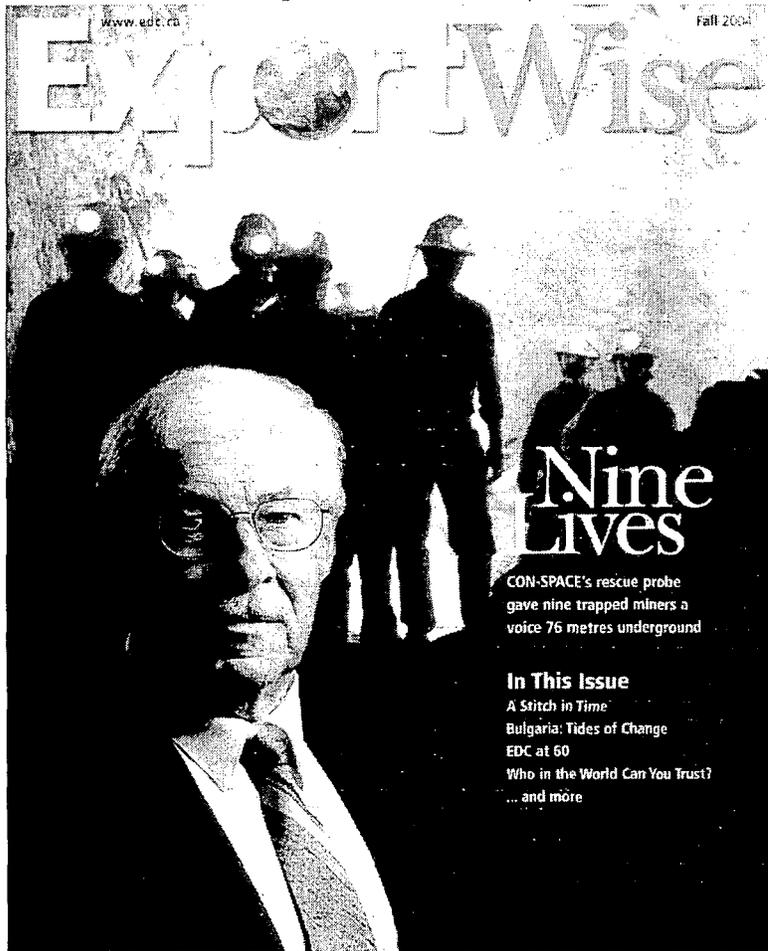
Jim Swanson

INSIDE THIS ISSUE

1. Letter from Management
2. The Latest News
2. Financial Charts
3. New Customer List
4. Interview: Terry Ibbetson
5. Financial Statements
5. Financial Report
6. Shareholder Relations
6. How To Stay In Touch

THE LATEST NEWS

EDC's Magazine for Canadian Exporters



Nine Lives

CON-SPACE's rescue probe gave nine trapped miners a voice 76 metres underground

In This Issue

- A Stitch in Time
- Bulgaria: Tides of Change
- EDC at 60
- Who in the World Can You Trust?
- ... and more

CON-SPACE PRAISED AGAIN FOR ITS CRITICAL ROLE AT THE QUEECREEK MINE RESCUE

Export Development Canada's magazine, Export Wise, wrote features in its Fall 2004 issue, on both CON-SPACE's vital role in the Pennsylvania, Quecreek Mine Rescue and the Company itself.

In the first editorial talking about CON-SPACE, Export Wise Journalist, Veronica Prochazka interviews Terry Ibbetson on topics including the Company's origins, its marketing strategies and to what factors they, CON-SPACE, attributes its success.

The second, features CON-SPACE Manufacturers Rep, Rob Zaremski who recounts in detail, his experience at the Quecreek Mine Site during, what turned out to be, a successful rescue of the nine trapped miners. Rob recalls using the CON-SPACE Rescue Probe to make the very first voice contact with the miners, determining at that moment that all nine were alive.

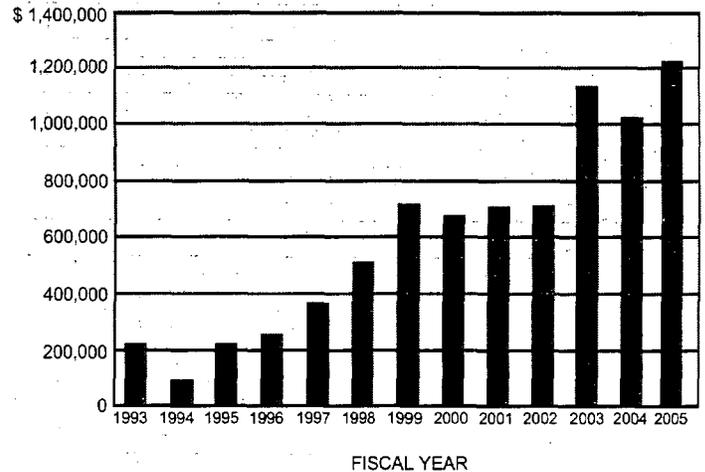
AGORA INVESTOR RELATIONS REPORTS CONTINUED GROWTH FOR CON-SPACE

Further evidence that the Confined Space Equipment Industry continues to grow can be found in the following news article from the town of Ayer which discusses funding for equipment and training for confined space rescue.

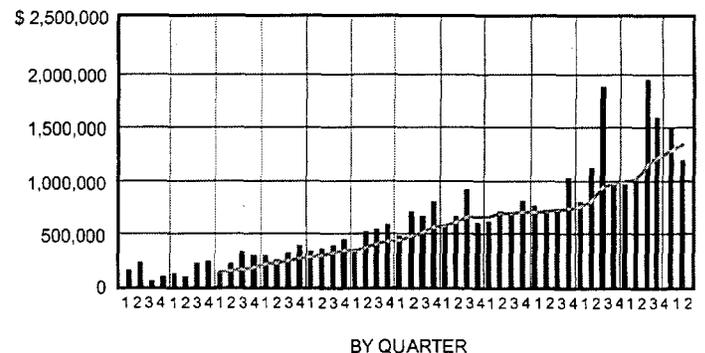
The significance of this article has to do with the relative obscurity of the Town of Ayer itself. The fact that towns such as Ayer are now including confined space equipment in their budget is a great indicator as to the growth of the Industry. There are likely hundreds of other towns across the US that are also starting to examine making confined space equipment mandatory for their fire departments.

FINANCIAL CHARTS

SECOND QUARTER SALES COMPARISON



QUARTERLY SALES



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 October 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	
City Of Valdosta Fd																								
College Park Fd																								
UK - Mounk UK Ltd																								
Whiteman Afb Fd																								
Mes Washington, Il																								
Julius Kraft Co-Central Fd																								
Shieman's Fire Equipment																								
City Of Anaheim, CA																								
City Of Calgary Fd																								
Montebello Fd																								
Kissimmee, Fl Fd																								
UK - Matacena Distribution																								
UK - Emcor																								
Salt Lake City, UT Fd																								
Ld Augustini & Sons																								
Bodine Environmental																								
UK - Pfizer Ltd																								
Lilly Corporate Centre																								
Sepulpa Fd																								
City Of Phoenix Fd																								
Elko Service																								
UK - Seridan Ltd																								
Ellsworth Cty, KS Emergency																								
Fosbel																								
Merrick Cty, Ne Emergency Mgmt																								
Truman Medical Centre																								
Missouri Baptist Medical Centre																								
Intrusion Detection Service																								
St Louis Metro Sewer District																								
Northrup Grumman																								
Transport Canada - PM Aircraft																								
Quality Aircraft Tooling Inc.																								
Goodrich Aerospace																								
China - Wuxiwoshine Safety																								
Highland Cty, OH Ema																								
UK - Fr Aviation Services Ltd																								
UK - Leversedge Telecom																								
Westjet Airlines																								
TVA Shawnee Fossil Plant																								
Aliquippa Vol Fd																								
Contra Costa County Fire																								
Pilgrim Pride Corp																								
UK - Fire Service College																								
CFB Esquimalt BC																								
Mes / Batavia, Il Fd																								
Royal Australian Air Force																								
Cobb Cnty Fire																								
Hunterdon Cnty-Ems																								
UK - Ess Shoreco																								
Portage Cnty																								
Tinker Afb																								
Pine Bluff Arsenal																								
City Of Virginia Beach Fd																								
Contra Costa, CA Fd																								
Ashland, OH EMA																								
DEMA																								
City Of Pierre																								
Mercy Hospital																								
Edmons Fd																								
Portage Fd																								
Alcoa Fd																								
West Allis, WI Fd																								
Rock Cty, WI Emergency Mgmt																								
City Of Seatac																								
City Of Bryan																								
Orange Cnty, Ca Fire Authority																								
UK - Nine Hundred Comm																								
Bucky, CO Airforce Base																								
Northshore Rescue																								
Ashland, OH Fd																								
Government Services Centre																								
Oceaneering International																								
City Pt Huron, MI Fd																								
Golden, BC Fd																								
University Of Reno, NV																								
City Of Alvarado																								
Frankfort Fd																								
Pearl Harbor Naval Shipyard & LMF																								
Florida State Fire Collage																								

AGORA INTERVIEWS TERRY IBBETSON

We are pleased to present you with this Executive Interview where we get the opportunity to sit down with a CON-SPACE Executive to discuss the various facets of the business. 2004 was a very successful year for CON-SPACE and 2005 is already shaping up to be even more successful.

The purpose of this information campaign is to provide both CON-SPACE investors and the investment community as a whole, with a comprehensive and well-organized view of the company and its projects. In doing so, AGORA goes "beyond the press release" and provides investors with further detail that cannot be achieved through press release alone.

In this Executive Interview we talk to Mr. TERRY IBBETSON, President of CON-SPACE Communications.

CON-SPACE COMMUNICATIONS (CCB: TSX-V) OVERVIEW

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.

INTERVIEW

AGORA: Mr. Ibbetson, thank you for taking time out of your busy schedule to meet with us today. I am sure that shareholders appreciate your commitment to keeping them apprised of current events.

TERRY IBBETSON: It is my pleasure. Thank you for giving me the opportunity to communicate directly with our shareholders. In addition to creating shareholder value, we strive to provide shareholders with open lines of communication.

AGORA: Mr. Ibbetson, can you begin by telling us the type of products that CON-SPACE has to offer and who would be the target market for these products.

TERRY IBBETSON: The Company's products include Hardline Communication Systems, Two-Way Radio Accessory products, Medical Headsets, and we also make Private Labeled communication products for other manufacturers.

Our equipment is used in a wide range of Industries and by Police, Municipalities Fire Departments and Rescue Teams. Also by Government Agencies and Militaries in many Countries. In fact, our products can now be found in more than 1600 Fire Departments within the United States alone. It would be tough to find a better stamp of approval.

AGORA: It is no secret that CON-SPACE made great inroads this past year. In the most recent annual report, CON-SPACE reported revenues of \$5.5 Million with profits of \$700K. How is 2005 shaping up in terms of sales?

TERRY IBBETSON: Sales for fiscal 2005 thus far are looking extremely positive. In our first two quarters sales totaled \$2.7 Million, which is a 36% increase over the same period last year. In fact, our second quarter was our best second quarter ever, and to add to that, we actually had an order backlog of \$850K at the end of December. Thus far, all indications are that we will have another stellar year with the potential to set another annual sales record.

AGORA: Clearly CON-SPACE has been doing exceptionally well over the past several years with consistent quarter over quarter growth. What has been CON-SPACE's secret?

TERRY IBBETSON: That's a multi-faceted question. If I had to point to a magic bullet, it would have to be hard work and perseverance by the entire CON-SPACE team. But more specifically, a lot of the credit to our success goes to the fact that we were pioneers in this industry. CON-SPACE was the original player in this space and focused on fulfilling a need with superior products. Confined Spaces are harsh environments and CON-SPACE has adapted its equipment and offering to reflect that fact. Our equipment is not only of top quality, but has been adapted and approved to ensure that that our equipment is safe to operate in highly volatile environments.

AGORA: What type of distribution network does CON-SPACE have? What type of presence does CON-SPACE have throughout the world?

TERRY IBBETSON: A good distribution network is critical to the success of any company. We have worked very diligently to establish a vast network that spans the globe. Within the North America alone we have approximately 255 distributors with 900 offices selling our product. Additionally, our products can be found in a number of rescue and safety catalogues. Other areas of distribution include Great Britain, where we have our own office, Australia, and parts of Asia, South America, and Europe. Very recently, we even signed up 4 new distributors in China. The great part about enjoying this much success and being entrenched so deeply within the US market is that other parts of the world look to the US for guidance. When they see a proliferation of CON-SPACE products, signing up new distributors really is not a problem.

AGORA: CON-SPACE has garnered much media attention over the past few years. Can you elaborate on some of the more high profile events that CON-SPACE equipment has been involved in?

TERRY IBBETSON: CON-SPACE equipment has played a critical role in a number of high profile rescues. Two of the most prominent would have to be 9/11 and the Pennsylvania Mine Rescue. Our equipment was there on the day of the 9/11 tragedy, all the way until the final clean up crews were done several months later. With respect to the Pennsylvania Mine Rescue, our equipment played a crucial role in helping to rescue 9 trapped miners.

Additionally, CON-SPACE was recently featured on the cover of EDC's (Export Development Canada) Magazine for Canadian Exporters and was also featured in "Buyside" Magazine as Fundamental Research's Top 3 Picks for small cap companies.

AGORA: While 9/11 was a great tragedy, how has it helped in terms of sales for CON-SPACE?

TERRY IBBETSON: I'm not sure whether it is fortunate or unfortunate, but 9/11 has played a major role in increasing CON-SPACE sales as a result of the Homeland Security initiative. In fact, all FEMA (Federal Emergency Management Agency) agencies have 2 CON-SPACE systems. As a point of interest, only the President of the United States himself can activate the FEMA Teams. This goes a long way in terms of credibility. In addition, with the re-election of President Bush, it is certain that Homeland Security will continue to receive top priority in the US, which will inevitably result in increased sales for CON-SPACE.

AGORA: CON-SPACE has clearly experienced incredible organic growth to date, but are there any plans for further expansion through acquisition?

TERRY IBBETSON: While I am prohibited from discussing any specifics, I can say that we are definitely interested in strategic acquisitions of companies that can enhance our current offering and distribution network. We have been in preliminary talks with several companies, but I cannot comment any further.

AGORA: What does the future hold for CON-SPACE?

TERRY IBBETSON: The future looks extremely positive. We continue to break revenue records, and I don't think that this year will be the exception. Our product is of top quality and is known throughout the industry as the standard. Also, we recently hired a new Sales Manager who has extensive experience with the Oil Industry, which is a primary target for our products. I believe that this individual alone will help to provide a good boost to North American sales. Also, I must mention our UK Office, which has just completed a major re-organisation that included hiring a new experienced Sales Manager with a vast knowledge of the UK Safety Market. We anticipate high growth from this office during the ensuing years and have already implemented an exciting program to establish CON-SPACE in the massive and untapped European market.

AGORA: Clearly CON-SPACE appears to be a dominant player within the industry and has the revenues, personnel, product and distribution to back that claim up.

Mr. Ibbetson, I want to thank you on behalf of myself and the CON-SPACE shareholders for taking the time to discuss CON-SPACE. We wish you the greatest of success in all of CON-SPACE's ventures.

AGORA: That concludes our Executive Interview with Mr. TERRY IBBETSON, President of CON-SPACE Communications.

CONSOLIDATED QUARTERLY FINANCIAL STATEMENTS**CONSOLIDATED BALANCE SHEET**

	Dec 31 2004	June 30 2004
ASSETS		
Current Assets	\$2,718,678	\$2,498,103
Property, Plant & Equipment (Net Amortization)	211,733	206,086
Demo Inventory	200,001	196,361
Future Income Tax Recoveries	5,288	122,752
Total Assets	<u>\$3,135,700</u>	<u>\$3,023,302</u>
LIABILITIES AND SHAREHOLDERS		
Current Liabilities	\$1,082,898	\$1,094,354
Long Term Debt	15,100	87,100
Shareholders' Equity	3,037,702	1,841,848
Total Liabilities and Equity	<u>\$3,135,700</u>	<u>\$3,023,302</u>

CONSOLIDATED INCOME STATEMENTS

	Six Months Period Ended Dec 31, 2004	Six Months Period Ended Dec 31, 2003
Sales	\$2,696,221	\$1,970,002
Cost of Goods Sold and Commissions	1,335,737	969,985
Operating Expenses	1,051,666	933,218
Operating Profit Before Taxes	308,818	66,499
Income Tax Recovery	117,464	0
Net Profit	<u>\$191,354</u>	<u>\$66,799</u>
Net Profit (Loss) per Common Share	<u>\$0.02</u>	<u>\$0.01</u>

FINANCIAL RESULTS - FIRST QUARTER

CON-SPACE set a new sales record with sales of \$2,696,000 for its first-half of fiscal 2004, ended December 31, 2004. The resulting year-to-date sales are up 36.9% over the previous year.

"Our first-half of fiscal 2005, ended December 31, 2004, closed at \$2,696,221 or a 36.9 percent increase over the \$1,970,002 for the same period last year", reported Chairman, Jim Swanson, "giving the Company a pre-tax profit of \$308,818 or \$0.04 per share, compared to a pre-tax profit of \$66,799, or \$0.01 one year ago, a 362 percent increase."

"The increase in sales has resulted due to our expanding "Private Label" and distributor network business. Despite the increase in the Canadian Dollar we continue to forge ahead."

The Company's net profits after estimated income tax ended at \$191,354 or \$0.02 per share compared to \$66,799 or \$0.01 per share for the first half of last year. This is a 186.5 percent increase in year-to-date net earnings.

Sales for the second quarter were \$1,235,744 giving a 22.4% increase over the last year's second quarter sales of \$1,009,853. Net earnings were \$20,937 or \$0.00 per share for this year's 2nd quarter compared to last year's net earnings of \$55,726 or \$0.01 per share. Operating expenses for the second quarter were \$552,350 compared to last year's second quarter of \$458,823, a 20.4% increase. This increase is a result of personnel and infrastructure increases.

Subsequent to December 31, 2004 the Company, through Acumen Capital Partners of Calgary closed a private placement raising an amount of \$1,000,000 for the issue of 1,000,000 shares plus 500,000 share purchase warrants.

Shareholder Relations

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Gloria Gordon
Controller

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Gordon E. Cook
Director

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.

**CON-SPACE PROVIDES YOU WITH SUPERIOR
QUALITY IN-SUIT VOICE COMMUNICATION...**



**BUT WE LEAVE OTHER FORMS OF
COMMUNICATION UP TO YOUR CO-WORKERS**

HOW TO STAY IN TOUCH

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You may also visit us online at:

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