

CONSOLIDATED FINANCIAL STATEMENTS AS OF JULY 31, 2005

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
Nitar Tech Corp. and Subsidiary
3950 Worthview Place Unit 2
Mississauga, Ontario, Canada L5N 6S7

We have audited the accompanying consolidated balance sheets of Nitar Tech Corp. and Subsidiary as of July 31, 2005 and 2004, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Nitar Tech Corp. and Subsidiary as of July 31, 2005 and 2004, and the results of its consolidated operations and its consolidated cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 10 to the accompanying consolidated financial statements, the Company has restated its consolidated financial statements for the year ended July 31, 2004.

/s/ Rotenberg & Co., LLP

Rotenberg & Co. LLP
Rochester, New York
November 3, 2005

NITAR TECH CORP. AND SUBSIDIARY
Consolidated Balance Sheets
July 31, 2005 and 2004

	2005	(Restated) 2004
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 585	\$ 75
Accounts Receivable - Net of Allowance for Doubtful Accounts	6,710	16,883
Prepaid Expenses	4,875	-
Deferred Tax Asset	3,681	-
Total Current Assets	\$ 15,851	\$ 16,958
Property and Equipment - Net of Accumulated Depreciation	5,180	6,153
Software Development Costs - Net of Accumulated Amortization	421,441	485,084
Deferred Financing Costs	590,000	-
Total Assets	\$ 1,032,472	\$ 508,195
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Bank Overdraft	\$ -	\$ 35,839
Accounts Payable & Accrued Liabilities	28,224	28,345
Deferred Tax Liability	-	11,416
Total Current Liabilities	\$ 28,224	\$ 75,600
 Other Liabilities		
Deferred Tax Liability	\$ 36,880	\$ 52,082
Shareholder Advances	500	28,245
Total Liabilities	\$ 65,604	\$ 155,927
 Shareholders' Equity		
Common Stock, \$0.001 par value 50,000,000 shares authorized - 11,051,118 and 10,522,936 shares issued and outstanding	\$ 11,051	\$ 10,523
Additional Paid In Capital	835,500	144,518
Retained Earnings	57,283	163,073
Accumulated Comprehensive Income	63,034	34,154
Total Shareholders' Equity	\$ 966,868	\$ 352,268
Total Liabilities and Shareholders' Equity	\$ 1,032,472	\$ 508,195

NITAR TECH CORP. AND SUBSIDIARY
Consolidated Statements of Stockholders' Equity
For the Years Ended July 31, 2005 and 2004

	Number of Shares	Common Stock	Additional Paid In Capital	Retained Earnings	Accumulated Comprehensive Income (Restated)	Total Stockholders' Equity
Balance - July 31, 2003 (Restated)	7,030,000	\$ 7,030	\$ 108,799	\$ 124,262	\$ 19,932	\$ 260,023
Additional Common Stock Issued in Connection with the Reorganization of Labtech Systems Inc.	3,492,936	3,493	5,443	—	—	8,936
Contributed Services by Shareholders	—	—	30,276	—	—	30,276
Net Income	—	—	—	38,811	—	38,811
Foreign Currency Translation Income	—	—	—	—	14,222	14,222
Balance - July 31, 2004 (Restated)	10,522,936	\$ 10,523	\$ 144,518	\$ 163,073	\$ 34,154	\$ 352,268
Common Stock Issued in Exchange for Services Rendered	260,000	260	38,740	—	—	39,000
Common Stock Issued in Exchange of Deferred Financing Costs	268,182	268	589,732	—	—	590,000
Contributed Services by Shareholders	—	—	62,510	—	—	62,510
Net Loss	—	—	—	(105,790)	—	(105,790)
Foreign Currency Translation Income	—	—	—	—	28,880	28,880
Balance - July 31, 2005	11,051,118	\$ 11,051	\$ 835,500	\$ 57,283	\$ 63,034	\$ 966,868

NITAR TECH CORP. AND SUBSIDIARY
Consolidated Statements of Operations
For the Years Ended July 31, 2005 and 2004

	<u>2005</u>	(Restated) <u>2004</u>
Net Revenues:		
Consulting	\$ 217,781	\$ 64,647
Software Licensing Fees	68,031	97,595
	\$ 285,812	\$ 162,242
Cost of Revenues and Operating Expenses:		
Cost of Revenues	\$ 138,570	\$ 44,881
Sales and Marketing	34,426	532
General and Administrative	144,318	55,783
Depreciation and Amortization	105,471	2,098
	\$ 422,785	\$ 103,294
(Loss) Income from Operations	\$ (136,973)	\$ 58,948
Interest Expense	4,077	4,294
(Loss) Income Before Income Taxes	\$ (141,050)	\$ 54,654
(Benefit From) Provision for Income Taxes	(35,260)	15,843
Net (Loss) Income	\$ (105,790)	\$ 38,811
Comprehensive Income		
Foreign Currency Translation Income	28,880	14,222
Total Comprehensive Income (Loss)	\$ (76,910)	\$ 53,033
Net (Loss) Income Per Share - Basic and Diluted	\$ (0.01)	\$ 0.01
Weighted Average Shares Outstanding - Basic and Diluted	10,633,464	7,096,805

NITAR TECH CORP. AND SUBSIDIARY
Consolidated Statements of Cash Flows
For the Years Ended July 31, 2005 and 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income (Loss)	\$ (105,790)	\$ 38,811
<i>Non-Cash Adjustments</i>		
Common Stock Issued in Connection with Reorganization of Labtech Systems Inc.	-	8,936
Common Stock Issued in Exchange for Services Rendered by Shareholders	39,000	-
Contributed Services by Shareholders	62,510	30,276
Depreciation and Amortization Expense	105,471	2,098
Bad Debt Expense	4,957	5,200
<i>Changes in Operating Assets and Liabilities</i>		
Accounts Receivable	6,504	(20,403)
Prepaid Expenses	(4,805)	-
Accounts Payable & Accrued Liabilities	(2,527)	9,649
Deferred Tax Liability	(35,259)	15,843
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 70,061	\$ 90,410
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash Paid for Software Development	-	(100,132)
NET CASH FROM INVESTING ACTIVITIES	\$ -	\$ (100,132)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net Repayment from Bank Indebtedness	(38,369)	(2,014)
Advances from (Repayment to) Shareholders	(29,746)	11,737
NET CASH FLOWS FROM FINANCING ACTIVITIES	\$ (68,115)	\$ 9,723
NET EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	(1,436)	3
NET CHANGE IN CASH AND CASH EQUIVALENTS	\$ 510	\$ 4
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	75	71
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 585	\$ 75
SUPPLEMENTAL DISCLOSURES		
Interest Paid	\$ 4,077	\$ 4,294
Income Taxes Paid	\$ —	\$ —
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Common Stock Issued in Connection with Reorganization of Labtech Systems Inc.	\$ -	\$ 8,936
Common Stock Issued in Exchange for Services Rendered	\$ 39,000	\$ -

Common Stock Issued in Exchange of Deferred Financing Costs	\$ 590,000	\$ -
Contributed Services by Shareholders	\$ 62,510	\$ 30,276

NITAR TECH. CORP. AND SUBSIDIARY

Notes to the Financial Statements

For the Years Ending July 31, 2005 and 2004

The accompanying notes are an integral part of these consolidated financial statements

1. INCORPORATION

Nitar Tech. Corp., (“The Company”) was formed on January 12, 2004, under the laws of the State of Delaware. On July 24, 2004, the Company acquired all of the outstanding shares of Labtech Systems Inc., (an Ontario Canada Corporation) in a reverse merger in exchange for approximately 67% of the outstanding stock of the Company. The Company had no operating activities prior to the reverse merger. Accordingly, Labtech Systems Inc. is considered the accounting acquirer under a reverse merger. The reverse merger transaction has been accounted for as a recapitalization of Labtech Systems Inc. Prior to the merger, Nitar Tech. Corp had no operations. Accordingly, the historical operations of Labtech Systems Inc. are presented in the accompanying financial statements as the historical operations of the Company for all periods presented. The shareholders of Labtech Systems Inc. received 7,030,000 of common shares of Nitar Tech. Corp. in connection with the reverse merger. These shares are considered as if they were issued prior to July 31, 2003.

The Company’s operations include the selling of computer software licensing agreements for their internet-based software products and computer software professional services consulting practice. The Company maintains its offices in Mississauga, Ontario, Canada.

2. SIGNIFICANT ACCOUNTING POLICIES

a. Principles of Consolidation

The consolidated financial statements include the accounts of Nitar Tech Corp. and its majority owned subsidiary. All significant intercompany balances and transactions have been eliminated in consolidation.

b. Method of Accounting

The Company maintains its books and prepares its financial statements on the accrual basis of accounting.

c. Use of Estimates

The preparation of these financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period.

d. Cash and Cash Equivalents

Cash and cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

e. Accounts Receivable and Allowance for Doubtful Accounts

The Company extends credit to its customers in the normal course of business and collateral is generally not required for trade receivables. Exposure to credit risk is controlled through the use of credit approvals, credit limits and monitoring procedures. Accounts receivable are reported net of an allowance for doubtful accounts. The Company estimates the allowance based on its analysis of specific balances, taking into consideration the age of the past due account and anticipated collections resulting from legal issues. An account is considered past due after thirty (30) days from the invoice date. Based on these factors, there was an allowance for doubtful accounts of \$0 and \$5,599 at July 31, 2005 and 2004, respectively. Changes to the allowance for doubtful accounts are charged to expense and reduced by charge-offs, net of recoveries.

f. Property, Equipment, and Depreciation

Property and Equipment are presented at original cost, less accumulated depreciation. Depreciation is computed using the declining balance at the following annual rates for the following applicable asset classes:

- Computer Hardware - 30% declining balance
- Furniture and Equipment - 20% declining balance

The cost of significant improvements to property and equipment are capitalized. Maintenance and repairs are charged to expense as incurred. Upon sale or retirement of property and equipment, the cost and related depreciation are eliminated from the accounts and any resulting gain or loss is recognized.

g. Software Development Costs

The Company accounts for the costs of software to be marketed in compliance with Statement of Financial Accounting Standards No. 86, "Accounting for Costs of Computer Software to be Sold, Leased or Otherwise Marketed." Software development costs are expensed as incurred until technological feasibility of the product is established. Once technological feasibility is achieved, direct production costs (including labor directly associated with the development projects), indirect costs (including allocated fringe benefits, payroll taxes, facilities costs, and management supervision), and other direct costs (including costs of outside consultants, purchased software to be included in the software product being developed, travel expenses, material and supplies, and other direct costs) are capitalized until the product is available for general release to customers. The Company amortizes capitalized costs on a product-by-product basis. Amortization for each period is the greater of the amount computed using (i) the straight-line basis over the estimated product life (generally from 36 to 60 months), or (ii) the ratio of current revenues to total projected product revenues. The Company capitalized \$0 and \$100,476 of software development costs for the years ending July 31, 2005 and 2004, respectively.

SFAS No. 2, *Accounting for Research and Development Costs*, established accounting and reporting standards for research and development. In accordance with SFAS No. 2, costs we incur to enhance our existing products after general release to the public (bug fixes) are expensed in the period they are incurred and included in research and development costs. Research and development costs incurred prior to determination of technological feasibility and marketability and after general release to the public and charged to expense were \$0 for the years ended July 31, 2005 and 2004, respectively.

The Company currently has available for general release to customers two products. The first product developed by the Company was DyanmicHub, which was fully developed in 1998 and fully amortized by December 31, 2003. All of the Company's licensing fee revenue was from the selling of licenses for DyanmicHub. The second product developed by the Company was Choozemail, which was fully developed on August 1, 2004 and available for general release to customers on their website. However, the Company has not actively pursued selling the product and is waiting on the commercial rollout of the product pending additional financing. As of July 31, 2005, the Company has not sold any licenses for Choozemail.

The Company periodically reviews the carrying value of capitalized software development costs. Impairments are recognized in the results of operations when the expected future undiscounted operating cash flow derived from the capitalized software is less than its carrying value. No charges for impairment were required in the years ending July 31, 2005 and 2004, respectively.

h. Deferred Financing Costs

The Company amortizes deferred financing costs over the effective period of the financing. As of this September 30, 2005 the Company's effective period of financing has not started and the Company did not begin amortizing these capitalized fees.

i. Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes," using the asset and liability approach, which requires recognition of deferred tax liabilities and assets for the

expected future tax consequences of temporary differences between the carrying amounts and the tax basis of such assets and liabilities. This method utilizes enacted statutory tax rates in effect for the year in which the temporary differences are expected to reverse and gives immediate effect to changes in income tax rates upon enactment. Deferred tax assets are recognized, net of any valuation allowance, for temporary differences and net operating loss and tax credit carry forwards. Deferred income tax expense represents the change in net deferred assets and liability balances.

j. Revenue Recognition

Substantially all of the Company's revenues are derived from two primary sources: licensing of software and providing professional services. The Company's software is sold through licensing agreements that are on a month-to-month basis. The software licensing agreements have been accounted for under revenue recognition principles in accordance with the guidance provided by Staff Accounting Bulletin ("SAB") No. 104, "Revenue Recognition." In addition, the Company has applied the provisions of the Emerging Task Force ("EITF") No. 00-03, "Application of AICPA SOP No. 97-2 to Arrangements that Include the Right to Use Software Stored on Another Entity's Hardware," to the Company's software licensing agreements. The Company's licensing agreements with customers generally include a software license, which includes use of software and hosting services and professional services, as described below. The fees related to these multiple-element arrangements are allocated to the individual elements in accordance with EITF 00-21, "Revenue Arrangements with Multiple Deliverables," based upon verifiable, objective evidence of the fair values of each accounting unit. Professional services revenue consists of fees charged for product set-up and training and consulting services, which are determinable based upon vendor specific evidence of fair value. Professional service revenue is recognized as the professional services are delivered provided all other revenue recognition requirements are met.

k. Advertising Costs

The Company expenses advertising costs as they are incurred. Advertising expenses for the year ended July 31, 2005 and 2004 were \$17,939 and \$532, respectively.

l. Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, and accounts payable. It is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value.

m. Foreign Currency Translation

The functional currency of the Company is the local currency where the Company operates (Mississauga, Ontario, Canada). The financial statements of the Company have been translated into U.S. dollars in accordance with Statement of Financial Accounting Standards ("SFAS") No. 52, "Foreign Currency Translation." All balance sheet accounts have been translated using the exchange rates in effect at the balance sheet date. The income and cash flow statements amounts have been translated using the weighted average exchange rate for the year. Foreign currency cash flows are translated at the weighted average rate of exchange in effect during the period due to the minimal fluctuation in the currency exchange rates during the period. Management believes that substantially the same results would be derived if foreign cash flows were translated at the rates in effect at the time of the cash flows

Accumulated net translation adjustments have been reported separately in Other Comprehensive Loss in the financial statements. Foreign currency translation adjustments resulted in losses of \$11,975 and \$5,559 for the years ending July 31, 2005 and 2004, respectively. Foreign currency transaction losses resulting from exchange rate fluctuations on transactions denominated in a currency other than the functional currency totaled approximately \$2,246 and \$0 in the years ending July 31, 2005 and 2004, respectively, and are included in General and Administrative Expenses in the accompanying consolidated statement of operations.

n. Earnings Per Share

Earnings per share of common stock are computed in accordance with SFAS No. 128, "Earnings per Share." Basic earnings per share are computed by dividing income or loss available to common shareholders by the weighted-average number of common shares outstanding for each period. Diluted earnings per share is the

same as basic earnings per share since no common stock equivalents were outstanding for the years ending July 31, 2005 and 2004.

o. Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform with the current year presentation.

p. Recent Accounting Pronouncements

- o In December 2004, FASB issued SFAS 153, “Exchanges of Nonmonetary Assets- an amendment to APB Opinion No. 29”. This statement amends APB 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. Adoption of this statement is not expected to have a material impact on our results of operations or financial condition.
- o In May 2005, the FASB issued SFAS No. 154, “Accounting Changes and Error Corrections – a replacement of APB Opinion No. 20 and FASB Statement No. 3” (“SFAS 154”). SFAS 154 changes the requirements for the accounting for and reporting of a change in accounting principle. These requirements apply to all voluntary changes and changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. SFAS 154 is effective for fiscal years beginning after December 15, 2005. As such, the Company is required to adopt these provisions at the beginning of the fiscal year ended July 31, 2006. The Company is currently evaluating the impact of SFAS 154 on its financial statements.

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

July 31,	2005	(Restated) 2004
Computer Hardware	\$ 22,662	\$ 19,273
Furniture & Fixtures	5,871	4,941
	\$ 28,533	\$ 24,214
Less: Accumulated Depreciation	23,353	18,061
Net Property and Equipment	\$ 5,180	\$ 6,153

Depreciation expense for the years ended July 31, 2005 and 2004 was \$1,621 and \$2,098, respectively.

4. SOFTWARE DEVELOPMENT COSTS

Software development costs incurred during the years ended July 31, 2005 and 2004 were as follows:

July 31,	2005	2004 (Restated)
Gross Software Development Costs	\$ 526,801	\$ 485,084
Less: Accumulated Amortization	105,360	-
Net Software Development Costs	\$ 421,441	\$ 485,084

The Company recorded amortization of capitalized software development costs of \$103,850 and \$0 for the years ended July 31, 2005 and 2004, respectively. Estimated aggregate minimum amortization expenses for each of the next five years are as follows:

Year Ending: July 31,	2006	2007	2008	2009	2010
	\$105,360	\$105,360	\$105,360	\$105,361	\$ -

5. BANK OVERDRAFT

In connection with the Company's checking account, the Company has a bank overdraft protection loan available up to approximately \$40,856 at July 31, 2005. The bank overdraft balance was \$0 and \$35,839 at July 31, 2005 and 2004, respectively. The interest rate on the bank overdraft protection loan is the Canadian prime rate plus 0.25%, which was 4.50% and 4.00% at July 31, 2005 and 2004, respectively. Interest expense for the years ended July 31, 2005 and 2004 was \$3,430 and \$3,417, respectively. The bank overdraft protection loan is personally guaranteed by two principal shareholders of the Company.

6. RELATED PARTY TRANSACTIONS

During the years ended July 31, 2005 and 2004, principal stockholders of the Company contributed their services to the Company. The Company imputed the value of their contributed services at market rates in the amounts of \$62,510 and \$30,276, respectively. The contributed services were expensed with general and administrative expenses and an addition to Additional-Paid-In-Capital. In addition, the Company rented office space from a principal stockholder on a month-to-month basis for \$14,497 and \$11,098 during the years ended July 31, 2005 and 2004.

Advances from Stockholders' are advances and payments from principal stockholders of the Company. The notes are unsecured and contain no formal repayment terms; however interest amounting to \$647 and \$877 at July 31, 2005 and 2004, respectively, has been imputed in the accompanying consolidated financial statements. Advances from Shareholders' at July 31, 2005 and 2004 were \$500 and \$28,245, respectively.

The Company engages the consulting services of Kanak Consulting and Next Technology. Principle stockholders of the Company are principle stockholders of Kanak Consulting and Next Technology. The related parties charge market rates to the Company, and in return, earn consulting fees for the Company inclusive of professional consulting and software development. The total amounts invoiced to the Company by Kanak Consulting and Next Technologies for the years ending July 31, 2005 and 2004, respectively, are as follows:

Deferred Tax (Benefit) Expense		
United States Tax Expense	\$ -	\$ -
Canadian Tax (Benefit) Expense	(35,260)	15,843
Income Tax (Benefit) Expense	\$ (35,260)	\$ 15,843

The provision for income taxes differs from that computed by applying the Canadian federal statutory rates to income before income tax expense, as indicated in the following analysis:

Year Ended: July 31,	2005	2004
Canadian Statutory Income Taxes at 36% and 37%, respectively	\$ (45,494)	\$ 20,563
Application of the Canadian Small Business Deduction Credit	10,234	(4,720)
Income Tax (Benefit) Expense	\$ (35,260)	\$ 15,843

A cumulative net deferred tax liability is included on the balance sheet. The components of the deferred tax liability at July 31, 2005 and 2004, respectively, are as follows:

Year Ended: July 31,	2005	2004
Current Deferred Tax Assets Consisted of:	\$ 15,974	\$ 5,945
Net Operating Loss – Carryforwards	-	-
Deferred Tax Valuation Allowance		
Total Current Deferred Tax Assets	15,974	
Current Deferred Tax Liabilities Consisted of:		
Difference in Amortization Methods of Software Development Costs	(12,293)	(17,361)
Net Current Deferred Tax Asset (Liability)	\$ 3,681	\$ (11,416)

The noncurrent component of deferred income tax liability recognized in the balance sheets represents the difference in amortization methods of software development costs. Deferred liability income tax was \$36,880 and \$52,082 at July 31, 2005 and 2004, respectively.

The Company has \$63,898 of net operating loss carryforwards available as of July 31, 2005. The carryforwards expire in varying amounts in 2008 through 2015.

9. STANDBY EQUITY DISTRIBUTION AGREEMENT

In July 2005, the Company entered into a Standby Equity Distribution Agreement with Cornell Capital Partners, L.P. Under the Standby Equity Distribution Agreement ("SEDA"), the Company can require Cornell Capital Partners, L.P., through its general partner, Yorkville Advisors, LLC, to purchase up to \$35,000,000 of its common stock over a two-year period. These funds can be drawn at the company's discretion based upon funding requirements, subject to an effective registration of the Company's shares with the SEC. The SEDA establishes what is sometimes termed an "equity line of credit" or an "equity draw-down facility." The \$35,000,000 facility may be drawn-down upon by the Company in installments, the maximum amount of each of which is limited to \$500,000 and is limited to \$2,000,000 per month. For each share of common stock purchased under the SEDA, Cornell Capital Partners, L.P. will pay 98% of the lowest volume weighted average price ("VWAP") of the Company's shares during the five trading days following the Company's draw-down notice to Cornell Capital Partners, L.P. The VWAP that will be used in the calculation will be that reported by Bloomberg, LLC, a third-party reporting service. In general, the VWAP represents the sum of the value of all the sales of the Company's common stock for a given day (the total shares sold in each trade times the sales price per share of the common stock for that trade), divided by the total number of shares sold on that day.

The Company is not obligated to draw down on the SEDA facility, but subsequent to the registration of the Company's common stock to be issued under the SEDA, and upon the satisfaction by the Company of normal conditions for this type of transaction, the Company has the right to require Cornell Capital Partners, L.P. to purchase its common

shares under the SEDA, subject to the beneficial ownership limitations described elsewhere in this note. The registration statement for the shares issuable under the SEDA remains pending with the SEC. The Company cannot predict when, if ever, such registration statement will be declared effective.

In connection with the EDA, the Company issued to Cornell Capital Partners, L.P. 268,182 shares of its common stock and paid a due diligence fee of \$2,500. The Company is also committed to pay Cornell Capital Partners, L.P. an amount equal to 5% of each purchase of its common stock made by Cornell Capital Partners, L.P. under the SEDA. This additional fee has the effect of a lower purchase price paid by Cornell Capital Partners, L.P. for the Company's stock. The Company also paid Yorkville Advisors Management, LLC, the investment manager for Cornell Capital Partners, L.P., for legal expenses fee of \$15,000, and on each sale under the SEDA, the Company will pay an additional structuring fee of \$500 to Yorkville Advisors Management, LLC. Upon completion of the SEDA agreement, the Company issued to Cornell Capital Partners, L.P. shares of the Company's common stock in an amount equal to \$590,000 divided by the closing bid price of the Company's common stock as quoted by Bloomberg, L.P. five days immediately following notice date. The Company valued the common shares issued to Cornell Capital Partners, L.P. at the fair market value on the dates of grant, or \$2.19 per share. The commitment fee was deemed a deferred debt offering cost and is being amortized as a financing expense over the effective period of 24 months. As of this date the Company's registration was not yet declared effective and the Company did not begin amortizing the commitment fee.

During the term of the SEDA, the Company's officers and directors have agreed not to sell any of their shares of the Company's common stock, except to the extent permitted under Rule 144. The number of shares of the Company's common stock issuable to Cornell Capital Partners, L.P. under the Standby Equity Distribution Agreement is subject to a 9.9% cap on the beneficial ownership that Cornell Capital Partners, L.P. and its affiliates may have at the time of each installment (beneficial ownership is to be calculated in accordance with Section 13(d) of the Exchange Act).

During the two years in which the Company can access the SEDA, without Cornell Capital Partners, L.P.'s consent, the Company cannot:

1. Issue or sell shares of its common or preferred stock, or any warrant option or right to acquire shares of its common stock, without consideration or for a per share consideration less than the bid price for our shares on the date of issuance, or
2. File a registration statement on Form S-8.

10. BUSINESS SEGMENTS AND OTHER REVENUE INFORMATION

The Company operated in two principal business segments. The Company's reportable business segments are the selling of computer software licensing agreements for their internet-based software products and computer software professional services consulting practice. In addition, the Company reports certain administrative activities under the corporate segment. The accounting policies of the reportable business segments are the same as those described in Note 2: Significant Accounting Policies. The Company evaluates segment performance based on net income (loss). The Company's revenues were from external customers; no transactions between segments were recorded in the amounts shown in the following schedule.

For Year Ending July 31, 2005	Software	Consulting	Corporate	Total
Revenues	\$ 68,031	\$ 217,781	\$ -	\$
Cost of Revenues	(20,885)	(117,685)	-	
Sales and Marketing	(34,426)	-	-	(34,426)
General and Administrative	(4,957)	-	(139,361)	(144,318)
Depreciation and Amortization	(103,850)	-	(1,621)	(105,471)

Depreciation and Amortization	(103,850)	-	(1,621)	(105,471)
Interest Expense	-	-	(4,077)	(4,077)
(Benefit From) Provision for Income Taxes	24,021	(25,025)	36,264	35,260
Net Income (Loss)	\$ (72,066)	\$ 75,071	\$ (108,795)	\$(105,790)
Capital Expenditures	\$ -	\$ -	\$ -	\$ -
Total Assets	\$ 433,026	\$ -	\$ 599,446	\$ 1,032,472
	Software			Total
	Licensing			Consolidated
For Year Ending July 31, 2004	Fees	Consulting	All Other	
Revenues	\$ 97,595	\$ 64,647	\$ -	\$ 162,242
Cost of Revenues	(19,125)	(25,756)	-	(44,881)
Sales and Marketing	(532)	-	-	(532)
General and Administrative	(5,200)	-	(50,583)	(55,783)
Depreciation and Amortization	-	-	(2,098)	(2,098)
Interest Expense	-	-	(4,294)	(4,294)
(Benefit From) Provision for Income Taxes	(18,185)	(9,723)	12,065	(15,843)
Net Income (Loss)	\$ 54,553	\$ 29,168	\$ (44,910)	\$ 38,811
Capital Expenditures	\$ 100,132	\$ -	\$ -	\$ 100,132
Total Assets	\$ 502,467	\$ -	\$ 5,728	\$ 508,195

Revenues from two customers were \$202,629 or 71% of the Company's total revenues for the year ending July 31, 2005. Revenues from two customers during the year ending July 31, 2004 were approximately \$135,290 or 83%. All of the Company's revenues were from Canada and the United States. Revenues from Canada and the United States for the year ending July 31, 2005 were \$66,528 and \$219,284, respectively. For the year ending July 31, 2004, revenues from Canada and the United States were \$153,100 and \$9,142, respectively. Revenues are attributed to countries based on the location of the customers.

11. RESTATEMENT

The Company has restated its financial statements for the year ended July 31, 2004 and 2003 due to a correction of an error. The adjustment was due to the correction to the calculation of the foreign currency translation adjustment on assets of the Company. The nature of the restatement and the effects are as follows:

	As Reported	Adjusted	As Restated
Balance Sheet at July 31, 2004			
Total Assets	\$ 469,199	\$ 38,996	\$ 508,195
Accumulated Comprehensive Income	\$ (4,842)	\$ 38,996	\$ 34,154
Income Statement for the year ended July 31, 2004			
Comprehensive Income (Loss)	\$ (5,559)	\$ 19,781	\$ 14,222

	As Reported	Adjusted	As Restated
Balance Sheet at July 31, 2003			
Total Assets	\$ 355,148	\$ 19,215	\$ 374,363
Accumulated Comprehensive Income	\$ 717	\$ 19,215	\$ 19,932
Income Statement for the year ended July 31, 2003			
Comprehensive Income (Loss)	\$ (1,670)	\$ 25,208	\$ 23,538

There were no changes to the net income or basic and diluted income per share for the years ended July 31, 2004 and 2003.