STELAX INDUSTRIES LTD
Form 10KSB
January 17, 2006

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-KSB

(Mark One)

(X) Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended March 31, 2004 or

( ) Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from ______ to ________.

STELAX INDUSTRIES LTD.
(Exact name of registrant as specified in its charter)
Commission file number 0-18052

British Columbia, Canada	None
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
5515 Meadow Crest Drive, Dallas, Texas,	75229.
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (972) 233-6041

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, no par value

(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve (12) months and (2) has been subject to such filing requirements for the past ninety (90) days.

Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [X]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act)

Yes No X

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of July 8, 2005, was approximately $8,418,357. At March 31, 2004 there were 46,631,319 shares of common stock outstanding.

Documents Incorporated by Reference

NOT APPLICABLE

PART I

ITEM 1. BUSINESS.

Introduction

Stelax Industries Ltd. (the "Registrant" or the "Company") ceased all operations in March 2002 when a Receiver acquired all assets of the Company's sole operating entity, Stelax (U.K.) Limited, assets which were subsequently sold to an affiliate of the Company which the Company does not control. It is the Company's intention, subject to legal and financial restraints being removed, to incorporate other business activities in the future.

The registrant was incorporated under the laws of British Columbia, Canada in May 1987 as Zfax Image Corp, The Registrant changed its name from ZFAX Image Corp. to its present name in May 1996.

The Registrant's principal executive offices are located at 5515 Meadow Crest Dr., Dallas, Texas 75229, and its telephone number is (214) 987-1197. Unless otherwise required by the context, the term "Company" as used herein shall mean the Registrant and, where historically appropriate, the Registrant's U.K. subsidiary, hereinafter referred to as "Stelax (U.K.)".

Until 1992 the Registrant was engaged in the development and production of a portable facsimile machine using certain advanced facsimile technology. On March 31, 1995, the Registrant sold this business to the Zfax company president for book value.

On November 15, 1995, the Company finalized agreements to acquire the real, personal and intellectual property comprising the Aberneath steel mill facility, paying cash of approximately $1,377,000 and issuing 2,925,000 shares of Common Stock and assuming debt of approximately $1,316,000. The Registrant financed the acquisition principally through the issuance of $600,000 in convertible notes, which were subsequently converted, and the sale of $1,540,000 of Common Stock and Warrants. The Aberneath Steel mill facility was located in Aberneath Wales, and the Registrant's principal activities were conducted utilizing these assets which were placed into its wholly-owned subsidiary, Stelax (U.K.), a corporation organized under the laws of the United Kingdom.

In July 1996, the Registrant sold 10,800,000 shares of Common Stock, raising $10,831,000. Approximately $1,100,000 of the proceeds was used to liquidate outstanding mortgages on the Aberneath property. As part of this financing, the Registrant's Common Stock began trading on the Le Nouveau Marche of the Paris Stock Exchange.

Beginning in fiscal 1997, the Registrant commenced operations from the Aberneath plant, principally producing stainless steel. The Registrant also began developing the market for its Nuovinox product. In 1998, the market for stainless steel was subject to severe pricing pressures, and the Company determined to cease production of stainless steel while the Registrant developed the Nuovinox market. Operating losses since 1997 essentially depleted the Registrant's working capital.

In the first quarter of fiscal 2001, the Registrant began receiving orders for the Nuovinox product, a product in which carbon steel is clad in stainless steel. The Company also produced a steel abrasive product, Stelablast(TM). In July 2000, with its assets unencumbered, the Registrant obtained financing from

Bank of America so that the Registrant could fulfill those orders. This financing provided $5,000,000 of a term loan, $500,000 of receivable financing and $250,000 inventory financing. Bank of America subsequently assigned this obligation to Wells Fargo. While the Registrant made some shipments in fiscal 2001, the registrant expended resources on new mill tooling, completing a finishing line and improving Nuovinox's metallurgical properties and product quality.

Stelax (U.K.) commenced quantity production in the quarter ended June 30, 2001 but was unable to increase production to sufficiently large volumes to achieve profitability or service debt.

On March 7th, 2002, Stelax (U.K.), was placed into Administrative Receivership by Wells Fargo Bank, which held a loan note that ranked senior to all other debt of Stelax (U.K.). Control over the assets of Stelax (U.K.) passed from Stelax Industries to the U.K. Receiver at this point. A court judgement was subsequently obtained against Stelax Industries Ltd. Please refer to Item 3 for further details.

Between March 2002 and August 2003 (inclusive), the Receiver exercised complete managerial control over the assets of Stelax (U.K.). Final delivery against one outstanding order was made in March 2002 but since that time no production or deliveries took place. All but one of the employees of the U.K. company was made redundant in March 2002. During the period March 2002 and August 2003 the Receiver was authorized to undertake the sale of the U.K. company's assets either as a whole entity or on the basis of break up.

In June 2003 an affiliate of the Registrant Company, through an intermediary company (Timaran Ltd.), made a contract with the Receiver to purchase all of the Stelax (U.K.) assets held by the Receiver. Timaran Ltd. started recommissioning and operating the Aberneath Facility. In August Timaran completed the purchase of the U.K. assets from the Receiver. Timaran has assigned all its rights and interest to Stelax International Ltd., a private company unassociated with Stelax Industries Ltd. Timaran will subsequently become a subsidiary company of Stelax International Ltd. See item 12. Certain Relationships and Related Transactions.

With the acquisition of the assets by the Receiver and subsequent purchase by an affiliate of the Company which the Company does not control, the Company lost all ability to produce Nuovinox, including any inventory, facilities, equipment and intellectual property such as patents and trademarks.

In the opinion of the Company's management, interest in the Nuovinox product remains strong. But the Registrant no longer has any direct or indirect interest in the operations that are presently making Nuovinox.

Products

With the sale of the Company's sole operating assets by the Receiver to an affiliate of the Company, the Company's operations ceased. Prior to the possession of the U.K company's assets by the Receiver, the Company had been capable of producing two distinct product lines at it's Aberneath facility: (i) the Company's patented Nuovinox product, a stainless steel cladded product with metallurigically joined carbon steel core and (ii) steel abrasive shot in various sizes marketed under the name Stelablast.

Nuovinox is a carbon steel product cladded with stainless steel. From raw stainless steel the Registrant created tubes several inches in diameter and filled the tubes with treated scrap steel, reducing and elongating the tubes in a proprietary process until the desired product was created, usually rebar 1/2 inch or larger in diameter with a core of carbon sheet and an outer casing of stainless steel. The most commonly produced product was rebar, but Nuovinox could be manufactured in flat bar, round bar and pipes of various sizes and dimensions. The resultant product, which generally consisted of up to 25% of stainless steel by weight, created a molecular bond between the carbon steel core and the stainless steel exterior. The raw materials for the rebar comes from very low grade scrap steel.

Employees

As of, May16, 2005, the Company did not have any employees or independent contractors working for it.

ITEM 2. PROPERTIES.

The Company's principal executive offices in the United States are located at a private residence, 5515 Meadow Crest Dr., Dallas, TX 75229. Until acquired by a Receiver in March 2002 the Company owned the land and buildings comprising the Aberneath Facility in Wales, United Kingdom. See Item 1. Business.

ITEM 3. LEGAL PROCEEDINGS.

In March 2002 Stelax (U.K.) was placed into administrative receivership by a loan creditor, Wells Fargo Business Credit, Inc. which was exercising powers and remedies available to it by law and a Loan and Security Agreement, originally made on June 30, 2000, with Banc of America Commercial Finance Corporation and subsequently assigned on April 20, 2001 by Banc of America Finance Corporation to Wells Fargo Business Credit, Inc. Simultaneously with the original execution of the Loan and Security Agreement, Stelax Industries, Ltd., the registrant, executed a guarantee of the Loan and Security Agreement, and the guarantee was also assigned to Wells Fargo Business Credit, Inc.

When Stelax (U.K.) was placed into administrative receivership, all of the registrant's operations effectively ceased. On March 5, 2002, Wells Fargo Business Credit, Inc. filed a complaint in the United States District Court for the Southern District of New York against Stelax Industries, Ltd., Stelax (U.K.) and Stelax U.S.A., Inc. seeking damages because of failure to make payments pursuant to the aforementioned agreements. On July 2, 2002 the court entered a judgment against all three defendants, and on February 4, 2003, entered a judgment of $4,041,778.27 plus $911.46 interest per day from August 22, 2002 to January 31, 2003. Post judgment interest was also awarded calculated from January 31, 2003.

As of the date hereof, this judgment has not been satisfied.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

Market Information

During fiscal 2003 and 2002, the Registrant's Common Stock was quoted on the NASDAQ Bulletin Board System. It is currently quoted on the Pink Sheets. The Registrant's Common Stock in the United States trades under the symbol "STAX". They represent inter-dealer prices and do not represent actual transactions. The range of the closing high and low bid and prices as quoted on the NASDAQ Bulletin Board and Pink Sheets from April 1, 2002 through March 31, 2004 is as follows:

	Bid		A
Fiscal 2003	High	Low	High
First Quarter	0.41	0.23	0.43
Second Quarter	0.34	0.19	0.50
Third Quarter	0.18	0.18	0.505
Fourth Quarter	0.38	0.21	0.46

	Bid		A
Fiscal 2004	High	Low	High
First Quarter	0.32	0.21	0.39
Second Quarter	0.25	0.10	0.30
Third Quarter	0.19	0.13	0.25
Fourth Quarter	0.16	0.105	0.19

The Registrant's Common Stock is also quoted on the Le Nouveau Marche of the Paris Stock Exchange. Trading on the Le Nouveau Marche commenced July 11, 1996.

Holders

As of July 8, 2005, there were approximately 200 holders of record of the Registrant's Common Stock.

During fiscal year ended March 31, 2003, 181,081 shares of Common Stock were sold for cash totaling $58,877. During the fiscal year ended March 31, 2004, 260,000 shares of Common Stock were issued to four people for consulting services valued at $67,500. In the same fiscal years, the President of the Company, Harmon H. Hardy, converted $339,916 and $1,008,080 loaned to the Company into 1,423,271 and 4,582,182 shares, respectively. All shares issued in fiscal 2004 and 2003 were exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 4(2) thereof.

Dividends

The future payment by the Registrant of dividends, if any, rests within the discretion of its Board of Directors and will depend upon the Registrant's earnings, if any, capital requirements and the Registrant's financial condition, as well as other relevant factors. The Registrant has not declared dividends since its inception, and has no present intention of paying cash dividends on its Common Stock in the foreseeable future.

Equity Compensation Plan Information

The following table sets forth the number of options warrants and rights outstanding as of March 31, 2004.

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of remaining for futur under compensat (excluding secu in colu (
Equity compensation plans approved by security holders	-	-	
Equity compensation plans not approved by security holders	5,000,000	$0.537	
Total	5,000,000	$0.537	

Of the total outstanding options, 265,000 expired in May 2004, 500,000 in October 2004 and 4,235,000 in January 2005. Equity compensation plans not approved by security holders constitute compensation for services rendered to the registrant, principally the officers and directors (750,000 shares).

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL PLAN OF OPERATION.

Forward-Looking Statements - Cautionary Statements. This Annual Report contains certain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Specifically, all statements other than statements of historical facts included in this report regarding the Company's financial position, business strategy and plans and objectives of management of the Company for future operations are forward-looking statements. These forward-looking statements are based on the beliefs of the Company's management, as well as assumptions made by and information currently available to the Company's management. When used in this report, the words "anticipate," "believe," "estimate," "expect," and "intend" and words or phrases of similar import, as they relate to the Company or Company management, are intended to identify forward-looking statements. Such statements reflect the current view of the Company with respect to future events and are subject to risks, uncertainties and assumptions related to various factors including, without limitation, competitive factors, general economic conditions, customer relations, increases in raw material prices, governmental regulation and supervision, seasonality, acceptance of the Company's Nuovinox products in the marketplace, technological changes and changes in industry practices ("cautionary statements"). Although the Company believes that its expectations are reasonable, it can give no assurance that such expectations will prove to be correct. Based upon changing conditions, should any one or more of these risks or uncertainties materialize, or should any underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or intended. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the applicable cautionary statements.

Liquidity and Capital Resources

With the Company's cessation of operations because of the receivership in March 2002 of Stelax (U.K.) and subsequent judgment against Stelax Industries Ltd, Stelax (U.K.)'s parent, the Company lacked any resources to conduct operations or to pay its creditors.

In fiscal year 2004, there was no commercial activity within the Company. The Company consumed $ 2,636 cash. Cash used by operating activities amounted to $2,636. There were no purchases of property, equipment or intangibles in this period and no cash payment in regard to interest within the year. The resulting year end cash and equivalents balance was $ 181.

At the present time the Company possesses no operational activities and lacks cash resources to either service or repay its debt. Debt forgiveness from its major creditor, Wells Fargo Inc. would allow the Company to reverse this position. Liquidation of the Company is not imminent and therefore the Directors have concluded that it is appropriate to prepare the financial statements on a going concern basis. The Company's audit report is modified because of this

concern. The Directors of the Company do not believe that any material adjustments to the values of assets or liabilities would be necessary to reflect the "liquidation basis".

2004 versus 2003

The Company had no revenues in fiscal 2004 and incurred a loss of $502,200, $67,500 of which was compensation for stock issued and $50,000 was for legal and accounting fees. Interest on the Wells Fargo note has been accrued at the rate of $911 per calendar day for the whole of the period and totalled $379,064. The non-interest expenses were marketing, general and administrative expenses incurred in connection with administration and audit of the registrant since March 2003. The Company had no production plant at its disposal during the period and was therefore not operational. As the Company has no operations, the Company had no sales in fiscal 2004 and, consequently, no revenue.

The Company had no operations and, consequently, no revenues in fiscal 2003, incurring a loss of $1,445,492, $ 443,223 of which was interest expense (including $73,329 interest computed on warrants). The whole of these non-interest expenses were marketing, general and administrative expenses incurred in connection with administration of the registrant whilst the U.K. subsidiary was under the control of the Receiver. Within the $1,002,269 loss from operations legal and accounting expense accounted for $214,048, bad debt write off for $ 37,711 and management and affiliate fees for $ 285,895. Many of the other expenses such as listing fees, travel and motoring, rent and insurance, phones, and advertising & marketing were accounted for within the account statements but were paid, in the first instance, by the President of the Company who subsequently recharged the Company accordingly. This increased related party debt was partly offset by conversion of debt into common stock The Plant was not operational throughout the period and therefore no cost of sales were incurred. The depletion of cash reserves meant that the company earned no interest within 2003 but continued to accrue interest on its judgment against it by Wells Fargo Business Credit, Inc. Of the $443,223 interest shown within the financial statements $ 332,000 was accrued interest on the Wells Fargo indebtedness. However total interest in 2003 was lower than in 2002 due mainly to the reduction in interest being accrued on a reduced related party loan.

Accounting Policies

The Company's accounting policies are detailed in Note 1 to the Consolidated Financial Statements. The Company follows US GAAP. In applying these accounting policies in the preparation of the consolidated financial statements, management is required to make estimates and assumptions about future events that affect the reporting and disclosure of assets and liabilities at the balance sheet dates and the reported amounts of revenue and expense during the periods covered. In view of the fact that the Company currently has no operations management do not believe that it has any critical accounting policies which are impacted by judgments and uncertainties and for which different amounts would be reported under a different set of conditions or using different assumptions.

RECENTLY ISSUED BUT NOT YET ADOPTED ACCOUNTING STANDARDS

In view of the fact that the Company has no operations no recently issued but not yet adopted accounting pronouncements are expected to have a material impact on the Company's results of operations or financial position.

ITEM 7. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See the consolidated financial statements beginning at page F-2 of this Form 10-KSB Annual Report.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Not applicable.

ITEM 8A. CONTROLS AND PROCEDURES.

Annual Evaluation of Our Disclosure Controls and Internal Controls

Within the 90 days prior to the date of this Annual Report on Form 10-KSB, management evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures and the internal controls and procedures for financial reporting. This controls evaluation was done under the supervision and with the participation of the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), both offices being performed by Harmon H. Hardy. Following are the conclusions of Mr. Hardy, acting as the Company's CEO and the CFO, with respect to the effectiveness of our disclosure controls and internal controls as of May 1, 2005.

CEO and CFO Certifications

Appearing immediately following the Signatures section of this Annual Report on Form 10-KSB there are certifications of the CEO and the CFO. The certifications are required in accordance with Section 302 of the Sarbanes-Oxley Act of 2002. This section of the Annual Report is the information concerning the controls evaluation referred to in the Section 302 certifications and this information should be read in conjunction with the Section 302 certifications for a more complete understanding of the topics presented.

Disclosure Controls and Internal Controls

Disclosure controls are procedures that are designed with the objective of ensuring that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, or the Exchange Act, such as this Annual Report, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls are also designed with the objective of ensuring that such information is accumulated and communicated to management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. Internal controls are procedures which are designed with the objective of providing reasonable assurance that the Company's transactions are properly authorized, its assets are safeguarded against unauthorized or improper use and transactions are properly recorded and reported, all to permit the preparation of the Company's financial statements in conformity with generally accepted accounting principles.

Scope of the Controls Evaluation

The evaluation of our disclosure controls and our internal controls by our CEO and our CFO included a review of all previously existing controls as well as those recently implemented by the Company and the effect of the controls on the information generated for use in this Annual Report on Form 10-KSB. In the course of the controls evaluation, management sought to identify data errors, controls problems or acts of fraud and to confirm that appropriate corrective action, including process improvements, were being undertaken. The internal controls are also evaluated on an ongoing basis by the Company's independent auditors in connection with their audit and review activities. The overall goals of these various evaluation activities are to monitor the Company's disclosure controls and internal controls and to make modifications as necessary, with the intent being that the disclosure controls and the internal controls will be maintained as dynamic systems that change (including with improvements and corrections) as conditions warrant. Among other matters, management sought in its evaluation to determine whether there were any "significant deficiencies" or "material weaknesses" in the Company's internal controls, or whether any acts of fraud involving personnel who have a significant role in the internal controls were identified. This information was important both for the controls evaluation generally and because Items 5 and 6 in the Section 302 certifications of the CEO and the CFO require that the CEO and the CFO disclose such information to the Company's Board of Directors, which acts as the Company's Audit Committee, and to the independent auditors and to report on related matters in this section of the Annual Report on Form 10-KSB. In the professional auditing literature, "significant deficiencies" are referred to as "reportable conditions." These are control issues that could have a significant adverse effect on the ability to record, process, summarize and report financial data in the financial statements. A "material weakness" is defined in the auditing literature as a particularly serious reportable condition where the internal control does not reduce to a relatively low level the risk that misstatements caused by error or fraud may occur in amounts that would be material in relation to the financial statements and not be detected within a timely period by employees in the normal course of performing their assigned functions. Management also sought to deal with other controls matters in the controls evaluation and, in each case if a problem was identified, to consider what revision, improvement and/or correction to make in accordance with ongoing procedures.

Conclusions

Based upon the controls evaluation, Mr. Hardy, acting as the Company's CEO and CFO has concluded that the Company's disclosure controls are effective to ensure that material information relating to the Company is made known to management particularly during the period when the Company's periodic reports are being prepared, and that the Company's internal controls are effective to provide reasonable assurance that the Company's financial statements are fairly presented in conformity with generally accepted accounting principles. Further, since the date of the controls evaluation to the date of this Annual Report, there have been no significant changes in internal controls or in other factors that could significantly affect internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

ITEM 8B. OTHER INFORMATION.

Not applicable

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PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS' COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT.

Directors and Officers

Directors and executive officers are elected to serve until each's respective successor is elected and qualified, typically at the next ensuing annual meeting of stockholders. The directors and executive officers of the Company as of March 31, 2000 are as follows:

Name and Age	Position	Served In Office Since
Harmon S. Hardy, 75	Chairman of the Board, President and Chief Financial Officer	1987
Ruben Grubner, 48 1995		Director
William D. Alexander, 55	Director	1996

Harmon S. Hardy has been the President of the Company since its inception in May, 1987 and is Chairman and President of various other entities. Mr. Hardy devotes a substantial portion of his time to the matters and business of the Company.

Ruben Grubner has been President of Altec Travel, a travel service firm in Vancouver, B.C., Canada since 1978.

William D. Alexander is a former Senior Vice-President of the Bank of Nova Scotia in Toronto, Canada. He was employed by the bank from 1987 until his retirement in 2002. Since that time he has been a consultant to various financial institutions in Canada.

Audit Committee

The Company does not have an audit committee.

Compliance with Section 16(a) of the Securities Exchange Act of 1934

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's officers and directors, and persons who own more than 10% of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Officers, directors and 10% stockholders are required by regulations promulgated by the Securities and Exchange Commission to furnish the Company copies of all Section 16(a) reports they file.

The Company believes all Section 16(a) filing requirements applicable to its officers, directors and 10% beneficial owners were complied with through March 31, 2004.

Code of Ethics

Given that the Company no longer has operations, the Company has not adopted a Code of Ethics for the principal executive officer, principal financial officer, or principal accounting officer or controller.

ITEM 10. EXECUTIVE COMPENSATION

The following table sets forth information with respect to the compensation to the Company's chief executive officer at March 31, 2004 for services rendered during the fiscal years ended March 31, 2004, 2003, and 2002. The table includes for the same periods those individuals receiving in excess of $100,000 per year.

	Annual Compensation (1)				St Options (Shares)
Name	Year	Salary	Bonus	Other	
Harmon S. Hardy	2004	$ -	$ -	$ -	-
Chairman of the	2003	$ 144,000	$ -	$ -	-
Board of Directors, President and Chief Financial Officer	2002	$ 144,000	$ -	$ -	-
A. Cacace	2004	$ -	$ -	$ -	-
Managing Director	2003	$ 126,895	$ -	$ -	-
of Stelax (U.K.)	2002	$ 133,805	$ -	$ -	-

(1) The compensation described in the table does not include the cost to the Company of benefits furnished to certain officers, including premiums for health insurance, and other personal benefits provided to such individuals that are extended in connection with the conduct of the Company's business. No executive officer named above received other compensation in excess of the lesser of $50,000 or 10% of such officer's salary and bonus compensation. Any other payments to officers of the Company were direct reimbursements to those officers for payment

outlays made on behalf of the Company and in respect of business expenses.

(2) Includes a monthly car allowance which has been accrued but not paid.

(3) Mr. Cacace's salary was paid in Pounds Sterling and converted at the rate of 1.41 pounds per Dollar. Of $126,895 salary, $74,250 was accrued but not paid. See 2003 versus 2002 commentary on page 10.

(4) The entire amount was accrued but not paid.

See Item 12. Certain Relationships and Related Transactions.

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ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of March 31, 2004, the number and percentage of outstanding shares of Common Stock beneficially owned by (i) each person known by the Company to be a beneficial owner of more than five percent (5%) of the Company's Common Stock; (ii) each of the executive officers of the Company; (iii) each director of the Company; and (iv) all officers and other directors as a group:

Name and Address of Beneficial Owner (1)	Shares of Common Stock Beneficially Owned
Harmon S. Hardy, Jr. 4004 Belt Line Road, Suite 107 Dallas, TX 75244	13,236,061
Ruben Grubner	150,000
William D. Alexander	300,000
All Officers and other Directors as a Group	13,686,061

* Represents less than one percent

(1) The persons named in the table have sole voting and investment power with respect to all shares of Common Stock showing as beneficially owned by them, subject to community property laws, where applicable, and the information contained in the footnotes to the table.

(2) Includes options to purchase 1,870,000 shares of common stock.

(3) Includes options to purchase 150,000 shares of common stock.

(4) Includes options to purchase 300,000 shares of common stock.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In August 2003 an entity owned by Harmon H. Hardy acquired for $900,000 the manufacturing facility, intellectual property and real property, the registrant's operating assets prior to acquisition by the receiver, from a receiver who had acquired all of those assets in March 2002 from Stelax (UK) Limited, a subsidiary of the registrant. See Item 1 - Business and Item 4 - Legal Proceedings.

As of March 31, 2004 and 2003, funds were due to the President and his affiliates totaling $348,163 and $682,079, respectively. These amounts are payable on demand. Effective January 12, 1999, the President of the Company began providing a line of credit up to $600,000 for the benefit of the Company. The credit line bears interest at 10% and 600,000 warrants to purchase Common Stock of the Company at $.30 a share were issued as consideration for such credit line. In fiscal year 2000, the line of credit was extended to $1,200,000 at the same interest rate. An additional 600,000 warrants were issued at $.50 a share. The warrants are valid for five (5) years. The fair value calculated using the Black-Scholes option valuation model was $353,984 and as such additional paid in capital and pre-paid interest has been recognized. The interest is being amortized over the life of the loans using the interest method.

In fiscal year 2004, $333,916 of related party debt was settled through the issuance of 1,423,281 shares of the Company's common stock.

In fiscal year 2003, the President of the Company and the President of the subsidiary converted debt owed to each into Common Stock of the Company. This conversion was in regard to a total debt of $1,008,080 and was converted for 4,582,182 shares. No additional shares were issued in fiscal year ending March 31, 2004.

The $3000 shown as receivable from a related party at March 31, 2003 represents amounts advanced in respect of expenses. It was reduced to zero in the first quarter of fiscal 2004 as the related party has submitted duly authorized

expenses against the Company.

ITEM 13. EXHIBITS,

(a) See "Index to Consolidated Financial Statements" included at F-1 of this Form 10-KSB Annual Report for a listing of financial statements and schedules filed as a part of this Form 10-KSB Annual Report.

(b) The following exhibits are or have been filed as a part of this Annual Report on Form 10-KSB:

Exhibit Number	Description of Exhibit	Location
3(a)	Certificate of Incorporation of the Company	a
3(b)	Memorandum of Association of the Company	a

3(c)	Articles of the Company	a
3(d)	Amendment to Articles of the Company	a
3(e)	Amendment to Articles of the Company changing the name to "Stelax Industries Ltd."	Previousl
4(a)	Form of Stock Certificate	a
4(b)	Form of 7% Convertible Note due August 31, 1997	c
4(c)	Form of Common Stock Purchase Warrant	b
10(a)	Sale and Purchase Agreement dated August 4, 1995 by and between Shipyard Limited and ZX(U.K.) Limited (c/k/a Stelax (U.K.) Limited)	b
10(b)	Agreement for Sale and Purchase of Assets by and between Camborne Industries PLC (in receivership) and ZX(U.K.) Limited (c/k/a Stelax (U.K.) Limited)	b
10(c)	Agreement relating to the land and buildings at Wern Works, Briton Ferry Neath by and between Maritime Transport Services Limited and ZX(U.K.) Limited (c/k/a Stelax (U.K.) Limited)	b
10(d)	Variation Agreement dated November 13, 1995 by and between Camborne Industries PLC and ZX(U.K.) Limited (c/k/a Stelax (U.K.) Limited)	b
10(e)	Agreement dated November 13, 1995 by and between Maritime Transport Services Limited and ZX(U.K.) Limited (c/k/a Stelax (U.K.) Limited)	b
10(f)	Chattel Mortgage dated November 13, 1995 by and between ZX(U.K.) Limited and Camborne Industries PLC (c/k/a Stelax (U.K.) Limited)	b
10(g)	Patent Mortgage dated November 13, 1995 by and between ZX(U.K.) Limited and Camborne Industries PLC (c/k/a Stelax (U.K.) Limited)	b

10(h)	Trademarks Mortgage dated November 13, 1995 by and between ZX(U.K.) Limited and Camborne Industries PLC (c/k/a Stelax (U.K.) Limited) b	
21(a)	Subsidiaries of the Company Stelax (U.K.) Limited, a United Kingdom subsidiary Stelax USA, Inc., a Delaware corporation	
31*	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	
32*	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	

*Filed herewith

a. Incorporated by reference from the Form S-18 Registration Statement, as amended (No. 33-27667-FW), for the Company.

b. Incorporated by reference from the Form 8-K dated November 7, 1995.

(c) Reports on Form 8-K.

No reports on Form 8-K were filed during the last fiscal quarter of 2003.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Not applicable

STELAX INDUSTRIES LTD

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Killman, Murrell & Company P.C.
Certified Public Accountants

3300 N. A Street, Bldg. 4, Suite 200	1931 E. 37th Street, Suite 7	2626 Royal Circle
Midland, Texas 79705	Odessa, Texas 79762	Kingwood, Texas 77339
(432) 686-9381	(432) 363-0067	(281) 359-7224
Fax (432) 684-6722	Fax (432) 363-0376	Fax (281) 359-7112

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Stelax Industries Ltd
British Columbia, Canada

We have audited the accompanying consolidated balance sheet of Stelax Industries Ltd and Subsidiary as of March 31, 2004, and the related consolidated statements of operations, stockholders' (deficit) and comprehensive loss, and cash flows for the year 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 audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Stelax Industries Ltd and Subsidiary as of March 31, 2004, and the consolidated results of their operations and their cash flows for the year then ended in conformity with United States generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 6 to the consolidated financial statements, the Company has suffered recurring losses from operations and its limited capital resources raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are described in Note 6. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Killman, Murrell & Company, P.C.
Odessa, Texas
July 6, 2005

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Stelax Industries Ltd
British Columbia, Canada

We have audited the accompanying consolidated balance sheet of Stelax Industries Ltd and subsidiary as of March 31, 2003, and the related consolidated statements of operations, stockholders' deficit and comprehensive loss, and cash flows for the year ended March 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, such consolidated financial statements present fairly, in all material respects, the financial position of Stelax Industries Ltd and subsidiary as of March 31, 2003, and the results of their operations and their cash flows for the year ended March 31, 2003 in conformity with accounting principles accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note I to the financial statements, at March 31, 2003, the Company was not in compliance with certain covenants of its long-term loan agreement as a consequence of which a Receiver was appointed to the company's U.K. subsidiary and a judgement was made against the company. As discussed in Note I there is substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ DELOITTE & TOUCHE LLP

DELOITTE & TOUCHE LLP

Cardiff, U.K.

Date 20 December, 2004

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STELAX INDUSTRIES LTD

CONSOLIDATED BALANCE SHEETS
(Presented in United States dollars)

ASSETS

	M
	2004
CURRENT ASSETS	
Cash and cash equivalents	$ 181
Receivable from related parties	-
Total Current Assets	181
PREPAID LOANS - Interest	21,328
TOTAL ASSETS	$ 21,509

LIABILITIES AND STOCKHOLDERS' DEFICIT

CURRENT LIABILITIES	
Accounts payable	$ 440,230
Payable to related parties	348,163
Accrued interest	1,099,028
Note payable	3,645,833
TOTAL CURRENT LIABILITIES	5,533,254
STOCKHOLDERS' DEFICIT	
Common stock - 50,000,000 Shares Authorized, No Stated Par Value; Issued and Outstanding 49,631,319 and	

47,948,038 Shares at March 31, 2004 and 2003, respectively	26,750,090
Additional Paid-In Capital	477,060
Accumulated Deficit	(32,738,895
TOTAL STOCKHOLDERS' DEFICIT	(5,511,745
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 21,509

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

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STELAX INDUSTRIES LTD

CONSOLIDATED STATEMENTS OF OPERATIONS
(Presented in United States dollars)

	Years Ended March 31, 2004	2003
SELLING, GENERAL & ADMINISTRATIVE EXPENSES	$ 123,136	$ 1,002,269
LOSS FROM OPERATIONS	(123,136)	(1,002,269)
OTHER (EXPENSE)		
Interest Expense	(379,064)	(443,223)
NET LOSS	$ (502,200)	$ (1,445,492)
Weighted Average Shares of Common Stock - Basic and Diluted	48,161,884	44,446,718
NET LOSS PER SHARE Basic and Diluted	$ (0.01)	$ (0.03)

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

STELAX INDUSTRIES LTD

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS'

DEFICIT AND COMPREHENSIVE LOSS

FOR THE YEARS ENDED MARCH 31, 2004 AND 2003
(Presented in United States dollars)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit
BALANCE at March 31, 2002	43,184,775	$ 25,281,717	$477,060	$ (30,791,203)
Common Stock issued during the period; $.22 per share for related party debt conversion	4,582,182	1,008,080	-	-
$.30 to $.50 per share	181,081	58,877	-	-
Net Loss	-	-	-	(1,445,492)
COMPREHENSIVE LOSS	-	-	-	-
BALANCE at March 31, 2003	47,948,038	26,348,674	477,060	(32,236,695)
Common Stock issued during the period; $.20 to $.25 per share for related party debt conversion	1,423,281	333,916	-	-
$.25 to $.50 per share for consulting services	260,000	67,500	-	-
Net Loss	-	-	-	(502,200)
COMPREHENSIVE LOSS	-	-	-	-
BALANCE at March 31, 2004	49,631,319	$ 26,750,090	$477,060	$ (32,738,895)

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

STELAX INDUSTRIES LTD

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Presented in United States dollars)

	Years Ended M
	2004
CASH FLOW FROM OPERATING ACTIVITIES	
Net Loss	$ (502,200)
Adjustments to Reconcile Net Loss to Net Cash Used by Operating Activities:	
Stock Based Interest Expense	46,549
Stock Issued for Consulting Services	67,500
Changes in Operating Assets and Liabilities	
Accounts Payable and Accruals	382,515
Payable to Related Parties	3,000
NET CASH USED BY OPERATING ACTIVITIES	(2,636)
CASH FLOW FROM FINANCING ACTIVITIES	
Net Proceeds From Common Stock Issuance	-
NET CASH USED BY FINANCING ACTIVITIES	-
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,636)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,817
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 181
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Interest Paid	$ -

Income Taxes Paid	$ -
NON-CASH INVESTING AND FINANCING ACTIVITIES	
Receivable From Related Parties	$ -
Issuance of Stock for Related Party Payable	333,916
Reduction of Payable to Related Parties	(333,916)
	$ -

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

STELAX INDUSTRIES LTD

NOTES TO FINANCIAL STATEMENTS
(Presented in United States dollars)

MARCH 31, 2004 AND 2003

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Stelax Industries Ltd. (a Canadian corporation) formerly Zfax Image Corp., (the "Company") was incorporated on May 5, 1987, primarily to develop and produce portable facsimile machines. These operations were conducted through the Company's formerly owned subsidiary, Zfax, Inc.

On July 11, 1995, the Company incorporated Stelax (U.K.) Limited ("Stelax") as a wholly owned subsidiary in the United Kingdom to acquire certain assets of a steel mill in West Glamorgan, Wales and establish operations in the stainless steel manufacturing business. The steel mill ceased operations in March 2002. The steel mill and all of the subsidiary's other operating assets were forfeited to the Company's secured creditor on March 7, 2002. All significant intercompany balances and transactions have been eliminated in consolidation.

The Company's consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America (US GAAP). The financial statements have been prepared on the basis that the company is a "going concern". In the absence of any debt forgiveness from Wells Fargo, the Company can not pay its debts and is not a "going concern". However the Directors of the Company do not believe that any material adjustments to the values of assets or liabilities would be necessary to reflect the "liquidation basis" and believe that the Company can become a going concern again in the future but hinges this opinion on the willingness of the loan creditor, Wells Fargo, to grant debt forgiveness. It would become a going concern by incorporating other business activities into the group. The Company is in default of covenants and repayment schedules on the Term Loan, Revolving Credit and Credit Accommodations with Wells Fargo Business Credit, Inc. As a result of these defaults, on March 7, 2002, Wells Fargo appointed an administrative receiver to the subsidiary under the terms of the debenture instrument to manage the assets covered by the note payable agreement. The group's operations therefore ceased from this point. On January 31, 2003, the United States District Court for the Southern District of New York entered an Order of Judgment in favor of Wells Fargo Business Credit, Inc. against Stelax Industries, Ltd., Stelax (U.K.), and Stelax Industries in the amount of $4,041,778.27 plus $911.46 per day for each day from August 22, 2002 until the entry of the judgment which occurred on January 31, 2003. In the Order of Judgment, the judge adopted the magistrate's recommendations. The magistrate's recommendations indicated that the plaintiff filed a complaint against the defendants on March 5, 2002. On June 13, 2002, the Court's clerk issued a Certificate of Default and on July 2, 2002, the court entered the default judgment, referring the matter to the magistrate to determine damages. In August 2003 Timaran Limited purchased the assets of the U.K. company from the Receiver. Timaran Limited has assigned all its rights and interest in these assets to Stelax International Ltd., a private company unassociated with Stelax Industries Ltd. The judgment against Stelax Industries Ltd. still remains.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Loss Per Share

Losses per share have been computed in accordance with SFAS No. 128, Earnings per Share. Basic and diluted losses per share are computed by dividing net loss by the weighted average number of shares of Common Stock outstanding during the year. Outstanding Common Stock options and warrants have been excluded from the calculation of diluted losses per share because their effect would be antidilutive. The number of share options outstanding at March 31, 2004 and 2003 that could be potentially dilutive was 5,000,000 and 8,940,000, respectively. In addition, the number of warrants outstanding at March 31, 2004 and 2003 that could be potentially dilutive was 160,000.

(Continued)

STELAX INDUSTRIES LTD

NOTES TO FINANCIAL STATEMENTS
(Presented in United States dollars)

MARCH 31, 2004 AND 2003

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of the consolidated financial statements in conformity with US generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Comprehensive Loss

Comprehensive loss is reported in accordance with SFAS No. 130, "Reporting Comprehensive Income." Other comprehensive loss includes foreign currency translation adjustments.

Warrants

The proceeds received upon issuance of debt and detachable warrants is allocated between the debt and the warrants on a relative fair value basis. The fair value of the warrants is determined with reference to a Black-Scholes valuation model. Any resulting debt discount is amortized over the term of the debt using the effective interest rate method.

The fair value of warrants issued in connection with the grant of a line of credit is deferred and recognized in the income statement on a straight-line basis over the period under which the credit facility is available. When amounts are drawn down, the unamortized deferred warrant cost is allocated, on a pro-rata basis, between the draw down amount and remaining available credit facility. The portion allocated to the draw down amount is recognized over the period of the loan using the effective interest rate method.

Income Taxes

The Company uses the liability method of accounting for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." Under the liability method, deferred income taxes are determined based upon enacted tax laws and rates applied to the difference between the financial statement and tax bases of assets and liabilities.

Foreign Currency Translation

In accordance with the provisions of SFAS No. 52, "Foreign Currency Translation," exchange adjustments resulting from foreign currency transactions generally are recognized currently in income, whereas adjustments resulting from translations of financial statements are reflected in accumulated other comprehensive income (loss). The cumulative currency translation loss as of March 31, 2004 and 2003 was $nil.

Financial Instruments

The fair values of financial instruments are determined by reference to various market data and other valuation techniques, as appropriate. Unless otherwise disclosed, the fair values of financial instruments approximate their recorded values.

STELAX INDUSTRIES LTD

NOTES TO FINANCIAL STATEMENTS
(Presented in United States dollars)

MARCH 31, 2004 AND 2003

NOTE 2: RELATED PARTY TRANSACTIONS

As of March 31, 2004 and 2003, funds were due to the President and his affiliates totaling $348,163 and $682,079, respectively. These amounts are payable on demand. Effective January 12, 1999, the President of the Company began providing a line of credit up to $600,000 for the benefit of the Company. The credit line bears interest at 10% and 600,000 warrants to purchase Common Stock of the Company at $.30 a share were issued as consideration for such credit line. In fiscal year 2000, the line of credit was extended to $1,200,000 at the same interest rate. An additional 600,000 warrants were issued at $.50 a share. The warrants are valid for five (5) years. The fair value calculated using the Black-Scholes option valuation model was $353,984 and as such additional paid in capital and pre-paid interest has been recognized. The interest is being amortized over the life of the loans using the interest method.

In fiscal year 2004, $333,916 of related party debt was paid through the issuance of 1,423,281 shares of the Company's common stock.

In fiscal year 2003, the President of the Company and the President of the subsidiary converted debt owed to each into Common Stock of the Company. This conversion was in regard to a total debt of $1,008,080 and was converted for 4,582,182 shares. No additional shares were issued in fiscal year ending March 31, 2004.

The $3000 shown as receivable from a related party at March 31, 2003 represents amounts advanced in respect of expenses. It was reduced to zero in the first quarter of fiscal 2004 as the related party has submitted duly authorized expenses against the Company.

NOTE 3: OPTIONS

The Company has granted stock options to certain directors, officers, investors and consultants to purchase shares of the Company's common stock under a non-qualified plan. No new options were issued in fiscal years 2003 or 2004; however, the expiration date of 40,000 options was extended from January 2004 to October 2004.

Using the Black-Scholes valuation method, the fair value of the options granted was zero. The fair value of the options granted has been estimated assuming no dividends and using the following assumptions:

Risk Free Interest Rate	4.5%
Expected Term	10 Months
Volatility	61.8%
Weighed Average Fair Value Per Share for Options Granted During the Year	$ 0.85

A summary of the stock option transactions follows:

	NUMBER OF SHARES	EXERCISE PRICE PER SHARE	WEIGH AVER EXERCIS P
Options outstanding March 31, 2002	8,940,000		
Issued	-		
Expired	-		
Options outstanding March 31, 2003	8,940,000		
Issued	40,000	$ 0.85	
Expired	(3,265,000)		
Options outstanding March 31, 2004	5,000,000		

(Continued)

STELAX INDUSTRIES LTD

NOTES TO FINANCIAL STATEMENTS
(Presented in United States dollars)

MARCH 31, 2004 AND 2003

NOTE 3: OPTIONS (Continued)

The following table summarizes information about stock options outstanding at March 31, 2004:

RANGE OF EXERCISE PRICES	NUMBER OF SHARES	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE
$0.30 - 0.50	4,235,000	10 months
$0.51 - 0.80	500,000	7 months
$0.81 - 1.00	265,000	2 months

5,000,000

Stock options are exercisable from date of grant until expiry date, which range from May, 2004 to December, 2005.

NOTE 4: INCOME TAXES

The Company, as a Canadian corporation, does not file United States income tax returns.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The only component of deferred taxes for the Company is its net operating loss carry forwards of approximately $12,498,276 in Canada which began to expire in 1997 and $nil in the U.K. Deferred tax assets at March 31, are:

	2004	2003
Deferred tax assets	$ 4,749,346	$ 4,558,510
Valuation allowance	(4,749,346)	(4,558,510)
Net deferred-tax asset	$ -	$ -

The valuation allowance was increased by $190,836 and $549,290 during the fiscal years ended March 31, 2004 and 2003, respectively. Given the loss making position of the Company, it is uncertain whether losses could be utilized in the foreseeable future and therefore no benefit for deferred tax has been taken.

NOTE 5: STOCKHOLDERS' EQUITY

Shares reserved for future issuance include 5,000,000 shares for stock options. From time to time, the directors may declare and authorize payments of dividends to the stockholders of record. To date, no dividends have been declared or paid.

No options were issued in fiscal year 2003; however, 40,000 options were issued in fiscal year 2004 at an exercise price of $0.85 per share.

In fiscal years 2004 and 2003, related parties converted debt owed of $682,079 and $1,008,080 into common shares of 1,423,281 and 4,582,182, respectively.

In fiscal year 2004, 260,000 shares of the Company's common shares were issued for consulting services at $67,500, the approximate market value of the Company's common stock on the date of issuance.

During fiscal year 2003, 181,081 common stock shares were sold for cash in the amount of $58,877. No common stock was issued for cash in fiscal year 2004.

STELAX INDUSTRIES LTD

NOTES TO FINANCIAL STATEMENTS
(Presented in United States dollars)

MARCH 31, 2004 AND 2003

NOTE 6: GOING CONCERN

The Company is in default of covenants and repayment schedules on the Term Loan, Revolving Credit and Credit Accommodations with Wells Fargo Business Credit, Inc. Interest is being accrued on this debt at the rate of $911.46 per day.

The financial statements have been prepared on the basis that the company is a "going concern". In the absence of any debt forgiveness from Wells Fargo the Company cannot pay its debts and is not a "going concern". However the Directors of the Company do not believe that any material adjustments to the values of assets or liabilities would be necessary to reflect the "liquidation basis".

The Directors are of the opinion that the Company can become a going concern again in the future but hinges this opinion on the willingness of the loan creditor, Wells Fargo, to grant debt forgiveness. It would become a going concern by incorporating other business activities into the Group. There is no current intention to place the Company into liquidation.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

January 13, 2006	STELAX INDUSTRIES, LTD.
	/s/ Harmon S. Hardy, Jr. By: Harmon S. Hardy, Jr. President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated, on January 13, 2006.

NAME	OFFICE
/s/ Harmon S. Hardy, Jr. Harmon S. Hardy, Jr. (Principal Executive and Financial Officer)	President and Chief Financial Officer
/s/ William D. Alexander William D. Alexander	Director