

ENTHEOS TECHNOLOGIES INC  
Form 10KSB  
March 31, 2005

**FORM 10-KSB**

**X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 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 \_\_\_\_\_**

**Commission File Number 000-30156**

**ENTHEOS TECHNOLOGIES, INC.**

(Exact name of registrant as specified in its charter)

**NEVADA**

(State or other jurisdiction of incorporation)

**000-30156**

(Commission File Number)

**98-0170247**

(I.R.S Employer Identification No.)

**1628 West 1st Avenue, Suite 216, Vancouver, British Columbia, V6J 1G1**

(Address of principal executive offices)

**(604) 659-5005**

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant: (1) has filed all reports required by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-B 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]

Revenues for last fiscal year were \$0.00

Aggregate market value of Common Stock, \$0.00001 par value, held by non-affiliates of the registrant as of March 29, 2005: \$5,711,151. Number of shares of Common Stock, \$0.00001 par value, outstanding as of March 29, 2005: 96,625,122.

Transitional Small Business Disclosure Format: Yes [ ] No [X]

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## PART I

### ITEM 1. DESCRIPTION OF BUSINESS

#### **Cautionary Statement Pursuant to Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995:**

Except for the historical information presented in this document, the matters discussed in this Form 10-KSB for the fiscal year ending December 31, 2004, and specifically in the items entitled "Management's discussion and analysis of financial condition and results of operations", or otherwise incorporated by reference into this document, contain "forward-looking statements" (as such term is defined in the Private Securities Litigation Reform Act of 1995). These statements are identified by the use of forward-looking terminology such as "believes", "plans", "intend", "scheduled", "potential", "continue", "estimates", "hopes", "goal", "objective", "expects", "may", "will", "should" or "anticipates" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties.

The safe harbor provisions of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended, apply to forward-looking statements made by the Company. The reader is cautioned that no statements contained in this Form 10-KSB should be construed as a guarantee or assurance of future performance or results. These forward-looking statements involve risks and uncertainties, including those identified within this Form 10-KSB. The actual results that the Company achieves may differ materially from any forward-looking statements due to such risks and uncertainties. These forward-looking statements are based on current expectations, and the Company assumes no obligation to update this information. Readers are urged to carefully review and consider the various disclosures made by the Company in this Form 10-KSB and in the Company's other reports filed with the Securities and Exchange Commission that attempt to advise interested parties of the risks and factors that may affect the Company's business.

#### The Company

Entheos Technologies, Inc. (the Company), through its wholly-owned subsidiary Email Solutions, Inc., operates as an Application Service Provider (ASP) providing reliable, real time, high volume outsourced email and search engine optimization services. The Company is currently seeking to augment its position in technology based services through the acquisition of and or joint venture with, other technology based ventures.

The Company is a Nevada corporation with an authorized capital of 200,000,000 shares of \$0.00001 par value common stock, of which 96,625,122 shares are outstanding and 10,000,000 shares of \$0.0001 par value preferred stock, of which none are outstanding.

### Employees

At December 31, 2004, the Company employed 3 part-time persons. To the best of the Company's knowledge, none of the Company's officers or directors is bound by restrictive covenants from prior employers. None of the Company's employees are represented by labor unions or other collective bargaining groups. We consider relations with our employees to be good. We plan to retain and utilize the services of outside consultants as the need arises.

### Risk Factors of the Business

*We have sought to identify what we believe to be the most significant risks to our business. However, we cannot predict whether, or to what extent, any of such risks may be realized nor can we guarantee that we have identified all possible risks that might arise. Investors should carefully consider all of such risk factors before making an investment decision with respect to our Common Stock. We provide the following cautionary discussion of risks, uncertainties and possible inaccurate assumptions relevant to our business. These are factors that we think could cause our actual results to differ materially from expected results. Other factors besides those listed here could adversely affect us.*

### Lack of Operating History

Our business is subject to the risks inherent in the establishment of a new business. Specifically, in formulating our business plan, we have relied on the judgment of our officers, directors and consultants but have not conducted any formal independent market studies concerning the demand for our services.

We have had limited revenues since inception. We had revenues of \$0 for the years ended December 31, 2004 and 2003. We have not been profitable, experiencing an accumulated deficit of \$3,680,236 through December 31, 2004. Even if we become profitable in the future, we cannot accurately predict the level of, or our ability to sustain profitability. Because we have not yet been profitable and cannot predict any level of future profitability, you bear the risk of a complete loss of your investment in the event our business plan is unsuccessful.

The Company's ability to generate revenues and to achieve profitability and positive cash flow has depended on the successful commercialization of our ASP service, which has had limited success so far. Even if we eventually

generate enough revenues from the sale of our services, we expect to incur significant operating losses over the next several years due to intense competition, a dearth of high volume email clients and low priced email software packages.

### Intense Competition

The market for our services is intensely competitive, constantly evolving and subject to rapid technological change. We expect the intensity of competition to increase in the future. Increased competition may result in price reductions, changes in our pricing model, reduced gross margins and loss of market share, any one of which could materially damage our business. Many of our competitors have more resources and broader and deeper customer access than we do. In addition, many of these competitors have or can readily obtain extensive knowledge of our industry. Our competitors may be able to respond more quickly than we can to new technologies or changes in Internet user preferences and devote greater resources than we can to the development, promotion and sale of their services. We may not be able to maintain our competitive position against current and future competitors, especially those with significantly greater resources.

### Dependence On Key Personnel

We depend on the continued service of our key technical, sales and senior management personnel and the loss of one or more of these individuals could cause us to incur increased operating expenses and divert other senior management time in searching for their replacements. We do not have employment agreements with any employee, nor do we maintain any key person life insurance policies for any of our key employees. The loss of any of our key technical, sales or senior management personnel could harm our business. In addition, we must attract, retain and motivate highly skilled employees. We face significant competition for individuals with the skills required to develop, market and support our services. We may not be able to recruit and retain sufficient numbers of highly skilled employees, and as a result our business could suffer.

### Inability to Obtain Funding

We may not be able to obtain additional funding when needed, which could limit future expansion and marketing opportunities and result in lower than anticipated revenues. We may require additional financing to further develop our business and to pursue other technology-based business opportunities. If the market price of the common stock declines, some potential financiers may either refuse to offer us any financing or will offer financing at unacceptable rates or unfavorable terms. If we are unable to obtain financing on favorable terms, or at all, this unavailability could prevent us from expanding our business, which could materially impact our future potential revenues.

### Continued Control by Management.



You may lack an effective vote on corporate matters and management may be able to act contrary to your objectives. As of March 29, 2005, our officers and board members own 90% of the 96,625,122 outstanding common stock, excluding stock options. If management votes together, it could influence the outcome of corporate actions requiring shareholder approval, including the election of directors, mergers and asset sales. As a result, new stockholders may lack an effective vote with respect to the election of directors and other corporate matters. Therefore, it is possible that management may take actions with respect to its ownership interest, which may not be consistent with your objectives or desires.

#### Adverse Effect From Future Sale of Stock

Future sales of large amounts of our common stock by existing stockholders pursuant to Rule 144 under the Securities Act of 1933, or following the exercise of outstanding options, could adversely affect the market price of our common stock. Substantially all of the outstanding shares of our common stock are freely tradable, without restriction or registration under the Securities Act, other than the sales volume reporting and transaction restrictions of Rule 144 applicable to shares held beneficially by persons who may be deemed to be affiliates. Our directors and executive officers and their family members are not under lockup letters or other forms of restriction on the sale of their common stock. The issuance of any or all of these additional shares upon exercise of options or warrants will dilute the voting power of our current stockholders on corporate matters and, as a result, may cause the market price of our common stock to decrease. Further, sales of a large number of shares of common stock in the public market could adversely affect the market price of the common stock and could materially impair our future ability to generate funds through sales of common stock or other equity securities.

#### We are considered a penny stock.

The Company's stock differs from many stocks, in that it is a "penny stock." The Securities and Exchange Commission has adopted a number of rules to regulate "penny stocks." These rules include, but are not limited to, Rules 3a51-1, 15g-1, 15g-2, 15g-3, 15g-4, 15g-5, 15g-6 and 15g-7 under the Securities and Exchange Act of 1934, as amended.

Because our securities probably constitute "penny stock" within the meaning of the rules, the rules would apply to us and our securities. The rules may further affect the ability of owners of our stock to sell their securities in any market that may develop for them. There may be a limited market for penny stocks, due to the regulatory burdens on broker-dealers. The market among dealers may not be active. Investors in penny stock often are unable to sell stock back to the dealer that sold them the stock. The mark-ups or commissions charged by the broker-dealers may be greater than any profit a seller may make. Because of large dealer spreads, investors may be unable to sell the stock immediately back to the dealer at the same price the dealer sold the stock to the investor. In some cases, the stock may fall quickly in value. Investors may be unable to reap any profit from any sale of the stock, if they can sell it at all.

Stockholders should be aware that, according to the Securities and Exchange Commission Release No. 34- 29093, the market for penny stocks has suffered in recent years from patterns of fraud and abuse. These patterns include:

-

Control of the market for the security by one or a few broker-dealers that are often related to the promoter or issuer;

-

Manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases;

-

"Boiler room" practices involving high pressure sales tactics and unrealistic price projections by inexperienced sales persons;

-

Excessive and undisclosed bid-ask differentials and markups by selling broker-dealers; and

-

The wholesale dumping of the same securities by promoters and broker-dealers after prices have been manipulated to a desired level, along with the inevitable collapse of those prices with consequent investor losses.

Furthermore, the "penny stock" designation may adversely affect the development of any public market for the Company's shares of common stock or, if such a market develops, its continuation. Broker-dealers are required to personally determine whether an investment in "penny stock" is suitable for customers.

Penny stocks are securities (i) with a price of less than five dollars per share; (ii) that are not traded on a "recognized" national exchange; (iii) whose prices are not quoted on the NASDAQ automated quotation system (NASDAQ-listed stocks must still meet requirement (i) above); or (iv) of an issuer with net tangible assets less than \$2,000,000 (if the issuer has been in continuous operation for at least three years) or \$5,000,000 (if in continuous operation for less than three years), or with average annual revenues of less than \$6,000,000 for the last three years.

Section 15(g) of the Exchange Act, and Rule 15g-2 of the Commission require broker-dealers dealing in penny stocks to provide potential investors with a document disclosing the risks of penny stocks and to obtain a manually signed and dated written receipt of the document before effecting any transaction in a penny stock for the investor's account. Potential investors in the Company's common stock are urged to obtain and read such disclosure carefully before purchasing any shares that are deemed to be "penny stock."

Rule 15g-9 of the Commission requires broker-dealers in penny stocks to approve the account of any investor for transactions in such stocks before selling any penny stock to that investor. This procedure requires the broker-dealer to (i) obtain from the investor information concerning his or her financial situation, investment experience and investment objectives; (ii) reasonably determine, based on that information, that transactions in penny stocks are suitable for the investor and that the investor has sufficient knowledge and experience as to be reasonably capable of evaluating the risks of penny stock transactions; (iii) provide the investor with a written statement setting forth the basis on which the broker-dealer made the determination in (ii) above; and (iv) receive a signed and dated copy of such statement from the investor, confirming that it accurately reflects the investor's financial situation, investment experience and investment objectives. Compliance with these requirements may make it more difficult for the Company's stockholders to resell their shares to third parties or to otherwise dispose of them.

#### Potential Fluctuations in Quarterly Results

Significant variations in our quarterly operating results may adversely affect the market price of our common stock. Our operating results have varied on a quarterly basis during our limited operating history, and we expect to experience significant fluctuations in future quarterly operating results. These fluctuations have been and may in the future be caused by numerous factors, many of which are outside of our control. We believe that period-to-period comparisons of our results of operations will not necessarily be meaningful and that you should not rely upon them as an indication of future performance. Also, it is likely that our operating results could be below the expectations of public market analysts and investors. This could adversely affect the market price of our common stock.

#### Intellectual Property

The Company relies on a combination of trademark, copyright law, trade secret protection, confidentiality agreements and other contractual arrangements with employees, vendors and others to protect its rights to intellectual property. These measures, however, may be inadequate to deter misappropriation of proprietary information. Failure to adequately protect its intellectual property could harm the Company's brand, devalue its proprietary content and affect the Company's ability to compete effectively.

#### Independent Directors

We cannot guarantee our Board of Directors will have a majority of independent directors in the future. In the absence of a majority of independent directors, our executive officers, who are also principal stockholders and directors, could establish policies and enter into transactions without independent review and approval thereof. This could present the potential for a conflict of interest between the Company and its stockholders generally and the controlling officers, stockholders or directors.

#### Environmental Matters

The Company believes it conducts its business in compliance with all environmental laws presently applicable to its facilities. To date, there have been no expenses incurred by the Company related to environmental issues.

#### Government Regulation

The Company is not subject to any direct governmental regulation other than the securities laws and regulations applicable to all publicly owned companies, and laws and regulations applicable to businesses generally.

### **ITEM 2. DESCRIPTION OF PROPERTY**

The Company's corporate offices, located at Suite 216, 1628 West 1st Avenue, Vancouver, BC, V6J 1G1, are owned by a privately held corporation controlled by a Director and majority shareholder of the Company. At present, the Company pays no rent. The fair value of the rent has not been included in the financial statements because the amount is immaterial.

### **ITEM 3. LEGAL PROCEEDINGS**

The Company is not party to any current legal proceedings.

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

There were no matters submitted to a vote of the security holders in the fourth quarter of 2004. It is our intention to schedule a shareholder's meeting to elect directors and transact any additional business in the second or third quarter of 2005.

**PART II**

**ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS**

Market Information

The Company's Common Stock is listed on the OTC Bulletin Board under the symbol "ETHT". The following table sets forth the high and low sale prices for the periods indicated:

High

Low

First Quarter 2003

\$0.90

\$0.15

Second Quarter 2003

\$0.90

\$0.25

Third Quarter 2003

\$0.75

\$0.25

Fourth Quarter 2003

\$0.75

\$0.30

First Quarter 2004

\$0.34

\$0.34

Second Quarter 2004

\$5.00

\$0.34

Third Quarter 2004

\$4.00

\$0.25

Fourth Quarter 2004

\$1.55

\$0.19

January 1, 2005-March 29, 2005

\$2.00

\$1.06

As of February 25, 2004, there were approximately 309 stockholders of record of the Company's Common Stock.

Dividend Policy

We do not have a history of paying dividends on our Common Stock, and there can be no assurance that we will pay any dividends in the foreseeable future. We intend to use any earnings, which may be generated, to finance the growth of our businesses. Our Board of Directors has the right to authorize the issuance of preferred stock, without further shareholder approval, the holders of which may have preferences over the holders of the Common Stock as to payment of dividends.

Securities Authorized for Issuance Under Equity Compensation Plans

Number of securities  
remaining available for  
Number of Securities to be  
Weighted-average exercise  
future issuance under  
issued upon exercise of  
price of outstanding  
equity compensation plans  
outstanding options,  
options, warrants and  
(excluding securities  
warrants and rights  
rights  
reflected in column (a))

Plan Category

- (a)
- (b)
- (c)

---

Equity compensation plans  
approved by security holders

9,030,000

\$0.01

70,970,000

Equity compensation plans not  
approved by security holders

---

Total

9,030,000

\$0.01

70,970,000

## **ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS**

The following discussion should be read in conjunction with the financial statements and notes thereto included in Item 7 of this Form 10-KSB. Except for the historical information contained herein, the discussion in this Annual Report on Form 10-KSB contains certain forward-looking statements that involve risk and uncertainties, such as statements of the Company's plans, objectives, expectations and intentions as of the date of this filing. The cautionary statements made in this document should be read as being applicable to all related forward-looking statements wherever they appear in this document. The Company's actual results could differ materially from those discussed here. Factors that could cause differences include those discussed in "Risk Factors", as well as discussed elsewhere herein.

Overview



Entheos Technologies, Inc. (the Company), through its wholly-owned subsidiary Email Solutions, Inc., serves as an Application Service Provider providing reliable, real time, high volume outsourced email and search engine optimization services. The Company is currently seeking to augment its position in technology based services through the acquisition of and or joint venture with, other technology based ventures.

The Company is a Nevada corporation with an authorized capital of 200,000,000 shares of \$0.00001 par value common stock, of which 96,625,122 shares are outstanding and 10,000,000 shares of \$0.0001 par value preferred stock, of which none are outstanding.

### Results of Operations

Revenues: The Company generated revenues of \$0 for the years ended December 31, 2004 and December 31, 2003.

General and Administrative Expenses: During 2004, the Company incurred \$176,633 in general and administrative expenses, a decrease of 300% over 2003 expenses of \$705,032. The decrease is primarily attributable to a reduction in management fees, officer wages and depreciation expenses.

Interest Income: Interest income was \$1,581 and \$5,823 for the years ended December 31, 2004, and 2003, respectively. Interest earned in the future will be dependent on Company funding cycles and prevailing interest rates.

Provision for Income Taxes: As of December 31, 2004, the Company's accumulated deficit was \$3,680,236, and as a result, there has been no provision for income taxes to date.

Net Loss: For the year ended December 31, 2004, the Company recorded a net loss of \$175,052, a decrease of 300%, compared to a net loss of \$699,823 for the same period in 2003. This decrease is primarily attributable to a reduction in management fees, officer wages and depreciation expenses.

### Liquidity and Capital Resources

At December 31, 2004, the Company had a cash balance of \$128,286, compared to a cash balance of \$292,191 at December 31, 2003.

During 2004, the Company used \$135,564 of net cash from operating activities, as compared to net cash flows used by operating activities of \$538,206 in 2003, primarily due to a decrease in officer wages and management fees.

Net cash flows used in investing activities was \$28,341 for 2004, compared to \$6,919 for 2003, due to equipment purchases during the periods presented.

### Plan of Operation

The Company's principal source of liquidity is cash in bank, which we anticipate will be sufficient to fund our operations for the next twelve months. The Company's future funding requirements will depend on numerous factors, including the time and investment required to source out and invest in promising technology-based ventures, to recruit and train qualified management personnel and the Company's ability to compete against other, better capitalized corporations in similar businesses.

Due to the "start up" nature of the Company's businesses, the Company expects to incur losses as it expands. The Company expects to raise additional funds through private or public equity investment in order to expand the range and scope of its business operations. The Company will seek access to private or public equity but there is no assurance that such additional funds will be available for the Company to finance its operations on acceptable terms, if at all. See "Risk Factors" for additional details.

### Related Party Transactions

#### *Marketable Equity Securities*

Marketable equity securities at December 31, 2004, represents the fair market value of 600,625 shares of common stock of eDeal.net, Inc., a public Company that trades on the OTC Bulletin Board. At December 31, 2004, the fair market value was \$318,331 and an unrealized gain of \$270,281 was credited to accumulated other comprehensive income representing the difference between the cost and the stated market value as determined by the most recently traded price at the balance sheet date, which was \$0.53 per share.

On August 7, 2002, the Company agreed to accept 600,625 shares of restricted common stock from eDeal.net in lieu of the cash payment of \$48,050 due from eDeal.net for web development and web hosting services rendered by the Company. The number of eDeal.net shares issued to satisfy its debt to the Company was calculated based on the most recent quoted market closing price of eDeal.net's common stock (\$0.08 per share) at the settlement date. A director and majority stockholder of the Company is also the Director, Secretary and Treasurer of eDeal.net.

#### *Management and Consulting Fees*

During 2004, the Company charged \$23,900 to operations for management and consulting fees incurred for services rendered by directors, of which \$3,400 was to a director and a majority stockholder.

Accrued expenses related parties, as at December 31, 2004 consists of management and consulting fees incurred in 2004 and in previous years for services rendered by directors.

*Rent Expenses*

The Company's corporate offices, located at Suite 216, 1628 West 1st Avenue, Vancouver, British Columbia, Canada, are owned by a privately held corporation controlled by a director and a majority stockholder of the Company. At present, the Company pays no rent. The fair value of the rent has not been included in the financial statements because the amount is immaterial.

Going Concern

The Company has incurred net operating losses since inception. The Company faces all the risks common to companies in their early stages of development, including under capitalization and uncertainty of funding sources, high initial expenditure levels, uncertain revenue streams, and difficulties in managing growth. The Company's recurring losses raise substantial doubt about its ability to continue as a going concern. The Company's financial statements do not reflect any adjustments that might result from the outcome of this uncertainty. The Company expects to incur losses from its businesses and will require additional funding during 2005. The satisfaction of our cash hereafter will depend in large part on the Company's ability to successfully raise capital from external sources to pay for planned expenditures and to fund operations.

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ITEM 7.

FINANCIAL STATEMENTS

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Independent Auditors Report from Moore Stephens Ellis Foster

Balance Sheet as of December 31, 2004

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Statements of Changes in Stockholders' Equity for the period from inception  
to December 31, 2004

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Statements of Operations for years ended December 31, 2004 and 2003, and  
for the period from inception to December 31, 2004

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Statements of Cash Flows for the years ended December 31, 2004 and 2003,  
and for the period from inception to December 31, 2004

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Notes to the Financial Statements

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**ELLIS FOSTER LTD.**

CHARTERED ACCOUNTANTS

1650 West 1<sup>st</sup> Avenue

Vancouver, BC Canada V6J 1G1

Telephone: (604) 737-8117 Facsimile: (604) 714-5916

Website: [www.ellisfoster.com](http://www.ellisfoster.com)

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**To the Board of Directors and Stockholders of**

ENTHEOS TECHNOLOGIES, INC.

& SUBSIDIARIES

We have audited the consolidated balance sheet of **Entheos Technologies, Inc & Subsidiaries** ( the Company ) as at December 31, 2004 and the related consolidated statements of stockholders' equity, operations and deficit and cash flows for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance 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 provide a reasonable basis for our opinion.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2004 and the results of its operations and its cash flows for the years ended December 31, 2004 and 2003 in conformity with generally accepted accounting principles 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 1 to the consolidated financial statements, the Company has incurred significant recurring net losses resulting in a substantial accumulated deficit, which raise substantial doubt about its ability to continue as a going concern. Management's plans regarding these matters are also disclosed in Note 1 to the financial statements. The ability to meet its future financing requirements and the success of future operations cannot be determined at this time. These consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Vancouver, Canada

*MOORE STEPHENS ELLIS FOSTER LTD.*

March 15, 2005

Chartered Accountants

**MSEF** *A partnership of incorporated professionals*

*An independently owned and operated member of Moore Stephens North America Inc., a member of Moore Stephens International Limited*

*- members in principal cities throughout the world*

**ENTHEOS TECHNOLOGIES, INC.**

**& SUBSIDIARIES**

Consolidated Balance Sheets

December 31, 2004

**(Expressed in U.S. Dollars)**

2004

**ASSETS**

**Current assets**

Cash and cash equivalents

\$

128,286

**Total current assets**

128,286

**Equipment, net**

14,170

**Marketable equity securities - related party**

318,331

**Total assets**

\$

460,787

**LIABILITIES AND STOCKHOLDERS' EQUITY**

**Current liabilities**



Accounts payable and accrued liabilities

\$

4,048

Accrued expenses - related parties

27,612

**Total current liabilities**

31,660

**Stockholders' Equity**

Preferred stock (authorized: 10,000,000 shares):

\$0.0001 par value

Issued and outstanding: nil

-

Common stock: \$0.00001 par value; authorized: 200,000,000

Issued and outstanding: 96,625,122

966

Additional paid-in capital

3,838,116

Accumulated deficit

(3,680,236)

Accumulated other comprehensive income

270,281

**Total stockholders' equity**

429,127

**Total liabilities and stockholders' equity**

460,787

\$

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

**ENTHEOS TECHNOLOGIES,  
INC.  
& SUBSIDIARIES**

Consolidated Statements of  
Stockholders' Equity  
Years Ended December 31, 2004  
and 2003

(Expressed in U.S.  
Dollars)

|                             | Common shares |        | Additional   | Accumulated    | Compre-      | Accumulated   | Total        |
|-----------------------------|---------------|--------|--------------|----------------|--------------|---------------|--------------|
|                             | Shares        | Amount | paid-in      | earnings       | hensive      | other         | stock        |
|                             |               |        | capital      | (deficit)      | income       | comprehensive | holders'     |
|                             |               |        |              |                | (loss)       | income        | equity       |
| <b>Balance, December</b>    |               |        |              |                |              |               |              |
| 31, 2002                    | 96,625,122    | \$ 966 | \$ 3,838,116 | \$ (2,805,361) | \$           | 12,013        | \$ 1,045,734 |
| Components of comprehensive |               |        |              |                |              |               |              |
| income (loss)               |               |        |              |                |              |               |              |
| - Unrealized gains          |               |        |              |                |              |               |              |
| on                          |               |        |              |                |              |               |              |
| marketable                  |               |        |              |                |              |               |              |
| equity securities           |               |        |              |                |              |               |              |
|                             | -             | -      | -            | -              | 132,105      | 132,105       | 132,105      |
| - Loss, year ended          |               |        |              |                |              |               |              |
| December 31, 2003           |               |        |              |                |              |               |              |
|                             | -             | -      | -            | (699,823)      | (699,823)    | -             | (699,823)    |
| Total                       |               |        |              |                |              |               |              |
| comprehensive               |               |        |              |                |              |               |              |
| (loss)                      |               |        |              |                |              |               |              |
|                             |               |        |              |                | \$ (567,718) |               |              |
| <b>Balance, December</b>    |               |        |              |                |              |               |              |
| 31, 2003                    | 96,625,122    | 966    | \$ 3,838,116 | \$ (3,505,184) | \$           | 144,118       | \$ 478,016   |
| Components of comprehensive |               |        |              |                |              |               |              |
| income (loss)               |               |        |              |                |              |               |              |
| - Unrealized gains          |               |        |              |                |              |               |              |
| on                          |               |        |              |                |              |               |              |
|                             | -             | -      | -            | -              | 126,163      | 126,163       | 126,163      |

|   |            |        |              |                |             |            |            |
|---|------------|--------|--------------|----------------|-------------|------------|------------|
| marketable<br>equity securities         |            |        |              |                |             |            |            |
| - Loss, year ended<br>December 31, 2004 | -          | -      | -            | (175,052)      | (175,052)   | -          | (175,052)  |
| Total<br>comprehensive<br>(loss)        |            |        |              |                | \$ (48,889) |            |            |
| <b>Balance, December<br/>31, 2004</b>   | 96,625,122 | \$ 966 | \$ 3,838,116 | \$ (3,680,236) |             | \$ 270,281 | \$ 429,127 |

**The accompanying notes are an integral part of these financial statements.**

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**ENTHEOS TECHNOLOGIES, INC.  
& SUBSIDIARIES**

Consolidated Statements of Operations  
Years Ended December 31, 2004 and 2003  
(Expressed in U.S. Dollars)

|   | 2004      | 2003       |
|---|-----------|------------|
| <b>General and administrative expenses</b>          |           |            |
| Depreciation  | \$ 42,959 | \$ 125,319 |
| Management and consulting fees - related<br>parties | 23,900    | 150,700    |
| Officer wages                                       | 2,882     | 218,815    |
| Other operating expenses                            | 97,413    | 157,933    |
| Travel and entertainment                            | 9,479     | 52,265     |
| Total general and administrative expenses           | 176,633   | 705,032    |
| <b>Operating (loss)</b>                             | (176,633) | (705,032)  |
| <b>Other income (expense)</b>                       |           |            |
| Interest income                                     | 1,581     | 5,823      |
| Interest expense                                    | -         | (614)      |

|   |                     |                     |
|---|---------------------|---------------------|
| Total other income  | 1,581               | 5,209               |
| <b>Net (loss) for the year</b>  | <b>\$ (175,052)</b> | <b>\$ (699,823)</b> |
| <b>(Loss) per share</b>   |                     |                     |
| - basic and diluted   | \$ (0.00)           | \$ (0.01)           |
| <b>Basic weighted average number<br/>of common stocks outstanding</b> |                     |                     |
| - basic and diluted   | 96,625,122          | 96,625,122          |

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

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**ENTHEOS TECHNOLOGIES, INC.  
& SUBSIDIARIES**

Consolidated Statements of Cash Flows  
Years Ended December 31, 2004 and 2003  
(Expressed in U.S. Dollars)

|  | 2004         | 2003         |
|--|--------------|--------------|
| <b>Cash flows from (used in) operating activities</b>                            |              |              |
| Net (loss) for the year  | \$ (175,052) | \$ (699,823) |
| Adjustments to reconcile net (loss)<br>to net cash used in operating activities: |              |              |
| - depreciation   | 42,959       | 125,319      |
| - writeoff of capital lease vehicle  | -            | 14,904       |
| Changes in non-cash working capital items:                                       |              |              |
| - increase in security deposits  | -            | 9,290        |
| - decrease in accrued expenses - related parties                                 | 3,800        | -            |
| - increase (decrease) in accounts payable  | (7,271)      | 12,104       |
| Net cash flow used in operating activities                                       | (135,564)    | (538,206)    |
| <b>Cash flows used in investing activities</b>                                   |              |              |
| Advances to officer loan   | -            | (6,733)      |
| Purchase of equipment  | (28,341)     | (186)        |
| Net cash flows used in investing activities                                      | (28,341)     | (6,919)      |

**Cash flows used in financing activities**

|   |            |            |
|---|------------|------------|
| Principal payments on capital lease obligations     | -          | (9,044)    |
| Net cash flows used in financing activities         | -          | (9,044)    |
| <b>Decrease in cash and cash equivalents</b>        | (163,905)  | (554,169)  |
| <b>Cash and cash equivalents, beginning of year</b> | 292,191    | 846,360    |
| <b>Cash and cash equivalents, end of year</b>       | \$ 128,286 | \$ 292,191 |

**Supplemental non-cash operating activities:**

|  |      |           |
|--|------|-----------|
| Settlement of officer loan with offsetting payable | \$ - | \$ 43,267 |
|--|------|-----------|

**Supplemental disclosure of cash flow information:**

|                           |      |      |
|---------------------------|------|------|
| Interest paid in cash     | \$ - | \$ - |
| Income taxes paid in cash | \$ - | \$ - |

**The accompanying notes are an integral part of these financial statements.**

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**ENTHEOS TECHNOLOGIES, INC.**

**& SUBSIDIARIES**

Notes to Consolidated Financial Statements

Years Ended December 31, 2004 and 2003

**(Expressed in U.S. Dollars)**

**1.**

**Organization and Nature of Operations**

Entheos Technologies, Inc. (the Company) is a Nevada corporation with an authorized capital of 200,000,000 shares of \$0.00001 par value common stock and 10,000,000 shares of \$0.0001 par value preferred stock.

The Company, through its wholly-owned subsidiary Email Solutions, Inc., served as an Application Service Provider (ASP) providing reliable, real time, high volume outsourced email services. The Company has not generated any revenue in 2004 and 2003.

Effective on September 15, 2004, the Company completed a 6 for 1 forward split of the Company's common stock, with the par value and total authorized shares remaining the same. The consolidated financial statements have been restated to reflect the forward stock split.

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America, which contemplates continuation of the Company as a going concern. However, the Company has sustained substantial operating losses in recent years resulting in a substantial accumulated deficit. In view of these matters, realization of a major portion of the assets in the accompanying balance sheet is dependent upon the continued operations of the Company, which in turn is dependent upon the Company's ability to meet its financing requirements, and the success of its future operations.

To meet these objectives, the Company plans to seek additional equity and expects to raise funds through private or public equity investment in order to support existing operations and expand the range and scope of its business. There is no assurance that such additional funds will be available for the Company on acceptable terms, if at all. Management believes that actions presently taken to revise the Company's operating and financial requirements provide the opportunity for the Company to continue as a going concern. The Company's ability to achieve these objectives cannot be determined at this time.

**2.**

**Significant Accounting Policies**

(a)

Principles of Accounting

These financial statements are stated in U.S. Dollars and have been prepared in accordance with accounting principles generally accepted in the United States of America.

(b)

Principles of Consolidation

The consolidated financial statements include the accounts of Entheos Technologies, Inc. (a Nevada corporation) and its wholly owned subsidiaries, Email Solutions, Inc. (a Nevada corporation) and Entheos Technologies, Corp (an Ontario, Canada corporation). There are no assets and liabilities in the wholly owned subsidiaries.

(c)

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management makes its best estimate of the ultimate outcome for these items based on historical trends and other information available when the financial statements are prepared. Changes in estimates are recognized in accordance with the accounting rules for the estimate, which is typically in the period when new information becomes available to management. Actual results could differ from those estimates.

(d)

#### Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. The Company did not have any cash equivalents for the year ended December 31, 2004.

(e)

#### Equipment and Depreciation

Equipment is stated at cost and is depreciated under the straight-line method over its estimated useful life. Repairs and maintenance are charged to operations as incurred.

(f)

#### Marketable Equity Securities

The Company has adopted the Statement of Financial Accounting Standards No. ( SFAS ) 115, *Accounting for Certain Investments in Debt and Equity Securities*. Marketable equity securities consist of Rule 144 restricted common stock and are stated at market value as determined by the most recently traded price at the balance sheet date. All marketable equity securities in these financial statements are defined as available-for-sale securities under the provisions of SFAS No. 115, and are recorded at fair value, with the change in fair value (unrealized gains or losses) during the period excluded from earnings and recorded net of tax as a component of other comprehensive income. Investments available for current operations are classified in the consolidated balance sheet as current assets; investments held for long-term purposes are classified as noncurrent assets.

(g)

#### Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment when circumstances indicate the carrying value of an asset may not be recoverable in accordance with the guidance established in Statement of Financial Accounting Standards ( SFAS ) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. For assets that are to be held and used, an impairment loss is recognized when the estimated undiscounted cash flows associated with the asset or group of assets



is less than their carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value. Fair values are determined based on discounted cash flows or internal and external appraisals, as applicable. Assets to be disposed of are carried at the lower of carrying value or estimated net realizable value.

(h)

#### Accounting for Derivative Instruments and Hedging Activities

The Company adopted Statement of Financial Accounting Standards Board No. 133 (SFAS 133), *Accounting for Derivative Instruments and Hedging Activities*, which requires companies to recognize all derivatives contracts as either assets or liabilities in the balance sheet and to measure them at fair value. If certain conditions are met, a derivative may be specifically designated as a hedge, the objective of which is to match the timing of gain or loss recognition on the hedging derivative with the recognition of (i) the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk or (ii) the earnings effect of the hedged forecasted transaction. For a derivative not designated as a hedging instrument, the gain or loss is recognized in income in the period of change.

The Company has not entered into derivative contracts either to hedge existing risks or for speculative purposes. The option of this pronouncement does not have an impact on the Company's consolidated financial statements.

(i)

#### Intangible Assets

The Company adopted the Statement of Financial Accounting Standards No. 142 (SFAS 142), *Goodwill and Other Intangible Assets*, which requires that goodwill and intangible assets with indefinite life are not amortized but rather tested at least annually for impairment. Intangible assets with a definite life are required to be amortized over its useful life or its estimated useful life.

As at December 31, 2004, the Company did not have any goodwill or intangible assets with indefinite or definite life.

(j)

#### Advertising Costs

Advertising costs are expensed as incurred. The Company did not incur any advertising costs during the years ended December 31, 2004 and 2003.

(k)

#### Income Taxes

The Company adopted the Statement of Financial Accounting Standards ( SFAS ) No. 109, *Accounting for Income Taxes*. Under SFAS No. 109, deferred income tax assets and liabilities are computed for differences between the financial statements and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future, based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary, to reduce deferred income tax assets to the amount expected to be realized.

(l)

#### Stock-Based Compensation

The Company accounts for employee stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*. Compensation cost for stock options, if any, is measured as the excess of the quoted market price of the Company's stock at the date of grant over the amount an employee must pay to acquire the stock. SFAS No. 123, *Accounting for Stock-Based Compensation*, established accounting and disclosure requirements using a fair-value-based method of accounting for stock-based employee compensation plans. The Company has elected to remain on its current method of accounting as described above, and has adopted the disclosure requirements of SFAS No. 123.

(m)

#### Earnings (Loss) Per Share

Basic earnings or loss per share is based on the weighted average number of common shares outstanding. Diluted earnings or loss per share is based on the weighted average number of common shares outstanding and dilutive common stock equivalents. Basic earnings/loss per share is computed by dividing net income applicable to common stockholders (numerator) by the weighted average number of common shares outstanding (denominator) for the period. All earnings or loss per share amounts in the financial statements are basic earnings or loss per share, as defined by SFAS No. 128, *Earnings Per Share*. Diluted earnings or loss per share does not differ materially from basic earnings per share for all periods presented. Convertible securities that could potentially dilute basic earnings or loss per share in the future, such as options and warrants, are not included in the computation of diluted earnings or loss per share because to do so would be antidilutive. All per share and per share information are adjusted retroactively to reflect stock splits and changes in par value.

(n)

#### Comprehensive Income (Loss)

The Company has adopted the Statement of Financial Accounting Standards No. 130 (SFAS 130), *Reporting Comprehensive Income*, which establishes standards for reporting and display of comprehensive income, its components and accumulated balances. The Company is disclosing this information on its Statement of Stockholders' Equity. The Company's comprehensive income (loss) consists of net earnings (loss) and unrealized gain (loss) on available-for-sale securities.

(o)

#### Foreign Currency Translation

The Company maintains both U.S. Dollar and Canadian Dollar bank accounts at a financial institution in Canada. Foreign currency transactions are translated into their functional currency, which is U.S. Dollar, in the following manner:

At the transaction date, each asset, liability, revenue and expense is translated into the functional currency by the use of the exchange rate in effect at that date. At the period end, monetary assets and liabilities are translated into U.S. Dollars by using the exchange rate in effect at that date. Transaction gains and losses that arise from exchange rate fluctuations are included in the results of operations.

(p)

### Fair Value of Financial Instruments

Fair value of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgement, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying value of cash and cash equivalents, accounts payable and accrued liabilities, and accrued expenses related parties approximate their fair value because of the short-term nature of these instruments. The Company places its cash and cash equivalents with high credit quality financial institutions.

The Company operates outside of the United States of America and is exposed to foreign currency risk due to the fluctuation between the currency in which the Company operates in and the U.S. dollar.

(q)

### Related Party Transactions

A related party is generally defined as (i) any person that holds 10% or more of the Company's securities and their immediate families, (ii) the Company's management, (iii) someone that directly or indirectly controls, is controlled by or is under common control with the Company, or (iv) anyone who can significantly influence the financial and operating decisions of the Company. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. (See Note 4).

(r)

### New Accounting Pronouncements

In November 2004, the FASB issued SFAS No. 151, *Inventory Costs-an amendment of ARB No. 43, Chapter 4*, which is the result of the FASB's project to reduce differences between U.S. and international accounting standards. SFAS No. 151 requires idle facility costs, abnormal freight, handling costs, and amounts of wasted materials (spoilage) be treated as current-period costs. Under this concept, if the costs associated with the actual level of spoilage or production defects are greater than the costs associated with the range of normal spoilage or defects, the difference would be charged to current-period expense, not included in inventory costs. SFAS No. 151 will be effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The adoption of SFAS No. 151 will not have a material impact on the Company's financial statements.

In December 2004, the FASB issued SFAS No. 153, *Exchanges of Nonmonetary Assets, an amendment of APB No. 29, Accounting for Nonmonetary Transactions*. SFAS No. 153 requires exchanges of productive assets to be accounted for at fair value, rather than at carryover basis, unless (1) neither the asset received nor the asset surrendered has a fair value that is determinable within reasonable limits or (2) the transactions lack commercial substance. SFAS 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The adoption of FASB No. 153 will not have a material impact on the Company's financial statements.

In December 2004, the FASB issued SFAS No. 123(R), *Accounting for Stock-Based Compensation*". SFAS 123(R) establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. This Statement focuses primarily on accounting for transactions in which an entity obtains employee

services in share-based payment transactions. SFAS 123(R) requires that the fair value of such equity instruments be recognized as expense in the historical financial statements as services are performed. Prior to SFAS 123(R), only certain pro-forma disclosures of fair value were required. SFAS 123(R) shall be effective for the Company as of the beginning of the first interim or annual reporting period that begins after December 15, 2005. The adoption of FASB No. 123(R), will not have a material impact on the Company's financial statements.

**3.**

**Equipment**

|                                |           |
|--------------------------------|-----------|
|                                | 2004      |
|                                | \$        |
| Computer equipment             | 547,663   |
| Computer software              | 70,890    |
| Furniture and fixtures         | 11,800    |
|                                | 630,353   |
| Less: Accumulated depreciation | (616,183) |
|                                | \$        |
|                                | 14,170    |

Depreciation expense charged to operations during 2004 was \$42,959 (2003 \$125,319).

**4.**

**Related Party Transactions**

(a)

**Marketable Equity Securities**

Marketable equity securities at December 31, 2004, represents the fair market value of 600,625 shares of common stock of eDeal.net, Inc., a public Company that trades on the OTC Bulletin Board. At December 31, 2004, the fair market value was \$318,331 and an unrealized gain of \$270,281 was credited to accumulated other comprehensive income representing the difference between the cost and the stated market value as determined by the most recently traded price at the balance sheet date, which was \$0.53 per share.

On August 7, 2002, the Company agreed to accept 600,625 shares of restricted common stock from eDeal.net in lieu of the cash payment of \$48,050 due from eDeal.net for web development and web hosting services rendered by the Company. The number of eDeal.net shares issued to satisfy its debt to the Company was calculated based on the most recent quoted market closing price of eDeal.net's common stock (\$0.08 per share) at the settlement date. A director and majority stockholder of the Company is also the Director, Secretary and Treasurer of eDeal.net.

(b)

**Management and Consulting Fees**

During 2004, the Company charged \$23,900 to operations for management and consulting fees incurred for services rendered by directors, of which \$3,400 was to a director and a majority stockholder.

Accrued expenses related parties, as at December 31, 2004 consists of management and consulting fees incurred in 2004 and in previous years for services rendered by directors.

(c)

#### Rent Expenses

The Company's corporate offices, located at Suite 216, 1628 West 1st Avenue, Vancouver, British Columbia, Canada, are owned by a privately held corporation controlled by a director and a majority stockholder of the Company. At present, the Company pays no rent. The fair value of the rent has not been included in the financial statements because the amount is immaterial.

#### 5.

#### Income Taxes

There is no current or deferred tax expense for any of the periods indicated, due to the Company's loss position. The benefits of timing differences have not been previously recorded. The deferred tax consequences of temporary differences in reporting items for financial statement and income tax purposes are recognized, as appropriate. Realization of the future tax benefits related to the deferred tax assets is dependent on many factors, including the Company's ability to generate taxable income within the net operating loss carryforward period. Management has considered these factors in reaching its conclusion as to the valuation allowance for financial reporting purposes and has recorded a 100% valuation allowance against the deferred tax asset. The income tax effect, utilizing a 34% income tax rate, of temporary differences comprising the deferred tax assets and deferred tax liabilities is a result of the following at December 31:

|                                  | 2004         |
|----------------------------------|--------------|
| Deferred tax assets:             |              |
| Net operating loss carryforwards | \$ 1,177,000 |
| Valuation allowance              | (1,177,000)  |
| Net deferred tax assets          | \$ -         |

The Company has available net operating loss carryforwards of approximately \$3,463,000 for tax purposes to offset future taxable income which expires commencing 2011 through to the year 2024. Pursuant to the Tax Reform Act of 1986, annual utilization of the Company's net operating loss carryforwards may be limited if a cumulative change in ownership of more than 50% is deemed to occur within any three-year period.

A reconciliation between the statutory federal income tax rate (34%) and the effective rate of income tax expense for each of the years during the period ended December 31 follows:

|                                   | 2004    |
|-----------------------------------|---------|
| Statutory federal income tax rate | (34.0)% |
| Valuation allowance               | 34.0%   |

Effective income tax rate 0.0%

6.

**Stock Options**

The Company did not grant any stock options in fiscal year 2004.

Summary of employee stock option information for the years ended December 31, 2004 and 2003 is as follows:

|   | Shares    | Weighted<br>Average<br>Exercise<br>Price |
|---|-----------|--|
|   |           | \$                                       |
| Options outstanding at December 31, 2004 and 2003 | 9,030,000 | 0.01                                     |

***Options Outstanding and Exercisable***

| Range of<br>Exercise<br>Prices | Number<br>Outstanding | Number<br>exercisable | Weighted<br>Average<br>Remaining<br>Contractual<br>Life (yr.)<br>\$ | Weighted<br>Average<br>Exercise<br>Price |
|--------------------------------|-----------------------|-----------------------|---|--|
| \$0.01 - \$0.50                | 9,030,000             | 6,030,000             | 8.10  | 0.01                                     |

Each option entitles the holder to acquire one common stock of the Company.

Had compensation expense for the Company's stock-based compensation plans been determined under SFAS No. 123, based on the fair market value at the grant dates, the Company's pro forma net loss and pro forma net loss per share would have been reflected as follows:

2004 2003

## Net income (loss):

|   |              |              |
|---|--------------|--------------|
| As reported:  | \$ (175,052) | \$ (699,823) |
| Stock-based employee compensation expense as determined under the fair value based method | \$ (30,000)  | \$ (32,500)  |
| Pro-forma   | \$ (205,052) | \$ (732,323) |

## Net income (loss) per share

## basic and diluted:

|             |           |           |
|-------------|-----------|-----------|
| As reported | \$ (0.00) | \$ (0.01) |
| Pro-forma   | \$ (0.00) | \$ (0.01) |

For disclosure purposes, the weighted average fair value of the options granted in 2003 was estimated at \$0.01 (\$0.06 pre-split) by using the Black-Scholes Option Pricing Model with the following weighted average assumptions: dividend yield of 0%, expected volatility of 218%, risk-free interest rates of 3.5%, and expected lives of five years.

## 7.

**Warrants**

In connection with the 505 offering dated November 23, 1999, for 720,000 (120,000 pre-split) shares at \$0.167 (\$1.00 pre-split) per share, the Company also issued 1,440,000 (240,000 pre-split) warrants to purchase common shares at \$0.167 (\$1.00 pre-split) per share until November 23, 2004. As at December 31, 2004, these warrants have expired without being exercised.

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**ITEM 8: CHANGE IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

We have had no disagreements with our certified public accountants with respect to accounting practices, procedures or financial disclosure.

## **ITEM 8a: CONTROLS AND PROCEDURES**

### Evaluation of Disclosure Controls and Procedures

It is the Chief Executive Officer's and the Principal Financial Officer's responsibility to ensure that we maintain disclosure controls and procedures designed to provide reasonable assurance that material information, both financial and non-financial, and other information required under the securities laws to be disclosed is identified and communicated to senior management on a timely basis. Our disclosure controls and procedures include periodic management meetings to ensure communication of reportable events, receipt of ongoing advice from legal council and outside auditors on new legislation and updating, if required, the Company's disclosure controls and procedures.

### Changes in Internal Controls

During the fourth quarter of fiscal 2004, the management of the Company, including the Chief Executive Officer and the Principal Financial Officer, evaluated the Company's disclosure controls and procedures. Under rules promulgated by the SEC, disclosure controls and procedures are defined as those "controls or other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports filed or submitted by it under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms." There have been no significant changes in internal controls, or in factors that could significantly affect internal controls, subsequent to the date that management, including the Chief Executive Officer and the Principal Financial Officer, completed their evaluation.

## **ITEM 9: DIRECTORS AND EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT**

Set forth below is certain information regarding each of the directors and officers of the Company:

STANLEY D. WONG (Age 34). President, Chief Executive Officer and Director. Mr. Wong graduated from Simon Fraser University with a Bachelors of Arts degree in 1996. From August 1996 to March 2001, Mr. Wong joined Vancouver City Savings Union as a Financial Services Officer. Vancouver City Savings Union is Canada's largest



credit union, with C\$7.5 billion in assets. Since 2001, Mr. Wong has been with the Canadian Imperial Bank of Commerce as a Financial Advisor specializing in wealth management and financial planning. Mr. Wong joined the Company as a director and its President and Chief Executive Officer on February 10, 2003.

TIMOTHY N. LUU (Age 40): Chief Technology Officer, Director. Mr. Luu brings nearly two decades of professional experience in technology development and management. Mr. Luu earned his Bachelor of Science degree in Electrical Engineering at the University of Manitoba (Winnipeg) in 1987. From June 1996 to December 1998, Mr. Timothy Luu joined Reid Crowther, a global infrastructure engineering and project management firm established in 1906, as an Information Systems engineer. While continuing to provide technical consulting services to Reid Crowther, in June 1998, Mr. Luu launched Applied Technology Professionals Ltd. (ATP), and assumed the role of President and Managing Director of the firm. Today, ATP boasts special expertise in ecommerce and web based application development. Mr. Luu joined the Company as Director and Chief Technology Officer on February 7, 2005.

HARMEL S. RAYAT (Age 43). Director. Mr. Rayat has been in the venture capital industry since 1981. Between January 1993 and April 2001, Mr. Rayat served as the president of Hartford Capital Corporation, a company that provides financial consulting services to emerging growth corporations. From April 2001 through January 2002, Mr. Rayat acted as an independent consultant advising small corporations. Since January 2002, Mr. Rayat has been president of Montgomery Asset Management Corporation, a privately held firm providing financial consulting services to emerging growth corporations. Mr. Rayat is also a Director of Enterprise Technologies, Inc, e.Deal.net, Inc. and HepaLife Technologies, Inc. Mr. Rayat has served as a Director of the Company since March 18, 1996.

On October 23, 2003, Mr. Harmel S. Rayat, EquityAlert.com, Inc., Innotech Corporation and Mr. Bhupinder S. Mann, a former part-time employee of the Company, collectively the respondents, consented to a cease-and-desist order pursuant to Section 8A of the Securities Act of 1933. Without admitting or denying the findings of the Securities and Exchange Commission related to the public relation and stock advertising activities of EquityAlert.com, Inc. and Innotech Corporation, the respondents agreed to cease and desist from committing or causing any violations and any future violations of Section 5(a) and 5(c) of the Securities Act of 1933. EquityAlert.com, Inc. and Innotech Corporation agreed to pay disgorgement and prejudgment interest of \$31,555.14. On August 8, 2000, Mr. Harmel S. Rayat and EquityAlert.com, Inc., without admitting or denying the allegations of the Securities and Exchange Commission that EquityAlert.com, Inc did not disclose certain compensation received by it in connection with stock advertisements and promotions, consented to the entry of a permanent injunction enjoining them from violating Section 17(b) of the Securities Act of 1933; in addition, each agreed to pay a civil penalty of \$20,000.

#### Compliance With Section 16(a) of the Exchange Act

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), requires the Company's directors, officers and persons who own more than 10 percent 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 ("the Commission"). Directors, officers and greater than 10 percent beneficial owners are required by applicable regulations to furnish the Company with copies of all forms they file with the Commission pursuant to Section 16(a). Based solely

upon a review of the copies of the forms furnished to the Company, the Company believes that during fiscal 2004 the Section 16(a) filing requirements applicable to its directors and executive officers were satisfied.

**ITEM 10: EXECUTIVE COMPENSATION**

Remuneration and Executive Compensation

The following table shows, for the three-year period ended December 31, 2004, the cash compensation paid by the Company, as well as certain other compensation paid for such year, to the Company's Chief Executive Officer and the Company's other most highly compensated executive officers. Except as set forth on the following table, no executive officer of the Company had a total annual salary and bonus for 2004 that exceeded \$100,000.

Summary Compensation Table

Securities

Underlying

Name and

Options

All Other

Principal Position      Year      Salary

Bonus      Other

Granted

Compensation

Harmel S. Rayat (1)

2004

\$0

\$0

\$3,400

0

\$0

Chairman, Director

2003

\$144,000

\$0

\$0

6,000,000

\$0

2002

\$187,333

\$0

\$0

0

\$0

Stanley D. Wong

2004

\$0

\$0

\$4,600

0

\$0

CEO, President,

2003

\$0

\$0

\$3,600

30,000

\$0

Director

2002

\$0

\$0

\$0

0

\$0

Terri DuMoulin (2)

2004

\$0

\$0

\$15,900

0

\$0

Secretary, Treasurer,

2003

\$0

\$0

\$3,100

90,000

\$0

Director

2002

\$0

\$0

\$0

0

\$0

(1) During 2003, the Company charged \$150,700 (2002 - \$187,333) to operations for management and consulting fees incurred for services rendered by directors, of which \$144,000 was to a director and a major shareholder. On December 13, 2002, the Company settled \$282,666 owing this individual by issuing 14,133,300 shares of the Company at \$0.02 per share, being the fair market value of the common stock on the date of issuance. At December 31, 2003, \$23,812 (2002 - \$0) was included in accounts payable.

(2) Ms. DuMoulin resigned from the Board of Directors on January 21, 2005.

Stock Option Grants in Last Fiscal Year

Shown below is further information regarding employee stock options awarded during 2004 to the named officers and directors:

Number of

% of Total

Securities

Options Granted

Underlying

to Employees

Exercise

Expiration

Name

Options

in 2004

Price (\$/sh)

Date

Stanley Wong

0

0

n/a

n/a

Harmel Rayat

0

0

n/a

n/a

Terri DuMoulin

0

0

n/a

n/a

Aggregated Option Exercises During Last Fiscal Year and Year End Option Values

The following table shows certain information about unexercised options at year-end with respect to the named officers and directors:

Common Shares Underlying Unexercised    Value of Unexercised In-the-money

Options on December 31, 2004

Options on December 31, 2004

Name

Exercisable

Unexercisable

Exercisable

Unexercisable

Stanley Wong

30,000

0

\$31,800

\$0

Harmel Rayat

4,000,000

2,000,000

\$4,240,000

\$2,120,000

Terri DuMoulin

60,000

30,000

\$63,600

\$31,800

Changes in Control

There are no understandings or agreements, aside from the transaction completed and described under Certain Relationships and Related Transactions, known by management at this time which would result in a change in control of the Company. If such transactions are consummated, of which there can be no assurance, the Company may issue a significant number of shares of capital stock which could result in a change in control and/or a change in the Company's current management.

**ITEM 11: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth, as of March 29, 2005, the beneficial ownership of the Company's Common Stock by each director and executive officer of the Company and each person known by the Company to beneficially own more than 5% of the Company's Common Stock outstanding as of such date and the executive officers and directors of the Company as a group.



Number of Shares

Person or Group

of Common Stock

Percent

Harmel S. Rayat (1)

86,697,688

89.7%

216-1628 West First Avenue

Vancouver, B.C. V6J 1G1 Canada

Harmel S. Rayat (2)

6,000,000

6.2%

216-1628 West First Avenue

Vancouver, B.C. V6J 1G1 Canada

Stanley Wong (3)

30,000

0.03%

216-1628 West First Avenue

Vancouver, B.C. V6J 1G1 Canada

Terri DuMoulin (4)

90,000

0.09%

216-1628 West First Avenue

Vancouver, B.C. V6J 1G1 Canada

Directors and Executive Officers

92,817,688

96.1%

as a group (3 persons)

(1) Includes 57,888 shares held by Tajinder Chohan, Mr. Harmel S. Rayat's wife. Additionally, other members of Mr. Rayat's family hold shares. Mr. Rayat disclaims beneficial ownership of the shares and share purchase warrants beneficially owned by his wife and other family members.

(2) Includes 6,000,000 shares, which may be acquired pursuant to stock options granted on February 11, 2003, and exercisable under the Company's stock option plans.

(3) Includes 30,000 shares, which may be acquired pursuant to stock options granted on February 11, 2003, and exercisable under the Company's stock option plans.

(4) Includes 90,000 shares, which may be acquired pursuant to stock options granted on February 11, 2003, and exercisable under the Company's stock option plans. Ms. DuMoulin resigned from the Board of Directors on January 21, 2005.

## **ITEM 12: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

### Marketable Equity Securities

Marketable equity securities at December 31, 2004, represents the fair market value of 600,625 shares of common stock of eDeal.net, Inc., a public Company that trades on the OTC Bulletin Board. At December 31, 2004, the fair market value was \$318,331 and an unrealized gain of \$270,281 was credited to accumulated other comprehensive income representing the difference between the cost and the stated market value as determined by the most recently traded price at the balance sheet date, which was \$0.53 per share.

On August 7, 2002, the Company agreed to accept 600,625 shares of restricted common stock from eDeal.net in lieu of the cash payment of \$48,050 due from eDeal.net for web development and web hosting services rendered by the Company. The number of eDeal.net shares issued to satisfy its debt to the Company was calculated based on the most recent quoted market closing price of eDeal.net's common stock (\$0.08 per share) at the settlement date. A director and majority stockholder of the Company is also the Director, Secretary and Treasurer of eDeal.net.

#### Management and Consulting Fees

During 2004, the Company charged \$23,900 to operations for management and consulting fees incurred for services rendered by directors, of which \$3,400 was to a director and a majority stockholder.

Accrued expenses related parties, as at December 31, 2004 consists of management and consulting fees incurred in 2004 and in previous years for services rendered by directors.

#### Rent Expenses

The Company's corporate offices, located at Suite 216, 1628 West 1st Avenue, Vancouver, British Columbia, Canada, are owned by a privately held corporation controlled by a director and a majority stockholder of the Company. At present, the Company pays no rent. The fair value of the rent has not been included in the financial statements because the amount is immaterial.

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### **ITEM 13: EXHIBITS AND REPORTS ON FORM 8-K**

(a) The following exhibits are filed as part of this Annual Report:

31.1

Certification of the Chief Executive Officer pursuant to Rule 13a-14(a)

31.2

Certification of the Chief Financial Officer pursuant to Rule 13a-14(a)

32.1

Certification by the Chief Executive Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2

Certification by the Chief Financial Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) During the Company's fourth fiscal quarter, there were no reports filed on Form 8-K

None.

#### **ITEM 14: PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The firm of Moore Stephens Ellis Foster Ltd. currently serves as the Company's independent accountants. The Board of Directors of the Company, in its discretion, may direct the appointment of different public accountants at any time during the year, if the Board believes that a change would be in the best interests of the stockholders. The Board of Directors has considered the audit fees, audit-related fees, tax fees and other fees paid to the Company's accountants, as disclosed below, and had determined that the payment of such fees is compatible with maintaining the independence of the accountants.

**Audit Fees:** The aggregate fees, including expenses, billed by the Company's principal accountant in connection with the audit of our consolidated financial statements for the most recent fiscal year and for the review of our financial information included in our Annual Report on Form 10-KSB and our quarterly reports on Form 10-QSB during the fiscal years ending December 31, 2004 and December 31, 2003 were \$8,817 and \$8,817 respectively.

Tax fees: The aggregate fees billed to the Company for tax compliance, tax advice and tax planning by the Company's principal accountant for fiscal 2004 and 2003 were \$0.

All Other Fees: The aggregate fees, including expenses, billed for all other services rendered to the Company by its principal accountant during year 2004 and 2003 were \$0.

The Company does not currently have an audit committee.

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## **SIGNATURES**

Pursuant to the requirements of Sections 13 or 15 (d) of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on this 29th day of March, 2005.

Entheos Technologies, Inc.

/s/ Stanley Wong

Stanley Wong

Chief Executive 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 capacities and on the dates indicated.

Signature

Title

Date

/s/ Stanley Wong

Director , President,

March 29, 2005

Stanley Wong

Chief Executive Officer

/s/ Tim Luu

Director, Chief Technology

March 29, 2005

Tim Luu

Officer

/s/ Harmel S. Rayat

Director, Secretary/Treasurer,

March 29, 2005

Harmel S. Rayat

Principal Financial Officer

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**Exhibit 31.1**

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER**

**Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Stanley Wong, certify that:

- (1) I have reviewed this annual report on Form 10-KSB of Entheos Technologies, Inc. (the registrant );
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
- (5) The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons



performing the equivalent functions):

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 29, 2005

By: /s/ Stanley Wong  
Stanley Wong  
President and Chief Executive Officer

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**Exhibit 31.2**

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER**

**Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Harmel Rayat certify that:

- (1) I have reviewed this annual report on Form 10-KSB of Entheos Technologies, Inc. (the registrant );

- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
- (5) The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 29, 2005

By: /s/ Harmel S. Rayat  
Harmel S. Rayat  
Principal Financial Officer

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**Exhibit 32.1**

**Certification by the Chief Executive Officer pursuant to 18 U.S.C. 1350  
as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Entheos Technologies, Inc. (the Company) on the Form 10-KSB for the period ending December 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Stanley Wong, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2002, that:

(i)

the Report filed by the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(ii)

The information contained in that Report fairly presents, in all material respects, the financial condition and results of operations of the Company on the dates and for the periods presented therein.

**ENTHEOS TECHNOLOGIES, INC.**

Date: March 29, 2005

By:

/s/ Stanley Wong

Stanley Wong

President and Chief Executive Officer

This certification accompanies this Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended. A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

### Exhibit 32.2

#### **Certification by the Chief Financial Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Entheos Technologies, Inc. (the Company) on the Form 10-KSB for the period ending December 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Harmel S. Rayat, Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2002, that:

(i)

the Report filed by the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(ii)

The information contained in that Report fairly presents, in all material respects, the financial condition and results of operations of the Company on the dates and for the periods presented therein.

#### **ENTHEOS TECHNOLOGIES, INC.**

Date: March 29, 2005

By:

/s/ Harmel S. Rayat

Harmel S. Rayat

Principal Financial Officer

This certification accompanies this Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended. A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.