

ABLEAUCTIONS COM INC
Form 10KSB
March 30, 2005

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

(Mark One)

[X]

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004 *OR*

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TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission file number: 000-28179

ABLEAUCTIONS.COM, INC.

(Exact name of small business issuer in its charter)

Florida
(State or other jurisdiction of incorporation or organization)

59-3404233
(I.R.S. Employer Identification No.)

1963 Lougheed Highway

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Coquitlam, British Columbia Canada
(Address of principal executive offices)

V3K 3T8
(Zip Code)

Issuer's telephone number: (604) 521-3369

Securities Registered Under Section 12(b) of the Exchange Act:

None

Securities Registered Under Section 12(g) of the Exchange Act:

Common Stock, \$0.001 par value

(Title of class)

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

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will 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. []

State issuer's revenues for most recent fiscal year: \$4,423,171

The number of shares of the Registrant's common stock, par value \$0.001 per share, outstanding as of March 15, 2005 was 62,366,834. The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant on March 15, 2005, based on the average bid and ask price on the American Stock Exchange as of such date, was approximately \$39,291,105

Documents Incorporated by Reference: None.

Transitional Small Business Format. Yes [] No [X]

NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain information contained herein constitutes forward-looking statements, including without limitation statements relating to goals, plans and projections regarding the Company's financial position and the Company's business strategy. The words or phrases "would be," "will allow," "intends to," "may result," "are expected to," "will continue," "expects," "estimate," "project," "indicate," "could," "potentially," "should," "believe," "considers" or similar expressions identify forward-looking statements, as well as all projections of future results of operations or earnings. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results or achievements of the Registrant to be materially different from any future results or achievements expressed or implied by such forward-looking statements. Such factors include, but are not limited to, the following: risks related to risks of technological change; the Registrant's dependence on key personnel; the Registrant's dependence on marketing relationships with auction houses, third party suppliers and strategic partners such as eBay; the Registrant's ability to protect its intellectual property rights; government regulation of Internet commerce and the auction industry; dependence on continued growth in use of the Internet; risks of technological change; capacity and systems disruptions; uncertainty regarding infringing intellectual property rights of others and the other risks and uncertainties described in this report.

We do not undertake any responsibility to release publicly any revisions to these forward-looking statements to take into account events or circumstances that occur after the date of this filing. Additionally, we do not undertake any responsibility to update you on the occurrence of any unanticipated events that may cause actual results to differ from those expressed or implied by the forward-looking statements contained in this filing. Please read carefully the risk factors disclosed in this report and in other filings we make with the Securities and Exchange Commission.

PART I

Item 1.

Description of Business

Overview

We are a liquidation business and an on-line auction facilitator. As an auction facilitator, we provide software platforms and services to third parties to give them the ability to conduct auctions over the Internet. We earn our revenues from the following sources:

Liquidation Services - We sell merchandise through our liquidation stores, auctions and the operations of our subsidiary, Unlimited Closeouts, Inc. in California. We also generate revenues through our inventory brokerage services at iTrustee.com (www.itrustee.com).

Auction Broadcast Services We broadcast business and industrial auctions over the Internet for auctioneers and members of the National Auctioneers Association (NAA). These auctions are facilitated using our proprietary technology (www.ableauctions.com/technology) through the website NAALive.com (www.NAALive.com). Additionally, we broadcast antique and collectible auctions over the Internet for numerous galleries and auction houses throughout the world. These auctions are facilitated using eBay's live auction technology through the iCollector.com website (www.iCollector.com). We also provide auction-related products and services for a fee (www.icollectorlive.com/services.aspx).

Point-of-Sale (POS) Services - Through our subsidiary, Rapidfusion Technologies, Inc. (www.rapidfusion.com/technology), we sell to retailers, install and support our proprietary point-of-sale (POS) sales processing and reporting system.

Our objective is to become a leading provider of liquidation and on-line auction broadcasting services. We believe that our long term success relies on our ability to maintain and provide technology, products and services to auctioneers and liquidators worldwide.

While we have maintained overall profitability and positive cash flow over the last two years, not all of our operations achieve positive operating results. We still incur losses from certain operations, such as the auctions we conduct for NAA, that are in the development stage. We are able to maintain positive cash flow from the revenues that are produced by our remaining operations and from the interest and dividends earned by our investments.

Our outlook is long term. Even though certain of our sectors experience operating losses now, we believe that by continuing to develop and expand them, they will achieve profitability in the long term.

History

We were incorporated under the laws of the state of Florida as J. B. Financial Services, Inc. on September 30, 1996. We changed our name to Ableauctions.com, Inc. on July 19, 1999. From the date of our incorporation until August 24, 1999, we had no material business and no material revenues, expenses, assets or liabilities.

On August 24, 1999, in exchange for shares of our common stock and cash, we acquired all of the assets and the business operations of Able Auctions (1991) Ltd., a British Columbia corporation engaged in the business of auctioning used equipment, office furnishings and other merchandise. We acquired all of the issued and outstanding common stock of Able Auctions (1991) Ltd. from Dexton Technologies Corporation, a British Columbia corporation. Our intent in acquiring the assets and business operations of Able Auctions (1991) Ltd. was to expand its bricks and mortar operations. We also decided to develop an on-line auction technology.

Because of the significant costs related to traditional auction businesses, such as maintaining a physical auction site and employees necessary to staff the auctions, we decided to abandon our plan to expand our bricks and mortar operations through continued acquisitions of auction businesses. Furthermore, we no longer staff or operate our bricks and mortar auction businesses. Instead, during the 2004 fiscal year we engaged third parties to conduct auctions for us on a commission basis at our U.S. and Canadian locations, which are in Washington, California, Ontario and British Columbia.

While our business has evolved away from conducting auctions through bricks and mortar operations, we have expanded our on-line auction operations and branched out into excess inventory liquidation. We intend to continue to grow these business sectors.

Liquidation Services

During 2004, we expanded our business to include the liquidation of excess inventory. We incorporated Unlimited Closeouts, Inc., which contacts major manufacturers and importers to purchase overstocks, order cancellations and discontinued products. Unlimited Closeouts then sells the merchandise to major retail chains, other resellers or the public. We developed iTrustee.com to increase the exposure to auctioneers of inventories that are in the possession of bankruptcy trustees, liquidators or others who need to sell merchandise quickly.

By expanding our business to include liquidations, we increased our revenues significantly in 2004, earning commissions ranging from 10% to 25% of the inventory that is sold.

Our liquidation operations are currently dependant on two persons. If we were to lose our current operators, the loss could have a material adverse effect on this sector of our business and on our results of operations.

Auction Broadcast Services

We now provide technology and related services to auction houses and galleries to enable them to broadcast auctions live over the Internet, either through eBay Live Auctions or through the use of our proprietary technology.

In a traditional bricks and mortar auction setting, prior to the auction users must register to qualify as bidders. Up until the start of an auction, users are able to preview the merchandise and submit absentee bids. Once the auction begins, the registered users bid against each other for merchandise auctioned at a physical location with the auctioned merchandise being sold to the highest bidder. A typical auction may draw 500 people and have 1,000 lots of merchandise.

Through our auction broadcast services, as used with our proprietary technology or the eBay Live Auctions platform, auction houses and galleries are now empowered with technology that enables them to broadcast their auctions over the Internet in real-time, allowing online bidders to bid against bidders physically present at the location. Like a traditional bricks and mortar auction, users register on-line before the auction begins in order to qualify as bidders, to preview the merchandise and to place absentee bids. Once the auction begins, online bidders bid from their computers in real-time against bidders present at the location (floor bidders) and against each other. Online bidders are invoiced electronically for their winning bids and are able to remit payment electronically. We believe that our technology and services make the online purchase of auction merchandise more convenient for consumers. For auction businesses, we believe that this technology can increase the size of auction audiences by increasing exposure to auctions, increase the final hammer price for merchandise sold and lower overall transaction costs.

We have also developed technology that manages the back-end of the auction, enabling auctioneers to run auctions more efficiently, providing them with tools to automate invoicing, collect payment, track lot popularity, view bidder statistics and demographics, and print graphic reports.

iCollector

Through our subsidiaries, iCollector.com Technologies Ltd. and iCollector International Ltd. (collectively referred to as iCollector throughout this Annual Report), we broadcast auctions live over the Internet using eBay's live auction technology and its platform, eBay Live Auctions. iCollector represents antique, fine art and premium collectible auction houses and galleries, whose inventories typically include fine and decorative arts, modern and contemporary art, memorabilia, wine, fine furniture and collectibles that are obtained primarily from countries Europe, Canada and the United States. iCollector catalogues its client's inventory and hosts the inventory on its website located at www.icollector.com. Using eBay's live auction technology, iCollector also provides auction-related products and services to galleries and auction houses for a fee, so that the auctions can be conducted on eBay Live Auctions more efficiently. We provide galleries and auction houses with tools to automate invoicing, collect payment, track lot popularity, view bidder statistics and demographics, and print graphic reports. In March 2005, we renewed our agreement with eBay to facilitate live auctions between the auctions houses that are represented by iCollector and eBay Live Auctions. During the 2004 fiscal year, iCollector facilitated 279 auction sessions. The fees charged to these auction house clients, \$1,500 per auction plus 5% of the value of the merchandise sold online, are shared equally between us and eBay.

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Through iCollector, we recently established a consortium consisting of a number of auction companies with the objective of implementing our live auction technology and solidifying our relationship with eBay Live Auctions. We currently have multi-year agreements to exclusively broadcast auctions for the following auction companies:

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Heritage Coins, a dealer and auctioneer of collectibles including rare coins, currency, comics, movie posters and illustration art;

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Indiana based Kruse International Inc., a collector car auction company;

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Superior Galleries of Beverly Hills;

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United Kingdom based Euro Auctions UK Ltd., an industrial auctioneer;

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West Coast Estates Auctions;

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Colorado based Best of the West Auctions, one of the premier auction houses in the American Midwest whose parent company is the oldest auction company in the state;

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Delaware-based Joseph C. O Neal & Sons, specializing in antiques, machinery, real estate, and personal property;

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Vancouver based Shumans Auctions, specializing in rare and antique Japanese Fine Art and Collectibles;

Westbridge Fine Art, an auction house which specializes in Canadian and International Fine Art;

Ohio based Corcoran Fine Arts, involved in the private sale of Old Master and 19th and 20th century masterworks of art primarily in North America and Europe; and

Seahawk Auctions, one of the most prominent auction houses specializing in

Native Art and Artifacts.

We have also partnered with other service providers in the art, antique and collectible market place in order to further expand our business. On July 27, 2004 and August 11, 2004 we announced that we had entered into agreements with Invaluable Ltd. and Artifact Inc., respectively, to conduct their auctions on-line. Invaluable Ltd. is a provider of information services relating to fine art, antiques and collectables, receiving catalogues from approximately 2,000 bricks and mortar salerooms around the globe. It has been active in the auction market since 1989, alerting dealers and collectors to items coming up for sale at auction houses worldwide. Artifact was founded in 1986 and maintains a database that is one of the most comprehensive sources of information for the auction world. Available by subscription to both institutional and private users, it is the only service licensed by traditional auction houses to aggregate and publish unabridged catalogs including photographs, expert research, and the actual selling price of each item. Subscribers to these services, which include collectors, dealers, museums and heritage bodies, will now be able to link with bidders through eBay using the services of iCollector.com.

The majority of our services relating to the antique and collectible business and the broadcast of auctions on eBay Live Auctions are dependant on eBay, the performance of its live auction platform, its continued operation of the platform, and our working relationship with it. A disruption in any of the above may have a material adverse affect on our results of operations.

NAALive

We have partnered with the National Auctioneers Association (NAA) to serve as its exclusive online auction contractor to broadcast business and industrial equipment auctions for its members on the website www.NAALive.com. We provide these services to NAA s 7,000 members with technology that we have developed. This platform is the only web cast technology for live online auctions endorsed by the National Auctioneers Association.

Founded in 1948, the NAA membership is comprised of approximately 7,000 auctioneers worldwide with members in every state in the United States. NAA members represent every facet of the auction industry, including, but not limited to, real estate, automotive, fine art, livestock, equipment and manufacturing.

We charge NAALive clients a fee of \$125 per auction plus 1.5% of the value of the products sold online and we pay the NAA up to 20% in joint marketing fees. Through NAALive, we facilitated 164 auction sessions in 2004.

As with our iCollector operations, we have developed similar technology, systems and processes to manage the back-end of auction operations and to broadcast live auctions over the Internet, applying our experience in managing and operating auction houses with Internet broadcasting capabilities. Our technology enables auctioneers run auctions more efficiently, providing them with tools to automate invoicing, collect payment, track lot popularity, view bidder statistics and demographics, and print graphic reports.

Like our relationship with eBay Live Auctions, our relationship with the NAA is important to us. If the NAA ceased allowing us to host its auctions, it would have a material adverse effect on our results of operations.

Point of Sale (POS) Software and Services

We also earn revenues from our subsidiary, Rapidfusion Technologies, Inc. We acquired this subsidiary in October 2003. Rapidfusion has developed point-of-sale software and services for retailers. Users of these products and services may select from the following packages that we offer:

The POS2004 Professional Single-User (Retail \$3,000) is our full-featured version for medium to large stores needing a comprehensive standalone point of sale solution and is upgradeable to multi-user version.

The POS2004 Professional Multi-User (Retail \$3,750) is for medium to large stores requiring two or more terminals in one complete point of sale solution (back office terminal for inventory management, store-front terminals for sales processing).

The POS2004 Professional Head Office Solution (Retail \$4,000) is designed to manage multiple store branches from one central terminal. This version includes central control for purchase orders, inventory control, and customer database, and is able to consolidate data and track sales for multiple store branches.

Competition

We face competition from traditional auctioneers and from online auction companies that seek to use the Internet to sell or auction surplus capital assets, equipment, art or collectibles. The Internet auction industry is rapidly evolving, and intensely competitive, and we expect competition to intensify in the future. A variety of auction web sites are presently available on the Internet that are dedicated to facilitating person-to-person and business-to-person transactions on a bid-based format. These auction services allow sellers to post merchandise on their web sites and buyers to locate items and submit bids online. These services generally organize merchandise by categories and provide descriptions, pictures, or video clips of merchandise offered for sale.

Most of our current and potential competitors have larger customer bases, greater brand recognition and significantly greater financial, marketing and other resources than we do and may enter into strategic or commercial relationships with larger, more established companies. Some of our competitors may be able to secure alliances with customers and affiliates on more favorable terms, devote greater resources to marketing and promotional campaigns and devote substantially more resources to systems development than we do. In addition, new technologies and the expansion of existing technologies may increase the competitive pressures on us.

We cannot assure you that we will be able to compete successfully against current or future competitors, and competitive pressures faced by us could harm our business, operating results and financial condition. We do not currently represent a significant competitive presence in the on-line auction industry.

Government Regulation

Our brick-and-mortar auction houses are generally subject to extensive regulation, supervision, and licensing under various federal, state, and local statutes, ordinances, and regulations. Such laws and regulations may require us to obtain a license or registration, or post a surety or bond as a precondition of doing business within the jurisdiction. In

addition, applicable laws may require us to transact business and sell merchandise in accordance with specific guidelines, including the means by which we obtain our merchandise, advertise our auctions, conduct our bidding procedures, close transactions, hold client funds, and other restrictions that may vary from state to state. We cannot guarantee that we will not be subject to actions arising out of violations by our brick-and-mortar auction houses. Such actions may have a material adverse affect on our business and results of operations.

There are currently few laws or regulations that directly apply to access to, or commerce on, the Internet. It is possible that governing bodies may adopt a number of laws and regulations governing issues such as user privacy on the Internet and the pricing, characteristics, and quality of products and services offered over the Internet. It is also possible that government authorities will adopt sales or other taxes involving Internet business.

Intellectual Property

We have developed the majority of our software internally. We have taken measures to protect our intellectual property, ranging from confidentiality and non-disclosure agreements for contractors and employees to deploying a trans-modular development schedule where individual modules of software developed or coded by employees or contractors have no stand-alone benefits until they are integrated with at least three independent modules.

We have registered the following Internet domain names:

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ableauctions.com

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ableauctions.net

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directcloseout.com

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directsurplus.com

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europexcite.com

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icollector.com

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icollector.ca

-

icollectorlive.com

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icollectorlive.ca

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icollectorliveauctions.com

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itrustee.com

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itrustee.ca

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itrustees.com

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naaliveauctions.com

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rapidfusion.com

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rapidfusion.ca

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softwarealley.com

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unlimitedcloseouts.com

unlimitedcloseoutsinc.com

We currently use common law copyright, trademark, service mark, and trade secret laws and contractual restrictions to protect our proprietary rights. We plan to apply for copyright, trademark and service mark registrations when we deem such registrations to be appropriate. We cannot assure you that the measures we take to protect our intellectual property will prevent misappropriation of our technology or deter independent third-party development of similar technologies.

Employees

As of December 31, 2004 we had a total of 36 staff persons, including 18 full time staff, 17 consultants and 1 part-time employee. In addition to management, we employ sales people, administrative staff, and development and technical personnel. From time to time, to further reduce expenses we may employ independent consultants or contractors to support our research and development, marketing, sales and support, and administrative organizations.

We grant some of our employees and consultants stock options. No collective bargaining units represent our employees. We believe our relations with our employees are good.

Risk Factors

Our business is subject to a number of risks as outlined below. An investment in our securities is speculative in nature and involves a high degree of risk. You should read this annual report carefully and consider the following risk factors:

We depend on eBay for revenue and uninterrupted Internet access and may be harmed by the loss of any such service.

We rely heavily on eBay's servers for uninterrupted Internet access and the ability to offer our customers live auction technology that accesses eBay's clients. Our agreement with eBay governs the conduct of auctions on eBay's website and may be terminated instantly or on short notice. Our business is dependent on eBay's uninterrupted Internet access, its servers and its continued operation of the live auction platform on eBay Live Auction. The loss of any of these services or agreement will have a material adverse effect on our business, financial condition, and operating results.

We cannot assure you that we would be able to obtain these services from other third parties or that we can renew our eBay agreement.

We may be unable to continue as a going concern in which case our securities will have little or no value.

Our independent auditor has noted in its report concerning our financial statements as of December 31, 2004 that our operating expenses exceeded our revenues and that without realization of additional capital or the attainment of profitable operations, there was substantial doubt about our ability to continue as a going concern. As of December 31, 2004, our accrued deficit was \$25,366,953.

Our operating results fluctuate significantly and may be impacted by seasonal factors. This makes it difficult to accurately predict what the revenues from our operations will be.

Our operating results have varied on a quarterly basis during our operating history and may fluctuate significantly as a result of a variety of factors, many of which are outside of our control. Factors that may affect our quarterly operating results include

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our ability to attract new clients to use our services;

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the announcement or introduction of new sites, services and products by our competitors;

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the success of our marketing campaigns;

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price competition;

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the level of use of the Internet and online services;

our ability to upgrade and develop our systems and infrastructure to accommodate growth;

the amount and timing of operating costs and capital expenditures relating to expansion of our business, operations and infrastructure; and

general economic conditions as well as economic conditions specific to the Internet and online commerce industries.

Due to the foregoing factors, our quarterly revenues and operating results are difficult to forecast. We believe that period-to-period comparisons of our operating results may not be meaningful and should not be relied upon as an indication of future performance.

We have capacity constraints and system development risks that could damage our customer relations or inhibit our possible growth, and we may need to expand our management systems and controls quickly.

Our success and our ability to provide high quality customer service largely depends on the efficient and uninterrupted operation of our computer and servers, Internet and communications systems and the computers and communication systems of third party vendors in order to accommodate any significant numbers or increases in the numbers of consumers and businesses using our services. Our success also depends on our abilities, and that of our vendors, to rapidly expand transaction-processing systems and network infrastructure without any systems interruptions in order to accommodate any significant increases in use of our service.

We cannot assure you that the vendors or partners we have selected and will select in the future will be capable of accommodating any significant number or increases in the number of consumer and auction houses using our services.

Such failures will have a material adverse affect on our business and results of operations. We may experience periodic systems interruptions and down time caused by traffic to our web site and technical difficulties, which may cause customer dissatisfaction and may adversely affect our results of operations. Limitations of our technology infrastructure and that of our vendors may prevent us from maximizing our business opportunities.

Our business is at risk for system failures that disrupt our operations.

Our success, and in particular our ability to facilitate trades successfully and provide high quality customer service, depends on the efficient and uninterrupted operation of our computer and communications hardware systems.

Substantially all of the computer hardware for operating our service is currently located at the facilities of Telus in British Columbia. These systems and operations are vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunication failures, break-ins, sabotage, intentional acts of vandalism and similar events.

We do not presently have fully redundant systems, a formal disaster recovery plan or alternative providers of hosting services and does not carry sufficient business interruption insurance to compensate it for losses that may occur. Any damage to or failure of the systems could result in reductions in, or terminations of, the Ableauctions service, which could have a material adverse effect on our business, results of operations and financial condition.

Changing technology may render our equipment, software, and programming obsolete or irrelevant.

The market for Internet-based products and services is characterized by rapid technological developments, frequent new product introductions, and evolving industry standards. The emerging character of these products and services and their rapid evolution will require that we continually improve the performance, features, and reliability of our Internet-based products and services, particularly in response to competitive offerings. We cannot guarantee that we will be successful in responding quickly, cost effectively, and sufficiently to these developments. In addition, the widespread adoption of new Internet technologies or standards could require substantial expenditures by us to modify or adapt our Internet sites and services and could fundamentally affect the character, viability, and frequency of Internet-based advertising, either of which could have a material adverse effect on our business, financial condition, and operating results. In addition, new Internet-based products, services, or enhancements offered by us may contain design flaws or other defects that could require costly modifications or result in a loss of consumer confidence, either of which could have a material adverse effect on our business, financial condition, and operating results.

If we cannot protect our Internet domain names, our ability to conduct our operations may be impeded.

We anticipate that the Internet domain names `ableauctions.com` , `icollector.com` , `itrustee.com` and various others will be an extremely important part of our business and the business of our subsidiaries. Governmental agencies and their designees generally regulate the acquisition and maintenance of domain names. The regulation of domain names in the United States and in foreign countries may be subject to change in the near future. Governing bodies may establish additional top-level domains, appoint additional domain name registrars, or modify the requirements for holding domain names. As a result, we may be unable to acquire or maintain relevant domain names in all countries in which we conduct business. Furthermore, the relationship between regulations governing domain names and laws protecting trademarks and similar proprietary rights is unclear. Therefore, we may be unable to prevent third parties from acquiring domain names that are similar to, infringe on, or otherwise decrease the value of our trademarks and other proprietary rights. Third parties have acquired domain names that include `auctions` or other variations both in the United States and elsewhere.

Our success depends on the services of Abdul Ladha and key officers.

Our future success will depend on Abdul Ladha, our Chief Executive Officer and President. The loss of Mr. Ladha could have an adverse effect on our operations. We do not maintain insurance to cover the loss that may result from the death of Mr. Ladha. Our future success will depend on our key officers. The loss of key personnel could have an adverse effect on our operations. We do not maintain insurance to cover losses that may result from the death of any of our key personnel. Competition for qualified employees is intense. Our inability to attract, retain, and motivate additional, highly skilled personnel required for expansion of operations and development of technologies could adversely affect our business, financial condition, and results of operations. Our financial situation may adversely affect our ability to retain existing personnel and attract new personnel. We cannot assure you that we will be able to retain our existing personnel or attract additional, qualified persons when required and on acceptable terms.

The e-commerce industry is highly competitive, and we cannot assure you that we will be able to compete effectively.

The market for broadcasting auctions, providing auction technology, liquidating inventory over the Internet and POS services is rapidly evolving and intensely competitive and we expect competition to intensify further in the future.

We believe that the market leaders and competitors in Auction Broadcast Services include BidSpotter, DoveBid, AMS Auction Management Solutions, eBay Live Auctions, Manheim Online, Copart Auto Auctions, Live Global Bid, ProxiBid, ABC Auction Broadcasting Company, Bidder Central, Live Auctioneers, and other web sites that broadcast live auctions. We will also compete with various online auction services.

We believe that the market leaders and competitors in Liquidation Services include GoIndustry, Bliquid, Liquidity Services Inc., Liquidation.com, Government Liquidation, Mazel, Big Lot Wholesale, McRae and Associates, CWC Inventories, Merchsourc, Network Results, UK Surplus, Bid 4 Assets Inc., Dovebid, eBay, Excess Technologies, Overstock.com, American Merchandise Liquidators, Inc., Wholesale 411, Onsale.com, Surplus.net, and Surplex, and other companies and web sites that liquidate merchandise.

We believe that the market leaders and competitors in auction software services include Archtype Auction Software, Auction Flex, Auction Pay Inc., Auction Services, Computer Management Enterprises, C-U-S Business Systems, Inc., Dormier Software Enterprises, LuJohn's Enterprises Inc. / BidderCentral Software, Proxibid, Inc., SoldII / Proven Software Inc., and other companies that provide software services.

We believe that the market leaders in Point-of-Sale (POS) software services include Retail Pro, Keystoke POS, Beringer Group, Microbiz, King Corp, Register5, Profitec, Intuit, Aralco, Microsoft, Tomeron and other companies that provide POS services.

We believe that the principal competitive factors in the online auction and liquidation markets are volume and selection of goods, population of buyers, customer service, reliability of delivery and payment by users, brand recognition, web site convenience and accessibility, price, quality of search tools, and system reliability. Many of our current and potential competitors have longer operating histories, larger customer bases, greater brand recognition, and significantly greater financial, marketing, technical, and other resources than us.

Certain of our competitors with other revenue sources may be able to devote greater resources to marketing and promotional campaigns, adopt more aggressive pricing policies, and devote substantially more resources to web site and systems development than us or may try to attract traffic by offering services for free. We cannot assure you that we will be able to compete successfully against current and future competitors. Further, as a strategic response to changes in the competitive environment, we may, from time to time, make certain pricing, service, or marketing decisions that could have a material adverse effect on our business, results of operations, and financial condition.

Our business may be subject to government regulation and legal uncertainties that may increase the costs of operating our operations or limit our ability to generate revenues.

We are subject to the same federal, state, and local laws as other companies conducting business on the Internet. Today there are relatively few laws specifically directed towards online services. However, due to the increasing popularity and use of the Internet and online services, it is possible that laws and regulations will be adopted regarding the Internet or online services. These laws and regulations could cover issues such as online contracts, user privacy, freedom of expression, pricing, fraud, content and quality of products and services, taxation, advertising, intellectual property rights, and information security. Applicability to the Internet of existing laws governing issues such as property ownership, copyrights and other intellectual property issues, taxation, libel, obscenity, and personal privacy is uncertain. In addition, numerous states have regulations regarding the manner in which auctions may be conducted and the liability of auctioneers in conducting such auctions.

Due to the global nature of the Internet, it is possible that the governments of other states and foreign countries might attempt to regulate our transmissions or prosecute us for violations of their laws. We might unintentionally violate such laws. Such laws may be modified, or new laws may be enacted, in the future. Any such development could damage our business.

Our business may be subject to sales and other taxes, which may cause administrative difficulties and increase our cost of operations.

We will collect applicable sales and other similar taxes on goods sold on our web site. One or more states may seek to impose additional sales tax collection obligations on companies such as ours that engage in or facilitate online commerce. Several proposals have been made at the state and local level that would impose additional taxes on the sale of goods and services through the Internet. These proposals, if adopted, could substantially impair the growth of electronic commerce and could diminish our opportunity to derive financial benefit from our activities.

In the future, laws making us liable for the activities of users of our services could be passed, which would adversely affect our business, operations and financial condition.

The law relating to the liability of providers of online services for activities of their users on the service is currently unsettled. There can be no assurance that we will be able to prevent the unlawful exchange of goods on our service or that we will successfully avoid civil or criminal liability for unlawful activities carried out by users through our service. The imposition of potential liability on us for unlawful activities of users of our services could require us to implement measures to reduce our exposure to such liability, which may require us, among other things, to spend substantial resources and/or to discontinue certain service offerings. Any costs incurred as a result of such liability or asserted liability could have a material adverse effect on our business, results of operations and financial condition.

In addition, our success depends largely on sellers reliably delivering and accurately representing the working condition of auctioned goods and buyers paying the auctioned price. While we can suspend the accounts of users who fail to fulfill their obligations, beyond crediting sellers with the amount of their fees in certain circumstances, we do not have the ability to otherwise require users to make payments or deliver working goods and we do not compensate users who believe they have been defrauded by other users. Any resulting litigation could be costly for us, divert management's attention from our business and could result in increased costs of doing business, or otherwise have a material adverse effect on our business, results of operations and financial condition.

We conduct much of our business online, however such activities may not be secure. If a breach of security occurred, our reputation could be damaged and we could be sued.

A significant barrier to online commerce and communications is the secure transmission of confidential information over public networks. Currently, a significant number of Ableauctions users authorize us to bill their credit card accounts directly for all transaction fees charged by us. We rely on encryption and authentication technology licensed from third parties to provide the security and authentication technology to effect secure transmission of confidential information, including customer credit card numbers. There can be no assurance that advances in computer capabilities, new discoveries in the field of cryptography, or other events or developments will not result in a compromise or breach of the technology used by us to protect customer transaction data. If any such compromise of our security were to occur, it could have a material adverse effect on our reputation and, therefore, on its business, results of operations and financial condition.

Our stock price is subject to extreme volatility.

The trading price of our common stock is likely to be highly volatile and could be subject to wide fluctuations in response to factors such as actual or anticipated variations in the Company's quarterly operating results,

announcements of technological innovations, or new services by the Company or its competitors, changes in financial estimates by securities analysts, conditions or trends in the Internet and online commerce industries, changes in the market valuations of other Internet or online service companies, announcements by the Company or its competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments, additions or departures of key personnel, sales of common stock or other securities of the Company in the open market and other events or factors, many of which are beyond the Company's control. Further, the stock markets in general, and the market for Internet-related and technology companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of such companies. The trading prices of many technology companies' stocks do not reflect valuations. There can be no assurance that trading prices and valuations will be sustained. These broad market and industry factors may materially and adversely affect the market price of the common stock, regardless of the Company's operating performance. Market fluctuations, as well as general political and economic conditions such as recession or interest rate or currency rate fluctuations, may also adversely affect the market price of the common stock. In the past, following periods of volatility in the market price of a company's securities, securities class-action litigation has often been instituted against such company. Such litigation, if instituted, could result in substantial costs and a diversion of management's attention and resources, which would have a material adverse effect on the Company's business, results of operations and financial condition.

The market price of our common stock may be adversely affected if too much of it is sold at once.

Sales of substantial amounts of the Company's common stock (including shares issued upon the exercise of outstanding options) in the public market could adversely affect the market price of the common stock. Such sales also might make it more difficult for the Company to sell equity or equity-related securities in the future at a time and price that the Company deems appropriate.

The posting of inventory using third party technology (e.g., eBay) or our own technology may expose us to certain liabilities.

The posting of inventory using third party technology (e.g., eBay) or our own technology may expose us to certain liabilities. The inventory posted for sale whether ours or on behalf of a client may not be free of liens or is encumbered, violates applicable laws, cause damage, death or harm or is unsuitable for the use suggested, be counterfeited, misrepresented, damaged, illustrated incorrectly or not authentic, or may be damaged during delivery or shipment. In addition, the posting of the image of inventory may illustrate or describe the inventory incorrectly or violate applicable trademark or copyright. Further, the parties to the auction may fail to consummate the transaction or act fraudulently or dishonestly. Finally, we may make errors in posting a catalogue for a client such as missing an item, incorrectly upload the information, make errors in starting time, or inadvertently (or through equipment malfunctions, data crashes, viruses, hackers, etc.) omitting the catalogue altogether or lose the client's data.

Our investments are subject to investment risks.

We have invested a certain amount of our cash in various securities, real estate, bonds, income trusts and equities. Management does not have expertise in making investments of this nature. If these investments decline in value, we may suffer significant losses.

Our management has no history of managing investment portfolios. If management makes an inadvisable investment, our operations could be materially adversely impacted. All of our investments are subject to market risks and their values may go up or down daily depending on factors affecting their respective markets, which we cannot control. Dividends and distributions are not guaranteed and may be terminated or reduced at any time. Even if dividends or distributions are maintained, the gains made from the dividends or distributions may be wiped out by a decline in the price of the security. Price changes may occur in the market as a whole, or they may occur in only a particular company, industry, or sector of the market. Real estate values can be seriously affected by factors such as interest rate fluctuations, bank liquidity, the availability of financing, and by regulatory or governmentally imposed factors such as a zoning change or an increase in property taxes. Since the majority of our investments are held in Canadian funds, currency fluctuations may affect the value of our portfolio significantly. There can be no assurance that the securities in which we have invested will increase in value.

A majority of our obligations, investments and expenditures with respect to our operations are incurred in a foreign currency which is subject to currency exchange rates.

While our financial results are quantified in U.S. dollars, a majority of our obligations, investments and expenditures with respect to our operations, however, may be incurred in Canadian dollars. We may have market risks relating to our operations resulting from foreign exchange rates, if we enter into financing or other business arrangements denominated in currency other than the U.S. dollar, variations in the exchange rate may give rise to foreign exchange gains or losses that may be significant.

Our business may be subject significant insurance rate increases, which may make it difficult for us to attain the appropriate risk coverage or liability insurance, creating administrative difficulties in keeping board members and increasing the cost of our operations.

Due to the global nature of the Internet related businesses, their impact on publicly trading companies, and political instability, it is possible that the company be denied insurance or not be able to afford it. Any such development could seriously impede the company's performance and profitability and the ability to conduct business. It may also impede the company in retaining key employees and board members or attracting suitable ones.

If the American Stock Exchange determines that our common stock does not meet its listing criteria, our stock could be delisted.

The Company is not under any immediate threat to be delisted from the American Stock Exchange and the American Stock Exchange has not taken any action in notifying the Company of any concerns surrounding the listing. However, the American Stock Exchange may change its listing requirements or the Company may not be able to meet the listing criteria.

We cannot guarantee that we will be able to successfully incorporate into our business model the acquisitions that we make, or that the acquisitions we make will be profitable.

The Company intends to acquire businesses, technologies, services or products that the Company believes are strategic. There can be no assurance that the Company will be able to identify, negotiate or finance future acquisitions successfully, or to integrate such acquisitions with its current business. The process of integrating an acquired business, technology, service or product into the Company may result in unforeseen operating difficulties and expenditures and may absorb significant management attention that would otherwise be available for ongoing development of the Company's business. Moreover, there can be no assurance that the anticipated benefits of any acquisition will be realized. Future acquisitions could result in potentially dilutive issuances of equity securities, the incurrence of debt, contingent liabilities and/or amortization expenses related to goodwill and other intangible assets, which could materially adversely affect the Company's business, results of operations and financial condition. Any such future acquisitions of other businesses, technologies, services or products might require the Company to obtain additional equity or debt financing, which might not be available on terms favorable to the Company, or at all, and such financing, if available, might be dilutive.

We may be unable to adequately protect our intellectual property.

The Company regards the protection of its copyrights, service marks, trademarks, trade dress and trade secrets as critical to its future success and relies on a combination of copyright, trademark, service mark and trade secret laws and contractual restrictions to establish and protect its proprietary rights in products and services. The Company attempts to enter into confidentiality and invention assignment agreements with its employees and contractors, and nondisclosure agreements with parties with which it conducts business in order to limit access to and disclosure of its proprietary information. There can be no assurance that these contractual arrangements or the other steps taken by the Company to protect its intellectual property will prove sufficient to prevent misappropriation of the Company's technology or to deter independent third party development of similar technologies. The Company will pursue the registration of its trademarks and service marks in the U.S. and Canada. Effective trademark, service mark, copyright and trade secret protection may not be available in every country in which the Company's services are made available online. The Company has licensed in the past, and expects that it may license in the future, certain of its proprietary rights, such as trademarks or copyrighted material, to third parties. While the Company attempts to ensure that the quality of the Ableauctions or iCollector brand is maintained by such licensees, there can be no assurance that such licensees will not take actions that might materially adversely affect the value of the Company's proprietary rights or reputation, which could have a material adverse effect on the Company's business, results of operations and financial condition. The Company will also rely on certain technologies that it licenses from third parties. There can be no assurance that these third party technology licenses will continue to be available to the Company on commercially reasonable terms. The loss of such technology could require the Company to obtain substitute technology of lower quality or performance standards or at greater cost, which could materially adversely affect the Company's business, results of operations and financial condition.

Infringement of proprietary rights.

There can be no assurance that third parties will not claim infringement by the Company with respect to past, current or future technologies. The Company expects that participants in its markets will be increasingly subject to infringement claims as the number of services and competitors in the Company's industry segment grows. Any such claim, whether meritorious or not, could be time consuming, result in costly litigation, cause service upgrade delays or require the Company to enter into royalty or licensing agreements. Such royalty or licensing agreements might not be available on terms acceptable to the Company or at all. As a result, any such claim could have a material adverse effect upon the Company's business, results of operations and financial condition.

We have been sued for claims relating to our discontinued operations and we may have more such claims.

In 2002 it was determined that iCollector PLC could not sustain its operations based on its existing cash resources and infrastructure. iCollector PLC then ceased operations and a restructuring plan was adopted. In January 2002 iCollector PLC was placed into formal bankruptcy proceedings pursuant to the laws of the United Kingdom. In 2002, we also ceased operations in San Mateo and San Francisco, both operating under Ableauctions.com (Washington) Inc.

In connection with such cease of operations, we have received a number of claims from various persons claiming that they are creditors entitled to be paid. Seven such claimants have instigated lawsuits against us and six have received judgments ranging from \$737.28 to \$26,084.54. In the aggregate these seven claimants are claiming, in the aggregate approximately \$68,045.57. We cannot assure you that no additional claims will arise from the discontinued operations. Furthermore, subsequent claims may force us to place our Washington operations into formal bankruptcy.

In preparing our financials, earnings and guidance and management reports, we use a number of models, sources and factors that may be volatile and may generate inconsistent outcomes depending on how they are applied requiring us to restate our financials, reports and guidance.

We rely on a number of models, sources and factors in the preparation of our financials, earnings guidance and management reports, including those used by our advisors, accountants, and brokerage houses in the reporting investment income and costs, that may be subjective and very volatile. We also rely on models such as the Black & Scholes option pricing model, a model developed by Fischer Black and Myron Scholes, to gauge whether options contracts are fairly valued. It, along with other models and financial tools, incorporates such factors as the volatility of a security's return, the level of interest rates, the relationship of the underlying stock's price to the strike price of the option, and the time remaining until the option expires. There are numerous variables to consider in the use of the models, each able to affect the outcome of results significantly from one day to another. There can be no assurance that outcome from assumptions and calculations made by one party will be consistent with those made by another, or from one time period to another, will yield similar results or arguably different results, requiring us to restate our financials, our reports, or update our guidance.

Item 2.

Description of Property

At December 31, 2004, we leased 8,000 square feet of showroom and office space at 1963 Lougheed Highway, Coquitlam, British Columbia. The monthly rental payments were \$5,681. The landlord was Bullion Reef Holdings Ltd., a private company wholly-owned by Hanifa Ladha, who is the wife of our President, Abdul Ladha. The rent payments were below market, as verified independently by Burgess Austin valuers.

On February 24, 2005, we, through our assignee and wholly owned subsidiary 0716590 B.C. Ltd., exercised an option to purchase this property. On the date of purchase, the building had two tenants besides us. The purchase price was \$2,221,316 and the effective date of the transaction was January 1, 2005. We paid the purchase price in cash. The property consists of 19,646 square feet of commercial space and 2,300 square feet of residential space and is located on approximately eight-tenths of an acre. The property currently serves as our headquarters. A portion of the property continues to be leased to the remaining two tenants.

We currently maintain a small business office located at 1222 - 46th Ave E, Fife, Washington 98424 as our headquarters in the United States. This office is provided to us free of charge.

We currently maintain two small business offices that service our iCollector clients. One office is located at 1589 Niagara Street, Buffalo, New York and the second is located at 50 Sweetbriar Drive, Kitchener, Ontario, Canada. This office space is provided to us without charge.

We lease 2,500 square feet of office space located at 408-C Bryant Street, Ojai, California. The monthly payments are \$675. The facility serves as the company's operating office for Unlimited Closeouts Inc. The lease, effective February 2004, is for one year and automatically renewed unless cancelled by either party with notice.

We rent storage space, ranging from 1,000 square feet to 3,000 square feet, and up to a maximum of 64,000 square feet, from a customs bonded facility, Quantum Warehousing and Distribution Ltd., in Coquitlam, British Columbia. We pay storage fees of approximately \$6.50 per skid per month, or approximately \$1 per square foot per month.

Item 3.

Legal Proceedings

In July 2004 our company and Mr. Abdul Ladha, our director and officer, were made aware that a default judgment had been entered against Mr. Ladha, in his absence, on February 25, 2004 in the Companies Court, Justice Chancery Division in the United Kingdom by the Secretary of State for Trade and Industry. The underlying proceeding was filed by former creditors of our subsidiaries, iCollector PLC and Interactive iCollector Ltd. The judgment is for approximately \$8,667 and bars each of Mr. Ladha, Robert Craig and Ron Miller from acting as a director of any company in the United Kingdom for a period of six years in accordance with the Company Directors Disqualification Act 1986. We have retained the services of legal counsel in the United Kingdom to set aside the default judgment on the grounds that Mr. Ladha was never a director of the company in the United Kingdom, that he did not receive proper notice of the proceeding, and that he was not aware of the damages requested by the plaintiffs and therefore, never appeared.

In February 2005 a jury in the Supreme Court of the State of New York, County of New York, found in favor of the Company and iCollector.com Technologies Ltd. (iCollector) in the suit brought against Liveauctioneers LLC, and its Chief Executive Officer and founder, Julian Ellison. The jury found that Mr. Ellison breached fiduciary duties owed to iCollector and further found that Liveauctioneers LLC, Mr. Ellison, and John Ralston engaged in unfair competition. The jury returned a verdict awarding the Company and iCollector \$417,300 in damages, which may be adjusted pending any appeal.

Item 4.

Submission of Matters to a Vote of Security Holders

No meetings of security holders were held during the fourth quarter of our fiscal year ended December 31, 2004.

PART II

Item 5.

Market for Common Equity and Related Stockholder Matters

Our common stock has traded on the American Stock Exchange since June 29, 2000 under the symbol AAC . Prior to June 29, 2000 our common stock traded on the Over-the-Counter Bulletin Board (OTCBB) under the symbol ABLC . The range of high and low bid prices per share for our common stock for each quarter during the period from January 1, 2003 through December 31, 2004, as published by the American Stock Exchange and is set forth below. The quotations merely reflect the prices at which transactions were proposed, and are not quarterly averages or do not necessarily represent actual transactions. Prices do not include retail markup, markdown, or commissions and may not represent actual transactions.

Quarterly Common Stock Price Ranges

| <u>Quarter Ended</u> | <u>2003</u> | |
|-----------------------------|--------------------|------------|
| | High | Low |
| March 31 | \$0.07 | \$0.05 |
| June 30 | \$0.88 | \$0.72 |
| September 30 | \$0.48 | \$0.43 |
| December 31 | \$0.71 | \$0.67 |
| | | |
| <u>Quarter Ended</u> | <u>2004</u> | |

| | High | Low |
|--------------|-------------|------------|
| March 31 | \$1.04 | \$0.82 |
| June 30 | \$0.67 | \$0.64 |
| September 30 | \$0.47 | \$0.45 |
| December 31 | \$0.87 | \$0.82 |

There were 597 record holders of our common stock as of March 15, 2005. This number does not include an indeterminate number of shareholders whose shares are held by brokers in street name.

We have not paid dividends on our common stock since our inception. The decision to pay dividends on common stock is within the discretion of the Board of Directors. It is our current policy to retain any future earnings to finance the operations and growth of our business. Accordingly, we do not anticipate paying any dividends on common stock in the foreseeable future.

Recent Sales of Unregistered Securities

We did not issue any unregistered securities during the last quarter of the 2004 fiscal year. Issuances of unregistered securities made during the first nine months of the 2004 fiscal year were reported in the quarterly reports we filed on Form 10-QSB.

Securities authorized for issuance under equity compensation plans

The Board of Directors has authorized the following equity compensation plans:

Ableauctions.com, Inc. 2002 Stock Option Plan for Directors.

In 2002, the Board of Directors adopted the Ableauctions.com, Inc. 2002 Stock Option Plan for Directors (the Directors Plan). The purpose of the Directors Plan is to attract and retain the services of experienced and knowledgeable individuals to serve as our directors. On the date the Directors Plan was adopted, the total number of shares of common stock subject to it was 2,653,631. This number of shares may be increased on the first day of January of each year so that the common stock available for awards will equal 5% of the common stock outstanding on that date, provided, however, that the number of shares included in the Directors Plan may not exceed more than 10% of all shares of common stock outstanding. As of January 1, 2005, we were entitled to add an additional 454,711 shares to the Directors Plan, although we have not yet done so. The Directors Plan is administered by the

Board of Directors, or any Committee that may be authorized by the Board of Directors, so long as any such Committee is made up of Non-Employee Directors, as that term is defined in Rule 16(b)-3(b) of the Securities Exchange Act of 1934. The grant of an option under the Directors Plan is discretionary. The exercise price of an option must be the fair market value of the common stock on the date of grant. An option grant may be subject to vesting conditions. Options may be exercised in cash, or with shares of the common stock of the Company already owned by the person. The term of an option granted pursuant to the Directors Plan may not be more than 10 years.

Ableauctions.com, Inc. 2002 Consultant Stock Plan.

In 2002 the Board of Directors adopted the Ableauctions.com, Inc. 2002 Consultant Stock Plan (the Consultants Plan). The purpose of the Consultants Plan is to be able to offer consultants and others who provide services to the Company the opportunity to participate in the Company's growth by paying for such services with equity awards. The total number of shares of common stock subject to the Consultants Plan was increased from 6,500,000 to 25,000,000 as approved by the Board of Directors in 2003. The Consultants Plan is administered by the Board of Directors, or any Committee that may be authorized by the Board of Directors. Persons eligible for awards under the Consultants Plan may receive options to purchase common stock, stock awards or stock restricted by vesting conditions. The exercise price of an option must be no less than 85% of the fair market value of the common stock on the date of grant. An option grant may be subject to vesting conditions. Options may be exercised in cash, or with shares of the common stock of the Company already owned by the person or with a fully recourse promissory note. The term of an option granted pursuant to the Consultants Plan may not be more than 10 years.

Ableauctions.com, Inc. 1999 Stock Option Plan.

In 1999 the Board of Directors adopted the Ableauctions.com, Inc. 1999 Stock Option Plan (the Option Plan). The purpose of the Option Plan is to be able to retain the services of employees and consultants and others who are valuable to the Company and to offer incentives to such persons to achieve the objectives of the Company's shareholders. The total number of shares of common stock subject to the Option Plan was increased from 3,000,000 to 8,000,000 as approved by the Board of Directors and by our shareholders at the annual meeting held on July 15, 2003. The Option Plan is administered by the Board of Directors, or any Committee that may be authorized by the Board of Directors, so long as any such Committee is made up of Non-Employee Directors, as that term is defined in Rule 16(b)-3(b) of the Securities Exchange Act of 1934. Persons eligible for awards under the Option Plan may receive, if they are eligible, incentive options to purchase common stock. If a recipient does not receive an incentive option, he or she will receive a non-qualified stock option. The exercise price of an option must be no less than the fair market value of the common stock on the date of grant, unless the recipient of an award owns 10% or more of the Company's common stock, in which case the exercise price of an incentive stock option must not be less than 110% of the fair market value. An option grant may be subject to vesting conditions. Options may be exercised in cash, or with shares of the common stock of the Company already owned by the recipient of the award. The term of an option granted pursuant to the Option Plan may not be more than five years if the option is an incentive option granted to a recipient who owns 10% or more of the Company's common stock, or 10 years for all other recipients and for recipients of non-qualified stock options.

The following table illustrates, as of December 31, 2004, information relating to all of our equity compensation plans.

| Plan Category | Number of securities to be issued upon exercise of outstanding options, warrants and rights | Weighted average exercise price of outstanding options, warrants and rights | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column 2) |
|--|--|--|--|
| Equity Compensation Plan Approved by Security Holders 2002 Consultant Stock Plan | 24,475,000 | \$0.40 | 525,000 |
| Equity Compensation Plan Approved by Security Holders 1999 Stock Option Plan | 7,832,000 | \$0.40 | 168,000 |
| Equity Compensation Plan Not Approved by Security Holders 2002 Stock Option Plan for Directors | 2,653,631 | \$0.40 | 0 |

Item 6.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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. On an on-going basis, management evaluates its estimates and judgments. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Overview

We operate an excess inventory liquidation business and we facilitate on-line auctions. Our headquarters are in Coquitlam, British Columbia, however our liquidation bu