

Tirex CORP
Form 10QSB
November 10, 2005

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

(Mark One)

Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2005

Transition report under Section 13 or 15(d) of the Securities Exchange Act of 1934.
For the transition period from _____ to _____

Commission File Number 33-17598-NY

THE TIREX CORPORATION

(Exact Name of Small Business Issuer as Specified in Its Charter)

Delaware
(State or other jurisdiction of
Incorporation or Organization)

22-2824362
(I.R.S. Employer
Identification No.)

4055 Ste-Catherine Street West, Suite 151, Montreal (Westmount), Quebec, Canada, H3Z 3J8

(Address of Principal executive offices)

(514) 935-2525

(Issuer's telephone number, including area code)

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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

APPLICABLE ONLY TO CORPORATE ISSUERS

Edgar Filing: Tirex CORP - Form 10QSB

State the number of shares outstanding for each of the issuer's classes of common equity, as of September 30, 2005
:249,895,892 shares

Transitional Small Business Disclosure Format (check one): Yes___ No X

The Tirex Corporation
(A Development Stage Company)

PART I - FINANCIAL INFORMATION

Item 1 - Financial Statements (Unaudited)

Page

The Tirex Corporation and Subsidiaries Consolidated Balance Sheets (unaudited) as of September 30, 2005

Consolidated Statements of Operations (unaudited) for the three month periods ended September, 2005 and 2004

Consolidated Statements of Cash Flows (unaudited) for the three month periods ended September 30, 2005 and 2004

Notes to Financial Statements (Unaudited)

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 3 - Controls and Procedures

PART II B OTHER INFORMATION

Item 1 - Legal Proceedings

Item 2 - Changes in Securities and Use of Proceeds

Item 3 - Defaults Upon Senior Securities

Item 4 - Submission of Matters to a Vote of Security Holders

Item 5 - Other Information

Item 6 - Exhibits and Reports on Form 8-K

The financial statements are unaudited. However, Management of registrant believes that all necessary adjustments, including normal recurring adjustments, have been reflected to present fairly the financial position of registrant at September 30, 2005 and the results of its operations and changes in its cash position for the three month periods ended March 31, 2005 and 2004 and for the period from inception (July 15, 1987).

THE TIREX CORPORATION
A DEVELOPMENT STAGE COMPANY

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

THE TIREX CORPORATION
A DEVELOPMENT STAGE COMPANY

CONSOLIDATED BALANCE SHEET
AS AT SEPTEMBER 30, 2005

September 30,
2005

ASSETS

Current Assets		
Cash and cash equivalents	\$	-
Accounts receivable		-
Notes receivable		20,475
Inventory		73,322
Research and Experimental Development tax credits receivable		-
		93,797
Property and equipment, salvage value		50,000
Other assets		
Investment, at cost		89,500
		89,500
	\$	233,297

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

Current Liabilities		
Accounts payable and accrued liabilities	\$	2,464,857
Current portion of long-term debt		78,091
		2,542,948
Other liabilities		
Long-term deposits and notes		217,500
Government loans (net of current)		-
Capital lease obligations (net of current)		-
Convertible notes		399,389
Convertible notes		195,556
Convertible loans		1,905,635
		2,718,080
		5,261,028
Stockholders' Equity (Deficit)		
Common stock, \$.001 par value, authorized 250,000,000 shares, issued and outstanding 249,895,892 shares (June 30, 2005 - 249,895,892 shares)		249,896
Additional paid-in capital		25,222,219
Deficit accumulated during the development stage		(29,880,688)
Unrealized gain (loss) on foreign exchange		(619,159)
		(5,027,731)

\$

233,297

THE TIREX CORPORATION
A DEVELOPMENT STAGE COMPANY

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	Three months ended September 30		Cumulative from March 26, 1993 to September 30, 2005
	2005	2004	
Revenues	\$ -	\$ -	\$ 1,354,088
Cost of Sales	-	-	1,031,075
Gross profit	-	-	323,013
Operations			
General and administrative	126,825	120,405	12,764,842
Depreciation	-	-	365,545
Research and development	-	-	15,396,966
Total Expense	126,825	120,405	28,527,353
Loss before other expenses (income)	(126,825)	(120,405)	(28,204,340)
Other expenses (income)			
Interest expense	11,699	8,711	910,488
Interest income	-	-	(45,443)
Income from stock options	-	-	(10,855)
Loss on disposal of equipment	-	-	4,549
	11,699	8,711	858,739
Net loss	(138,524)	(129,116)	(29,063,079)
Other comprehensive loss			
Loss (gain) on foreign exchange	-	-	106,137
Net loss and comprehensive loss	\$ (138,524)	\$ (129,116)	\$ (29,169,216)
Basic and Diluted net loss and comprehensive loss per common share	\$ (0.00)	\$ (0.00)	\$ (0.35)
Weighted average shares of common stock outstanding	249,895,892	249,895,892	82,590,948

THE TIREX CORPORATION
A DEVELOPMENT STAGE COMPANY

CONSOLIDATED STATEMENT OF CASH FLOWS

	Three months ended September 30		Cumulative from March 26, 1993 to September 30, 2005
	2005	2004	
Cash flows from operating activities:			
Net loss	\$ (138,524)	\$ (129,116)	\$ (29,169,216)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	-	-	364,304
(Gain) loss on disposal and abandonment of assets	-	-	2,005,498
Stock issued in exchange for interest	-	-	169,142
Stock issued in exchange for services and expenses	-	-	10,574,972
Stock options issued in exchange for services	-	-	3,083,390
Unrealized (loss) gain on foreign exchange	(88,309)	(83,534)	(619,178)
Other non-cash items	105,000	93,750	829,688
Changes in assets and liabilities:			
(Increase) decrease in:			
Account receivable	-	-	-
Inventory	-	-	(73,323)
Sales tax receivable	-	-	(36)
Research and experimental development tax credits receivable	-	-	-
Other assets	-	-	(10,120)
(Decrease) increase in :			
Accounts payables and accrued liabilities	61,833	75,150	2,131,061
Accrued salaries	50,000	43,750	760,652
Due to stockholders	-	-	5,000
Net cash used in operating activities	(10,000)	-	(9,948,166)
Cash flow from investing activities:			
Increase in notes receivable	-	-	(259,358)
Reduction in notes receivable	-	-	237,652
Investment	-	-	(89,500)
Equipment	-	-	(321,567)
Equipment assembly costs	-	-	(1,999,801)
Organization cost	-	-	6,700
Reduction in security deposit	-	-	(1,542)
Net cash used in investing activities	-	-	(2,427,416)
Cash flow from financing activities:			
Loans from related parties	-	-	4,354,835
Deferred financing costs	-	-	180,557

Edgar Filing: Tirex CORP - Form 10QSB

Proceeds from deposits	-	-	143,500
Payments on notes payable	-	-	(409,939)
Proceeds from convertible notes	-	-	754,999
Proceeds from notes payable	10,000	-	419,939
Payments on lease obligations	-	-	(86,380)
Proceeds from issuance of convertible subordinated debentures	-	-	1,035,000
Proceeds from loan payable	-	-	591,619
Payments on loan payable	-	-	(488,439)
Proceeds from issuance of stock options	-	-	20,000
Proceeds from grants	-	-	3,628,277
Proceeds from issuance of common stock	-	-	85,582
Proceeds from additional paid-in capital	-	-	2,145,775
Net cash provided by financing activities	10,000	-	12,375,325
Net (decrease) increase in cash and cash equivalents	-	-	(257)
Cash and cash equivalents - beginning of period	-	-	257
Cash and cash equivalents - end of period	\$ -	\$ -	\$ -

THE TIREX CORPORATION
A DEVELOPMENT STAGE COMPANY

CONSOLIDATED STATEMENT OF CASH FLOWS

	Three months ended September 30 2005	2004	<u>Cumulative from March 26, 1993 to September 30, 2005</u>
--	--	------	---

Supplemental Disclosure of Non-Cash Activities:

During the year ended June 30, 2005, the Company did not issue common stock in recognition of debt. During the three month periods ended September 30, 2005 and September 30, 2004, the Company did not issue common stock in recognition of the payment of debt.

During the year ended June 30, 2005, the Company did not issue common stock in exchange for services performed and expenses. During the three month periods ended September 30, 2005 and September 30, 2004, the Company did not issue common stock in exchange for services performed and expenses.

Supplemental Disclosure of Cash Flow
Information:

Interest paid	\$	-	\$	-	\$	232,748
Income taxes paid	\$	-	\$	-	\$	-

**THE TIREX CORPORATION
A DEVELOPMENT STAGE COMPANY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2005**

Note 1 SUMMARY OF ACCOUNTING POLICIES

CHANGE OF NAME

On July 11, 1997, the Company changed its name from Tirex America, Inc. to The Tirex Corporation.

NATURE OF BUSINESS

The Tirex Corporation (the "Company") was incorporated under the laws of the State of Delaware on August 19, 1987. The Company was originally organized to provide comprehensive health care services, but due to its inability to raise sufficient capital, was unable to implement its business plan. The Company became inactive in November 1990.

REORGANIZATION

On March 26, 1993, the Company entered into an acquisition agreement (the "Acquisition Agreement") with Louis V. Muro, currently an officer and a director of the Company, and former Officers and Directors of the Company (collectively the "Seller"), for the purchase of certain technology owned and developed by the Seller (the "Technology") to be used to design, develop and construct a prototype machine and thereafter a production quality machine for the cryogenic disintegration of used tires. The Technology was conceptually developed by the Seller prior to their affiliation or association with the Company.

DEVELOPMENTAL STAGE

At September 30, 2005, the Company is still in the development stage. The operations consist mainly of raising capital, obtaining financing, developing equipment, obtaining customers and supplies, installing and testing equipment and administrative activities.

BASIS OF CONSOLIDATION

The consolidated financial statements include the consolidated accounts of The Tirex Corporation, Tirex Canada R&D Inc., The Tirex Corporation Canada Inc., Tirex Advanced Products Quebec Inc. and Tirex Acquisition Corp. Tirex Canada R&D Inc. is held 51% by certain shareholders of the Company. The shares owned by these shareholders are held in escrow by the Company's attorney and are restricted from transfer thereby allowing for a full consolidation of this Company. The Tirex Corporation Canada Inc., Tirex Advanced Products Quebec Inc. and Tirex Acquisition Corp. are 100% held by the Company. All subsidiary companies except Tirex Canada R&D Inc. are dormant. All inter-company transactions and accounts have been eliminated in consolidation.

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, all highly liquid debt instruments purchased with a maturity of three months or less, were deemed to be cash equivalents.

INVENTORY

The Company values inventory, which consists of finished goods and equipment held for resale, at the lower of cost (first-in, first-out method) or market.

**THE TIREX CORPORATION
A DEVELOPMENT STAGE COMPANY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2005**

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost less accumulated depreciation and provisions for write-downs. Depreciation is computed using the straight-line method over the estimated useful lives of five years. No depreciation is recorded for equipment written down to salvage value.

Repairs and maintenance costs are expensed as incurred while additions and betterments are capitalized. The cost and related accumulated depreciation of assets sold or retired are eliminated from the accounts and any gains or losses are reflected in earnings.

INVESTMENT

An investment made by the Company, in which the Company owns less than a 20% interest, is stated at cost value. The cost value approximates the fair market value of the investment.

ESTIMATES

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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

ADOPTION OF STATEMENT OF ACCOUNTING STANDARD NO. 123

In 1997, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 123, Accounting for Stock-Based Compensation. SFAS 123 encourages, but does not require, companies to record stock-based Compensation and other costs paid by the issuance of stock at fair value. The Company has chosen to account for stock-based compensation, stock issued for non-employee services and stock issued to obtain assets or in exchange for liabilities using the fair value method prescribed in SFAS 123. Accordingly, compensation cost for stock options is measured as the excess, if any, of the quoted market price of the Company's stock at the date of the grant over the amount an employee must pay to acquire the stock.

ADOPTION OF STATEMENT OF ACCOUNTING STANDARD NO. 128

In 1997, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 128, Earnings per Share. SFAS 128 changes the standards for computing and presenting earnings per share (EPS) and supersedes Accounting Principles Board Opinion No. 15, Earnings per Share. SFAS 128 replaces the presentation of Primary EPS with a presentation of Basic EPS and replaces the presentation of Fully Diluted EPS with a presentation of Diluted EPS. It also requires dual presentation of Basic and Diluted EPS on the face of the income statement for all entities with complex capital structures and requires a reconciliation of the numerator and denominator of the Basic EPS computation to the numerator and denominator of the Diluted EPS computation. SFAS 128 is effective for financial statements issued for periods ending after December 15, 1997, including interim periods. SFAS 128 also requires restatement of all prior-period EPS data presented.

**THE TIREX CORPORATION
A DEVELOPMENT STAGE COMPANY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2005**

As it relates to the Company, the principal differences between the provisions of SFAS 128 and previous authoritative pronouncements are the exclusion of common stock equivalents in the determination of Basic Earnings Per Share and the market price at which common stock equivalents are calculated in the Determination of Diluted Earnings Per Share.

A Basic Earnings per Share is computed using the weighted average number of shares of common stock outstanding for the period. Diluted Earnings per Share is computed using the weighted average number of shares of common stock and dilutive common equivalent shares related to stock options and warrants outstanding during the period.

The adoption of SFAS 128 had no effect on previously reported loss per share amounts for the year ended June 30, 1997. For the years ended June 30, 2005 and June 30, 2004, Primary Loss per Share was the same as Basic Loss per Share and Fully Diluted Loss per Share was the same as Diluted Loss per Share. A net loss was reported in 2004 and 2003, and accordingly, in those years, the denominator for the Basic EPS calculation was equal to the weighted average of outstanding shares with no consideration for outstanding options and warrants to purchase shares of the Company's common stock because to do so would have been anti-dilutive.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of the Company's financial instruments, which principally include cash, note receivable, accounts payable and accrued expenses, approximates fair value due to the relatively short maturity of such instruments.

The fair values of the Company's debt instruments are based on the amount of future cash flows associated with each instrument discounted using the Company's borrowing rate. At September 30, 2005 and June 30, 2005, respectively, the carrying value of all financial instruments was not materially different from fair value.

INCOME TAXES

The Company has net operating loss carryovers of approximately \$30.2 million as of September 30, 2005, expiring through 2026. However, based upon present Internal Revenue Service regulations governing the utilization of net operating loss carryovers where the corporation has issued substantial additional stock and there has been a change in control as defined by the Internal Revenue Service regulations, a substantial portion of this loss carryover may not be available to the Company.

The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 109, Accounting for Income Taxes, effective July 1993. SFAS No. 109 requires the establishment of a deferred tax asset for all deductible temporary differences and operating loss carryforwards. Because of the uncertainties discussed in Note 2, however, any deferred tax asset established for utilization of the Company's tax loss carryforwards would correspondingly require a valuation allowance of the same amount pursuant to SFAS No. 109. Accordingly, no deferred tax asset is reflected in these financial statements.

The Company does not currently have research and experimental development tax credits receivable from the Canadian Federal government and the Quebec Provincial government as at September 30, 2005.

FOREIGN CURRENCY TRANSLATION

Edgar Filing: Tirex CORP - Form 10QSB

Assets and liabilities of non-U.S. subsidiaries that operate in a local currency environment are translated to U.S. dollars at exchange rates in effect at the balance sheet date for monetary items and historical rates of exchange for non-monetary items with the resulting translation adjustment recorded directly to a separate component of shareholders' equity. Income and expense accounts are translated at average exchange rates during the year. Currency transaction gains or losses are recognized in current operations.

THE TIREX CORPORATION
A DEVELOPMENT STAGE COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

REVENUE RECOGNITION

Revenue from the sale of TCS Systems will be recognized when the installed product is accepted by the Customer. All other revenue from other products will be recognized when shipped to the customer.

Note 2 GOING CONCERN

As reported in the accompanying financial statements, the Company incurred a net loss of \$576,766 for the year ended June 30, 2005 and an additional net loss for the three month period ended September 30, 2005 in the amount of \$138,524.

In March 1993, the Company had begun its developmental stage with a new business plan. As of March 2000, the Company had developed a production quality prototype of its patented system for the disintegration of scrap tires, but nonetheless continued its research and development efforts to improve the machine's performance and to permit greater flexibility in design for specific customer applications. Due to the Company's lack of working capital during the year ended June 30, 2002, all rubber crumb production was suspended and research and development efforts have been hampered. Pending receipt of funding from operations, government assistance, loans or equity financing, crumb rubber production and previous research and development efforts will not be resumed. While the Company has engaged the process of marketing the TCS System to numerous potential clients since the beginning of the fiscal year commencing July 1, 2000, as of September 30, 2005, the Company had not yet consummated an unconditional purchase order for a TCS System.

The Company is dependent on the success of its marketing of its TCS Systems, and/or raising funds through equity sales, bank or investor loans, governmental grants or a combination of these, to continue as a going concern. The Company's uncertainty as to its ability to generate revenue and its ability to raise sufficient capital, raise substantial doubt about the entity's ability to continue as a going concern. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Note 3 PROPERTY AND EQUIPMENT

As at September 30, 2005, plant and equipment consisted of the following:

Furniture, fixtures and equipment	\$149,516
Manufacturing equipment	62,400
Subtotal	211,916
Less: Accumulated depreciation and amortization	161,916
Total	\$ 50,000

Depreciation and amortization expense charged to operations for the year ended June 30, 2005 was zero. Depreciation and amortization expense charged to operations for the three month period ended September 30, 2005 was zero.

THE TIREX CORPORATION
A DEVELOPMENT STAGE COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

Note 4 GOVERNMENT LOANS

Canada Economic Development

Loans payable under the Program for the Development of Quebec SMEs based on 50% of approved eligible costs for the preparation of market development studies in certain regions. Loans are unsecured and non-interest bearing. (If the Company defaults, the loans become interest bearing at the rate of 8%).

Loan repayable over five years commencing June 30, 2000 and ending June 30, 2004	\$ 34,300
Loan repayable over five years commencing June 30, 2001 and ending June 30, 2005	43,791
	78,091
Less: Current portion	78,091
Long-term portion	\$ NIL

Principal repayments are as follows:

<u>June 30</u>	Amount
2006	\$78,091

Note 5 CAPITAL LEASE OBLIGATIONS

The Company leases certain manufacturing equipment under agreements classified as capital leases. The cost and the accumulated amortization for such equipment as of September 30, 2005 and June 30, 2005 was \$62,400 and \$62,400, respectively. The equipment under capital leases has been included in property and equipment on the balance sheet. The Company is in arrears on payment of these leases but default has not been declared. The lease expired on June 30, 2004. The leased equipment is not part of the Company's TCS System prototype.

Note 6 CONVERTIBLE SUBORDINATED DEBENTURES

The Company issued Type B Convertible Subordinated Debentures between December 1997 and February 1998. These debentures bore interest at 10% and were convertible into common shares of the Company at \$0.20 per share. The conversion privilege on the remaining \$55,000 of these debentures expired and the amount is now included on the Balance Sheet in Long term deposits and notes.

Note 7 CONVERTIBLE NOTES

The Convertible Notes appearing on the balance sheet consisted of an investment arrangement with a group of institutional investors involving a multi-stage financing under which the Company had access to, at its option, up to \$5,000,000. A first tranche of \$750,000 was completed but no further draw downs were made. The terms of the convertible note were:

Balance at September 30, 2005	\$399,389
Interest rate	8%, payable quarterly, commencing June 30, 2001

Edgar Filing: Tirex CORP - Form 10QSB

Issue date	February 26, 2001
------------	-------------------

Maturity date	February 26, 2003
---------------	-------------------

THE TIREX CORPORATION
A DEVELOPMENT STAGE COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

Redemption rights	If not converted, the holder may require the Company to redeem at any time after maturity for the principal amount plus interest.
-------------------	---

Conversion ratio	Lower of (i) - 80% of the average of the three lowest closing bid prices for the thirty trading days prior to the issue date, which equals \$.073, or (ii) - 80% of the average of the three lowest closing bid prices for the sixty trading days prior to the conversion date.
------------------	---

Common stock warrants	The Convertible Notes carried an option to purchase Common stock warrants at the rate of one Warrant for each \$1.25 of purchase price. The exercise price on the first tranche of \$ 750,000 is \$.077 per share.
-----------------------	---

Certain Directors and Officers of the Company have pledged approximately 12,000,000 of their personal shares of Common Stock of the Company as security for the Convertible Notes until such time as the Company files with the Securities and Exchange Commission a Registration Statement on Form SB-2, to register common stock and warrants issuable upon the conversion of the notes, no later than 150 days after the issue date of the Convertible Notes. This deadline was not met and, as such, the investors served a notice of default to the Company on July 19, 2001. The Registration Statement was never declared effective by the Securities and Exchange Commission as of this date, and until such occurs, the Convertible Notes cannot be converted to Common Stock nor may the Common Stock warrants be exercised. On April 24, 2002 the Company entered into a Settlement Agreement with the Note holders. In the event of a default under the Settlement Agreement, the term of the Convertible Notes would become effective once again. The Company defaulted on the terms of the Settlement Agreement.

Note 8 CONVERTIBLE NOTES

A convertible note, under a private arrangement, consists of the following:

Balance at September 30, 2005	\$ 185,556
Interest rate	8%
Issue date	July 19 th , 2000
Maturity date	January 19 th , 2002
Redemption rights	If not converted, the holder may require the Company to redeem at any time after maturity for the principal amount plus interest.
Conversion ratio	Not convertible prior to July 19 th , 2001, at 20% discount to market between July 19 th , 2001 and January 19 th , 2002 or at 25% to market if held to maturity, to a maximum of not more than 2,500,000 shares.

THE TIREX CORPORATION
A DEVELOPMENT STAGE COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

During the first quarter of Fiscal 2006, the Company completed a private placement with two investors having a total aggregate value of US\$10,000, one for \$2,500 and the other for \$7,500. Insofar as the Company does not have enough common shares available for issuance, the investors agreed to accept that the investment would be in the form of non-interest-bearing convertible debt with no fixed terms of repayment. When an adequate number of common shares become available, these investors will be able to convert their loans at a price of US\$0.005 per share. Any conversion would be proportionally adjusted in the event of stock splits or reverse splits. In consideration of the agreed upon conversion price, prior to any possible adjustments, the company would issue 2,000,000 common shares. Until such time of any conversion, the US\$10,000 is recorded as a liability on the Company's Balance Sheet.

Note 9 RELATED PARTY TRANSACTIONS

Convertible loans include amounts primarily due to Directors, Officers and employees. Historically, such amounts due have been repaid through the issuance of stock. At September 30, 2005 and June 30, 2005, the balances owing to Directors and Officers was \$2,031,929 and \$1,926,929, respectively. These amounts are without interest or terms of repayment.

Long-term deposits and notes included an amount of \$118,500 at September 30, 2005, which is payable to Ocean Tire Recycling & Processing Co., Inc., a company owned by a Director of the Company.

Note 10 COMMON STOCK

During the year ended June 30, 2005 and the three month period ended September 30, 2005, the Company did not issue any common stock in exchange for services performed.

During the year ended June 30, 2004, an Officer of the Company exercised stock options pursuant to a services agreement. The exercise of these stock options entitled the Officer to 1,500,000 common shares of the Company on a cash-less basis. The Company does not have sufficient authorized and unissued shares available at September 30, 2005 for issuance of this stock and as such, the amount attributable to these shares has been recorded as part of the balances owing to Directors and Officers included in Convertible loans. As reported in Note 8, the Company has accepted a grand total of \$10,000 from two investors in the form of a convertible debt. The conversion terms would require the issuance of 2,000,000 shares, subject to adjustments. Until the Company has enough shares to issue to satisfy this obligation, the \$10,000 is recorded as a debt.

On January 31, 2001, the Company's stockholders approved an amendment to the Articles of Incorporation of the Company to increase the number of authorized shares of common stock, par value \$0.001, from 165,000,000 shares to 250,000,000 shares.

As at September 30, 2005, the Company had 249,895,892 Common shares issued and outstanding, versus its authorization of 250,000,000 shares.

Note 11 CONVERTIBLE DEBT

In the event that holders of convertible rights of option exercise such rights of conversion, the Company does not have sufficient number of authorized shares conversion stock to fulfill such obligations and a shareholder meeting would be required to approve the additional authorized number of shares. There is no assurance that the shareholders would

approve the increase to the number of authorized shares of stock to meet the conversion obligations under the various conversion agreements or options.

**THE TIREX CORPORATION
A DEVELOPMENT STAGE COMPANY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2005**

Note 12 GOVERNMENT ASSISTANCE

The Company is eligible for and has made claims for tax credits related to scientific research and experimental development expenditures made in Canada. These amounts, under Canadian Federal and Provincial tax law in conjunction with its annual tax return filings, need not be offset against taxes otherwise payable to become refundable to the Company at the end of its fiscal year. As such, during the year ended June 30, 2003, the Company received approximately \$246,970, which was recorded as an increase in stockholders' equity paid-in capital. During the years ended June 30, 2004 and June 30, 2005 and the three month period ended September 30, 2005, the Company did not make any additional claims for tax credits as it was not eligible to do so and, as such, the Company did not record any additional tax credits receivable. The previous receivable balance in respect of tax credits from these governments went from \$246,970 as of June 30, 2002 to zero as of June 30, 2003 and remained as such as of June 30, 2004, June 30, 2005 and September 30, 2005.

Note 13 COMMITMENTS

Rental expense for the year ended June 30, 2005 amounted to zero. Rental expense for the three month period ended September 30, 2005 amounted to zero.

At September 30, 2005, the Company was in arrears of rent, including interest and related charges, in the approximate amount of \$560,000. A settlement agreement with the former landlord is in place under the terms of which the Company would pay to the former landlord the sum of \$140,000 from the proceeds to the Company of revenues from each of the first four sales of TCS Systems.

Note 14 LITIGATION

An action was instituted by Plaintiffs, an individual and a corporation, in a Canadian court alleging a breach of contract and claims damages of approximately \$508,600 representing expenses and an additional approximate amount of \$1,874,000 in loss of profits. The current action follows two similar actions taken in United States courts, the first of which was withdrawn and the second of which was dismissed based on forum non convenience and other considerations. A detailed answer has been filed by the Company denying all liability, stating further that Plaintiffs failed to comply with their obligations. Counsel for the Company believes that the Company has meritorious defenses to all of the Plaintiff's claims. The action is still pending.

A Plaintiff instituted an action, a corporation, in August 2001 in a Canadian court claiming approximately \$63,000 is due and owing for the manufacture and delivery of tire disintegrators. The Company has prepared its defense and a cross claim against the Plaintiff as the product delivered was defective and the Company believes it is entitled to a reimbursement of sums paid. The action is still pending.

An action was instituted by a Plaintiff, the Company's landlord, against the Company in June 2001 for arrears of rent in the amount of approximately \$113,900. Subsequent additions to arrearages with respect to rent and property taxes raised the amount due to approximately \$560,000. A settlement agreement with the former landlord is in place, under the terms of which the Company would pay to the former landlord the sum of \$140,000 from the proceeds to the Company of revenues from the first four sales of TCS Systems.

Note 15 ACCUMULATED OTHER COMPREHENSIVE INCOME

The deficit accumulated during the development stage included accumulated comprehensive other income totaling \$103,396.

Item 3 - Controls and Procedures

The Company's management, with the participation of its Chief Executive Officer, who is the Company's principal executive officer, and its Chief Financial Officer, who is the Company's principal financial officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as of September 30, 2005. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective in alerting them in a timely manner to material information relating to The Tirex Corporation, including its consolidated subsidiaries, required to be included in this report and the other reports that the Company files or submits under the Securities Exchange Act of 1934. During the first fiscal quarter of 2006, there have been no changes in the Company's internal control over financial reporting that have materially affected, or that are reasonably likely to materially affect, its internal control over financial reporting.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND PLAN OF OPERATIONS

The following is management's discussion and analysis of significant factors which have affected the Company's financial position and operations during the three month period ended September 30, 2005. This discussion also includes events which occurred subsequent to the end of the last quarter and contains both historical and forward-looking statements. When used in this discussion, the words "expect(s)", "feel(s)", "believe(s)", "will", "may", "anticipate(s)", "intend(s)" and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks and uncertainties, which could cause actual results to differ materially from those projected.

Since our very recent filing of the Company's 10-KSB Report in mid-September 2005, we have not been able to make any substantial progress in bringing any sales of TCS Systems to fruition. We invite our investors and potential investors to consult our Fiscal 2005 10-KSB for a more complete picture of our marketing efforts over the last few years.

We announced in March 2000 that our tire recycling technology was ready for replication and commercialization. The early demonstrations of the prototype TCS-1 generated substantial interest but no concrete sales. We then put into place those elements which would assist in our marketing efforts, starting with the accreditation for our system by Recyc-Québec and showed this documentation to prospective customers, some of whom had traveled to Montreal to see the prototype working. While this accreditation probably provided some measure of assurance to potential customers, it was not adequate in itself to concretize sales. The systems still did not have a demonstrable long-term track record, and, in the absence of performance guarantees, potential customers, or their financial backers still did not accept the risks that buying into a new technology entailed. Therefore, the Company signed its License Agreement with Simpro S.p.A. of Italy in January of 2003, and thus created the potential that performance guarantees could be offered. This possibility of a performance guarantee, backed by major international insurance companies, renewed interest in our technology and has led to several very interesting potential customers. Regardless, there remains substantial reticence on the part of either the customers or their financial backers, the effect of which has been to impose substantial delays in bringing projects to fruition. While Management remains more confident than ever about the imminence of a first sale, it remains that, as of September 30, 2005, and even as of the date of this report, no purchase/sale contracts had been written.

In January 2003, the Company entered into a License Agreement with Simpro S.p.A. for exclusive manufacturing rights and for non-exclusive marketing rights with respect to TCS Systems. To date, Simpro has not sold any systems.

The installed cost of a TCS-2 System to an entrepreneur, depending on the system configuration, the condition of the feedstock and the output requirements and excluding building and infrastructure costs, is in the vicinity of Euros 5.500,000 (approximately US\$6.6 million using an approximate exchange rate of US\$1.20 = 1 Euro). This represents a substantial investment for an entrepreneur and, even with performance guarantees available to substitute for the lack of a significant operating history, entrepreneurs or their financial backers have heretofore been reticent to accept the risk of purchasing a new technology. Simpro has been able to obtain insurance backing to support their offer of limited performance guarantees, and such potential is expected to assist the marketing effort. Management is of the opinion, however, that insofar as the systems are normally priced in Euros, the relative value of the Euro against the US dollar has been detrimental to the sales efforts.

During the last quarter of Fiscal 2005, we initiated discussions with Virginia-based TPG-USA Inc. This company is engaged in management and marketing in numerous industrial sectors, many of which are characterized by a basis in high-technology. This group already has numerous realizations to its credit, including many major industrial projects. They have represented to us that they have very good connections with the highest levels of banking, finance and politics in the Middle East and in Morocco.

Communications with TPG-USA intensified over the summer of 2005 and we are aware that they are attempting to develop projects involving our technology in certain overseas markets. While they have expressed optimism as to the possible end result, as of September 30, 2005, no firm contracts had been signed. Further information on TPG-USA can be obtained from their web site: www.tpgusa.org. On this site, one can navigate through "business lines" to "recycling and waste management" where the Tirex technology is featured.

At present, the Company and its strategic partners, Simpro and TPG-USA Inc. are currently working intensively with entrepreneurs in Southeast Asia, the Middle East, North Africa and Mexico. Simpro is dealing with potential customers in Europe, South America and Africa. We, TPG-USA and Simpro have been able to ascertain that these potential customers are bona fide in nature. Regardless, there can be no guarantee that any of these potential customers will actually sign an unconditional sales contract.

The finalizing of the License Agreement with Simpro means that the gross revenues from these sales will be recorded on Simpro's books, not in the books of Tirex. The amount remitted back to Tirex will take the form of a royalty and will be accounted for as such. Even if these sales would have been set up in such a way as to be recordable on the books of Tirex, generally accepted accounting principles in effect in the USA would have prevented the Company from recognizing the revenue as such until the systems would have been accepted by the customers. Given the time line required to manufacture, install and have accepted these systems, it is quite unlikely that these revenues would become recognizable during our fiscal year which will end June 30, 2006. By extension, the same principles would apply to the royalty to be received by Tirex. While the Company will benefit from the periodic cash inflows resulting from progress payments during the next approximately ten months, the royalty will, in fact, not have been earned until the systems are accepted by the customers.

In February of 2001, we concluded a private financing with an investor group. Under the terms of the Agreement, we had the contractual right to require the Investor to purchase up to US\$5,000,000 of put notes. We drew down US\$750,000 of this amount and used the proceeds of this financing toward legal and consulting fees due, normal operating expenses such as payroll, rent and taxes and the acquisition of equipment for our prototype TCS-1 Plant. In July of 2001, the Company entered into a technical default with respect to the Agreement by not having an SB-2 Registration Statement declared effective by the SEC. After several months of negotiations, the Company entered into a Settlement Agreement with the Investor Group which provided for a cash paydown of the amount owed, including interest and penalties over a period of approximately two years starting with the date the Settlement Agreement was signed, the right of the Investor Group to continue to be able to sell up to 600,000 collateral and Rule 144 shares per month and the issuance of three series of warrants, 500,000 each, exercisable at prices of one cent, five cents and ten cents over a three year period. This Settlement Agreement was announced in April of 2002, and details of the terms of the Agreement are filed as an Exhibit to this Report. The Company, in the absence of having completed its first sales of TCS Systems according to our expectations, was unable to generate the cash flow necessary to pay down the Convertible Note in accordance with the terms of the Settlement Agreement. Thus, the Company once again finds itself in a position of default. Numerous recourses are available to the holders of the Convertible Notes, but to date, these recourses have not been exercised. Such recourses can be exercised at any time and the fact that they have not been exercised so far does not preclude their being exercised now or in the future. The Company has kept the Convertible Note holders apprised of its efforts to sell TCS Systems and thus restart the repayments on the Convertible Notes.

During the first quarter of Fiscal 2006, our president completed a very small private placement with two investors having a total aggregate value of US\$10,000, one for US\$2,500 and the other for US\$7,500. Insofar as we do not have nearly enough common shares available for issuance, the investors agreed to accept that the investment would be in the form of non-interest-bearing convertible debt with no fixed terms of repayment. When an adequate number of common shares will become available, these investors will be able to convert their loans at a price of ½ cent per share. Any conversion would be proportionally adjusted in the event of stock splits or reverse splits. In consideration of the agreed upon conversion price, prior to any possible adjustments, the company would issue 2,000,000 common shares. Until such time of any conversion, the US\$10,000 is recorded as a liability on our Balance Sheet. The cash was used to pay general company expenses.

Because of the lengthy delay preceding the commencement of commercial operations, we have historically had to cover our overhead costs from sources other than from commercial revenues. We expect that some portion of our future overhead costs, which may be quite significant, will continue to be covered from sources other than commercial revenues. Since March of 2003, our monthly out-of-pocket cash costs have been reduced to negligible amounts, and thus our requirement to find financial resources to fund operations is minimal. Our current condition remains that we have negligible cash and no operating cash inflows. Our cash flow deficit condition will continue until such time as the Company will start generating revenues from the sale of TCS Systems. Until we can succeed in securing an unconditional sales contract for the sale of one or more systems employing our technology, the company will not be engaging any significant financial commitments and will not be engaging in any significant research and development activities nor increasing employment.

While we have initiated marketing of TCS Systems and have in place a License Agreement, as of September 30, 2005, no unconditional sales orders for TCS Systems had been received and manufacturing of TCS Systems has not been initiated. We continue to anticipate that we will begin selling or licensing out the sale of TCS Systems and thus initiating the manufacturing of these systems on a commercial soon. However, unless and until we successfully develop and commence TCS System manufacturing and sales operations on a full-scale commercial level, we will not generate significant revenues from operations. Accordingly, we would be obligated to attempt to seek non-commercial sources of cash inflows to support operations until TCS Systems sales and manufacturing operations would become a reality. In the event of such a circumstance, there can further be no assurance that such non-commercial funding would be available at all or on terms acceptable to management. Except for activities related to the recycled crumb rubber industry, as noted above and in previous filings, we have never engaged in any other significant business activities.

Liquidity and Capital Resources

As of September 30, 2005, the Company had total assets of \$233,297 as compared to \$233,297 at September 30, 2004 reflecting no change, and also no change versus total assets at June 30, 2005. There were no changes in the value of individual assets, representing Notes Receivable, Inventory, Property and Equipment and an Investment, from September 30, 2004 to September 30, 2005 and from June 30, 2005 to September 30, 2005.

As of September 30, 2005, the Company had total liabilities of \$5,261,028 as compared to \$4,540,362 at September 30, 2004, reflecting an increase of \$720,666, and reflecting an increase of \$226,833 versus total liabilities as at June 30, 2005, which total amounted to \$5,034,195. The increase in total liabilities from September 30, 2004 to September 30, 2005 is primarily attributable to an increase of \$256,917 in Accounts Payable and Accrued Liabilities, by a decrease of \$186,967 in Convertible Notes and by an increase of \$640,717 in Convertible Loans. The increase in total liabilities from June 30, 2005 to September 30, 2005 is primarily attributable to an increase of \$118,833 in Accounts Payable and Accrued Liabilities and to an increase of \$105,000 in Convertible Loans.

Reflecting the foregoing, the financial statements indicate that as at September 30, 2005, the Company had a working capital deficit (current assets minus current liabilities) of \$2,449,151 compared to a working capital deficit of \$2,192,235 as at September 30, 2004, reflecting an increase of \$256,916. The working capital deficit of \$2,449,151 as

at September 30, 2005 compares to a working capital deficit of \$2,337,318 as at June 30, 2005, reflecting an increase of \$111,833.

Operations

The financial statements which are included in this report reflect total operations and other expenses of \$138,524 for the three month period ended September 30, 2005 versus \$129,116 for the comparative three month period ended September 30, 2004, reflecting an increase of \$9,408. The Company has ceased Research and Development activities thereby resulting in a significant decrease in personnel expenses and other Research and Development expenses compared with prior periods.

The success of the tire recycling manufacturing business and the ability to continue as a going concern will be dependent upon the ability of the Company to obtain adequate financing to commence profitable, commercial manufacturing and sales activities and the TCS Systems' ability to meet anticipated performance specifications on a continuous, long term commercial basis.

The Company believes that the amounts accrued to date in respect of the shares issued to compensate the executive officers and consultants reflect the fair value of the services rendered, and that the recipients of such shares received such shares at an appropriate and reasonable discount from the then current public market price. The Company believes that the discount is warranted due to the fact that there are often restrictions on the transfer of said shares arising out of the absence of registration, and the uncertainty respecting our ability to continue as a going concern.

From inception (July 15, 1987) through September 30, 2005, the Company has incurred a cumulative net loss of \$30,226,572. Approximately \$1,057,356 of such cumulative net loss was incurred prior to the inception of the Company's present business plan, in connection with the Company's discontinued proposed health care business and was due primarily to the expending of costs associated with the unsuccessful attempt to establish such health care business. The Company never commenced the proposed health care operations and therefore, generated no revenues therefrom.

PART II: OTHER INFORMATION

Item 1 - Legal Proceedings

We are presently a party in the following legal proceedings, the status of which has not changed since the Company filed its Annual Report on Form 10-KSB for the Fiscal Year ended June 30, 2005.

IM(2) Merchandising and Manufacturing, Inc and David B. Sinclair v. The Tirex Corporation, Tirex Corporation Canada, Inc., et al.

Lefebvre Freres Limited v. The Tirex Corporation

Tri-Steel Industries Inc. v. The Tirex Corporation

No director, officer, or affiliate of the Company, or any associate of any of them, is a party to or has a material interest in any proceeding adverse to us.

Item 2: - Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3 - Defaults Upon Senior Securities

Other than defaults previously reported on in prior periods, there were no other defaults upon senior securities.

Item 4 - Submission of Matters to a Vote of Security Holders

During the three-month period ended September 30, 2005, there were no submissions of matters to a vote of Security Holders.

Item 5 - Other Information

There have been no material changes in the way in which shareholders may nominate directors.

Item 6 - Exhibits and Reports on Form 8-K

Exhibits

Exhibit 31.1 Certification of Form 10-Q filing by the Chief Executive Officer

Exhibit 31.2 Certification of Form 10-Q filing by the Chief Financial Officer

Exhibit 32.1 Certification Pursuant to the Sarbanes-Oxley Act by the Chief Executive Officer

Exhibit 32.2 Certification Pursuant to the Sarbanes-Oxley Act by the Chief Financial Officer

No Reports on Form 8-K were filed during the period covered by this report

Edgar Filing: Tirex CORP - Form 10QSB

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant has caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE TIREX CORPORATION

Date: November 10, 2005

By /s/ John L. Threshie, jr.
John L. Threshie, Jr. President

Date: November 10, 2005

By /s/ Michael Ash
Michael Ash, Treasurer and
Chief Accounting and Financial Officer
