

Tirex CORP  
Form 10QSB  
May 16, 2005

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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 March 31, 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**

State the number of shares outstanding for each of the issuer's classes of common equity, as of May 10, 2005: 249,895,892 shares

Transitional Small Business Disclosure Format (check one): Yes\_\_\_ No X

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The Tirex Corporation  
(A Development Stage Company)

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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 March 31, 2005 and the results of its operations and changes in its cash position for the three and nine month periods ended March 31, 2005 and 2004 and for the period from inception (July 15, 1987).

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THE TIREX CORPORATION  
A DEVELOPMENT STAGE COMPANY

CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2005

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THE TIREX CORPORATION  
A DEVELOPMENT STAGE COMPANY

CONSOLIDATED BALANCE SHEET  
AS AT MARCH 31, 2005

	<b>March 31, 2005</b>	<b>June 30, 2004</b>
<b><u>ASSETS</u></b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ -	\$ -
Accounts receivable	-	-
Notes receivable	20,475	20,475
Inventory	73,322	73,322
Research and Experimental Development tax credits receivable	-	-
	93,797	93,797
<b>Property and equipment, salvage value</b>	<b>50,000</b>	<b>50,000</b>
<b>Other assets</b>		
Investment, at cost	89,501	89,500
	89,501	89,500
	\$ 233,298	\$ 233,297
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</u></b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 2,315,605	\$ 2,089,040
Current portion of long-term debt	78,091	78,091
	2,393,696	2,167,131
<b>Other liabilities</b>		
Long-term deposits and notes	217,500	217,500
Government loans (net of current)	-	-
Capital lease obligations (net of current)	-	-
Convertible notes	586,356	586,356
Convertible note	185,556	185,556
Convertible loans	1,508,668	1,171,168
	2,498,080	2,160,580
	4,891,776	4,327,711
<b>Stockholders' Equity (Deficit)</b>		
Common stock, \$.001 par value, authorized 250,000,000 shares, issued and outstanding 249,895,892 shares (June 30, 2003 - 249,895,892 shares)	249,896	249,896
Additional paid-in capital	25,222,219	25,222,219
Deficit accumulated during the development stage	(29,579,126)	(29,165,398)
Unrealized gain (loss) on foreign exchange	(551,467)	(401,131)
	(4,658,478)	(4,094,414)
	\$ 233,298	\$ 233,297

**THE TIREX CORPORATION**  
A DEVELOPMENT STAGE COMPANY

**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

	Three months ended March 31		Nine months ended March 31		Cumulative from March 26, 1993 to March 31, 2005
	2005	2004	2005	2004	
Revenues	\$ -	\$ -	\$ -	\$ -	\$ 1,354,088
Cost of Sales	-	-	-	-	1,031,075
Gross profit	-	-	-	-	323,013
Operations					
General and administrative	116,705	124,033	387,595	393,679	12,501,466
Depreciat	-	-	-	-	365,545
Research and development	-	-	-	-	15,396,966
Total Expense	116,705	124,033	387,595	393,679	28,263,977
Loss before other expenses (income)	(116,705)	(124,033)	(387,595)	(393,679)	(27,940,964)
Other expenses (income)					
Interest expense	8,711	14,845	26,133	52,468	872,302
Interest income	-	-	-	-	(45,443)
Income from stock options	-	-	-	-	(10,855)
Loss on disposal of equipment	-	-	-	-	4,549
	8,711	14,845	26,133	52,468	820,553
Net loss	(125,416)	(138,878)	(413,728)	(446,147)	(28,761,517)
Other comprehensive loss					
Loss (gain) on foreign exchange	-	-	-	-	106,137
Net loss and comprehensive loss	\$ (125,416)	\$ (138,878)	\$ (413,728)	\$ (446,147)	\$ (28,867,654)
Basic and Diluted net loss and comprehensive loss per common share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.37)
Weighted average shares of common stock outstanding	249,895,892	249,895,892	249,895,892	249,895,892	77,921,638

THE TIREX CORPORATION  
A DEVELOPMENT STAGE COMPANY

CONSOLIDATED STATEMENT OF CASH FLOWS

	Three months ended March 31		Nine months ended March 31		Cumulative from March 26, 1993 to March 31, 2005
	2005	2004	2005	2004	
Cash flows from operating activities:					
Net loss	\$ (125,416)	\$ (138,878)	\$ (413,728)	\$ (446,147)	\$ (28,867,654)
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	10,182	15,660	(150,336)	(37,661)	(551,487)
Other non-cash items	104,999	-	337,499	-	619,687
Changes in assets and liabilities:					
(Increase) decrease in:					
Account receivable	-	-	-	-	-
Inventory	-	-	-	-	(73,323)
Sales tax receivable	-	36	-	36	(36)
Research and experimental development tax credits receivable	-	-	-	-	-
Other assets	-	-	-	-	(10,120)
(Decrease) increase in :					
Accounts payables and accrued liabilities	(39,765)	33,176	64,065	126,001	2,081,809
Accrued salaries	50,000	-	162,500	87,500	660,652
Due to stockholders	-	-	-	-	5,000
Net cash used in operating activities	-	(90,006)	-	(270,271)	(9,938,166)
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

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Reduction in security deposit	-	-	-	-	(1,542)
Net cash used in investing activities	-	-	-	-	(2,427,416)
Cash flow from financing activities:					
Loans from related parties		90,006		270,271	4,354,835
Deferred financing costs	-	-	-	-	180,557
Proceeds from deposits	-	-	-	-	143,500
Payments on notes payable	-	-	-	-	(409,939)
Proceeds from convertible notes	-	-	-	-	754,999
Proceeds from notes payable	-	-	-	-	409,939
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	-	90,006	-	270,271	12,365,325
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 March 31		Nine months ended March 31		Cumulative from March 26, 1993 to March 31, 2005
2005	2004	2005	2004	

Supplemental Disclosure of Non-Cash  
Activities:

During the year ended June 30, 2004, the Company did not issue common stock in recognition of the payment of debt. During the nine month periods ended March 31, 2005 and March 31, 2004, the Company did not issue common stock in recognition of the payment of debt.

During the year ended June 30, 2004, the Company did not issue common stock in exchange for services performed and expenses. During the nine month periods ended March 31, 2005 and March 31, 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  
MARCH 31, 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 March 31, 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.

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THE TIREX CORPORATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 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.

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THE TIREX CORPORATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 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, 2004 and June 30, 2003, 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 March 31, 2005 and June 30, 2004, 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 \$29.9 million as of March 31, 2005, expiring through 2025. 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 March 31, 2005.

#### FOREIGN CURRENCY TRANSLATION

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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

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THE TIREX CORPORATION  
A DEVELOPMENT STAGE COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2005

are translated at average exchange rates during the year. Currency transaction gains or losses are recognized in current operations.

#### 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 \$560,234 for the year ended June 30, 2004 and an additional net loss for the nine month period ended March 31, 2005 in the amount of \$413,728.

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 March 31, 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 March 31, 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, 2004 was zero. Depreciation and amortization expense charged to operations for the nine month period ended March 31, 2005 was zero.

THE TIREX CORPORATION  
A DEVELOPMENT STAGE COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 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
2005	\$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 March 31, 2005 and June 30, 2004 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 March 31, 2005	\$586,356
Interest rate	8%, payable quarterly, commencing June 30, 2001
Issue date	February 26, 2001



Maturity date

February 26, 2003

THE TIREX CORPORATION  
A DEVELOPMENT STAGE COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 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 NOTE

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

Balance at March 31, 2005	\$ 185,556
Interest rate	8%
Issue date	July 19 <sup>th</sup> , 2000
Maturity date	January 19 <sup>th</sup> , 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 <sup>th</sup> , 2001, at 20% discount to market between July 19 <sup>th</sup> , 2001 and January 19 <sup>th</sup> , 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  
MARCH 31, 2005

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 March 31, 2005 and June 30, 2004, the balances owing to Directors and Officers was \$1,634,962 and \$1,297,462, respectively. These amounts are without interest or terms of repayment.

Long-term deposits and notes included an amount of \$118,500 at March 31, 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, 2004 and the nine month period ended March 31, 2005, the Company did not issue any common stock in exchange for services performed. The dollar amounts assigned to such transactions have been recorded at the fair value of the services received.

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 March 31, 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.

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 March 31, 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.

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 year ended June 30, 2004 and the nine month period ended March 31, 2005, the Company did not make any additional claims for research and development tax credits as no eligible research and development expenditures were incurred

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 and March 31, 2005.

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THE TIREX CORPORATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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Note 13 COMMITMENTS

Rental expense for the year ended June 30, 2004 amounted to zero. Rental expense for the nine month period ended March 31, 2005 amounted to zero.

At March 31, 2005, the Company was in arrears of rent with respect to its former premises on St. Patrick Street in Montreal, 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.

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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 March 31, 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 third fiscal quarter of 2005, 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.

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## 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 March 31, 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 announcing in March 2000 that our tire recycling technology was ready for replication and commercialization, we have put into place those elements which will permit us to effectively sell TCS Systems. The early demonstrations of the prototype TCS-1 generated substantial interest but no concrete sales. We then sought and obtained 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, has renewed interest in our technology and has led to several very interesting potential customers. As usual, however, 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 March 31, 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-1 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 4,300,000 (approximately US\$5.59 million using an approximate exchange rate of US\$1.30 = 1 Euro). For a TCS-2, the comparable cost to the entrepreneur is in the vicinity of Euros 5,500,000 (approximately US\$7.15 million at the same exchange rate). 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 that, insofar as the systems are normally priced in Euros, the relative value of the Euro against the US dollar has had a negative on the sales efforts.

At present, the Company is currently working intensively with entrepreneurs in Southeast Asia, the UK, Mexico and with a group having the potential to install systems in both the USA and Canada. Simpro is dealing with potential customers in Europe, South America and Africa. We 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.

Subsequent to the second quarter of fiscal 2005, the Company completed its restructuring of its web site, designed to provide information to investors and customers alike. This site is now available for viewing at [tirex-tcs.com](http://tirex-tcs.com).

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 impossible that these revenues would become recognizable during our fiscal year which will end June 30, 2005. 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.

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. Until December of 2001, our monthly operating costs were about US\$100,000 per month. With the cessation of production activities and the scaling back of research and development expenditures starting in January of 2002, our monthly costs were reduced to approximately US\$35,000 per month. Since March of 2003, our monthly our-of-pocket cash costs have been reduced to negligible amounts, and thus our requirement to find financial resources to fund operations is minimal. 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

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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 March 31, 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 basis in the near future. 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 revenues 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 revenue 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 March 31, 2005, the Company had total assets of \$233,297 as compared to \$233,297 at March 31, 2004 reflecting no change, and no change versus total assets as of the last fiscal year end, June 30, 2004. There were no changes in individual asset balances between the balances at March 31, 2005 and the balances at March 31, 2004 and between the balances at March 31, 2005 and the balances at June 30, 2004.

As of March 31, 2005, the Company had total liabilities of \$4,891,776 as compared to \$4,232,688 at March 31, 2004, reflecting an increase of \$659,088, and reflecting an increase of \$564,065 versus total liabilities as of the last fiscal year end, June 30, 2004, which total amounted to \$4,327,711. The increase in total liabilities from March 31, 2004 to March 31, 2005 is primarily attributable to an increase of \$309,707 in Accounts Payable and Accrued Liabilities, by a decrease of \$48,534 in Government Loans, by an increase of \$432,495 in Convertible Loans and by a decrease of \$48,534 in the Current Portion of Long-Term Debt. The increase in total liabilities from June 30, 2004 to March 31, 2005 is primarily attributable to an increase of \$226,565 in Accounts Payable and Accrued Liabilities and to an increase of \$337,500 in Convertible Loans.

Reflecting the foregoing, the financial statements indicate that as at March 31, 2005, the Company had a working capital deficit (current assets minus current liabilities) of \$2,299,899 compared to a working capital deficit of \$2,038,726 as at March 31, 2004, reflecting an increase of \$261,173. The working capital deficit of \$2,299,899 as at March 31, 2005 compares to a working capital deficit of \$2,073,334 as at June 30, 2004, reflecting an increase of \$226,565.

#### Operations

The financial statements which are included in this report reflect total operations and other expenses of \$413,728 for the nine month period ended March 31, 2005 versus \$446,147 for the comparative nine month period ended March 31, 2004, reflecting a decrease of \$32,419. The Company has ceased

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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.

### PART II: OTHER INFORMATION

#### Item 1:

##### 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 Quarterly Report on Form 10-QSB for the second quarter of Fiscal 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 December 31, 2004, 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.

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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

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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: May 12, 2005

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

Date: May 12, 2005

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

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