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Matrikon™ delivers record revenue and earnings in the second quarter of 2005

HIGHLIGHTS

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|--|---|
| <ul style="list-style-type: none"> ▪ Record earnings of \$0.08 per share in the second quarter ▪ Year-to-date earnings of \$0.09 match total 12 month earnings in 2004 ▪ Revenue growth of 65% to a record \$16.72 million in the second quarter ▪ Year-to-date revenue growth of 30% to \$31.68 million | <ul style="list-style-type: none"> ▪ Software license revenues increased by 69% to \$3.20 million in the second quarter ▪ Operating efficiency continues to improve in the second quarter with improved utilization (73% compared to 65%) and improved gross margin (52% compared to 48%) |
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Edmonton, AB –April 7, 2005 —Matrikon Inc. (TSX: MTK), a leading provider of solutions for industrial intelligence, today reported record financial results for the fiscal year 2005 second quarter, which ended February 28, 2005.

Second quarter revenue grew 65% to \$16.72 million from \$10.15 million in the comparable period of fiscal 2004. Year-to-date revenue grew 30% to \$31.68 million compared to \$24.45 million in the first six months of 2004. Net income for the second quarter was a record \$2.35 million (or \$0.08 per share) compared to a net loss of \$0.36 million (or a loss of \$0.01 per share) in the comparable period of fiscal year 2004. Year-to-date income was \$2.56 million compared to \$0.51 million in the first six months of last year.

“Over the past 12 months we have focused our attention on increasing operational efficiencies, rebuilding the business processes and driving profitability,” commented Nizar J. Somji, President and CEO of Matrikon. “We have made solid progress on our strategy. Our products continue to evolve with new innovations and a focus on tighter integration between products to provide an integrated platform that supports solution deployment. We continue to transition to a solutions company and are increasingly engaging in strategic consulting and solution-based projects which command higher rates.”

“The second quarter results are a strong validation of our efforts and we are well positioned with the systems, the people, the structure and the processes in place to now aggressively focus on growing the business.”

Outlook

Based on second quarter results, including record product sales, improved efficiency within the project groups, strong growth in business from the oil and gas sector and Matrikon’s ability to continue to win repeat business and to continue to transition to a total solutions provider, management maintains previous estimates for revenue growth of 14% to 23% and net income growth of 49% to 89%. Management has considered the continued uncertainty of foreign exchange rates in arriving at these estimates.

Quarter Highlights:

- Matrikon requalified as one of Canada’s 50 Best Managed Companies. The award program recognizes Canadian companies that demonstrate innovation, exceptional growth, financial success, and a strong corporate culture.
- Matrikon expands into New Zealand with the opening of an office in Hamilton, New Zealand in March 2005.

CANADA
Edmonton, Alberta
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Vancouver, British Columbia
Toronto, Ontario
Quebec City, Quebec

AUSTRALIA
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Brisbane, Queensland
Gladstone, Queensland
Melbourne, Victoria
Perth, Western Australia

USA
St. Louis, Missouri
Houston, Texas

EUROPE
Aberdeen, Scotland

MIDDLE EAST
Al Khubar, Saudi Arabia

- Matrikon announced an agreement with ABB to certify Matrikon's ProcessGuard™ alarm management solution as an IndustrialIT Enabled product. IndustrialIT Enabled products set the standard for productivity and ensure compliance with ABB's System 800xA's automation and information architecture.
- ProcessACT™ software was presented with a Control Engineering Magazine Editors' Choice Award in the process and advanced control category. ProcessACT is a complete solution for the design, development, simulation and implementation of enhanced and advanced process control strategies.
- Matrikon and Husky Injection Molding Systems introduced SmartLink, a user-friendly and easily adaptable plant monitoring and advanced scheduling solution designed specifically to optimize plant performance in the plastics injection molding industry.
- Second quarter employee utilization improved to 73% from 65% in the comparable period of 2004.
- Subsequent to the quarter, Matrikon announced that it had been selected by Iluka Resources Limited to deliver a plant performance measurement system (PPMS) across thirteen mineral processing plants in Western Australia.

Conference Call Friday, April 8 at 8:30 am Eastern

Matrikon President and CEO Nizar J. Somji and CFO Nimal Rodrigo will hold a conference call to discuss fiscal year results on Friday, April 8 at 8:30 am Eastern time (6:30 am Mountain time). To participate live, call 416-640-4127 in the Toronto area and 1-800-814-4857 for all other areas.

A replay will be available until midnight on Friday, April 15, 2005. To access the playback service, please dial 416-640-1917 in Toronto or 1-877-289-8525 elsewhere, reservation number 21113735#.

The conference call will also be web cast at

<http://www.newswire.ca/en/webcast/viewEvent.cgi?eventID=1024980>

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Management's Discussion & Analysis

April 5, 2005

The following Management's Discussion and Analysis should be read in conjunction with the financial statements and notes to the consolidated financial statements for the quarter ended February 28, 2005 and Management's Discussion and Analysis and notes to the consolidated financial statements appearing in the Annual Report for the fiscal year ended August 31, 2004.

Company Overview

Matrikon is a growing international provider of industrial intelligence solutions that enable plants to produce their goods more efficiently. Solutions include data acquisition and storage, data analysis for plant optimization, decision support systems, data connectivity and web-delivered data presentation for improved collaboration. Matrikon is one of the largest industrial solution integrators in North America with a client base diversified across a number of industries, including oil and gas, energy and utilities, forestry, petrochemicals and refining, and mining.

Matrikon is listed on the Toronto Stock Exchange under the trading symbol "MTK". As at April 1, 2005 there were 29,704,814 common shares of the corporation issued and outstanding. In addition, there were 1,843,038 outstanding options to purchase common shares.

At February 28, 2005, Matrikon had 491 employees, including 53 in administrative services, 70 in sales and marketing, 79 in product development and support, and 289 in services.

Items of note in the second quarter

Progress on growth strategy

Over the past year, Matrikon began the transition to a solutions company with a focus on strategic consulting and solution-based projects that make use of our technology. As a result of this focus on higher margin consulting projects and our continuing efforts to improve project management and efficiencies, Matrikon achieved record revenue for a quarter period in what has traditionally been our weakest quarter. The current strength in the oil and gas industry coupled with the traction that Matrikon's well optimization solution is gaining led to robust growth from this industry sector in the first half of the year. Both utilization and gross margin were improved over the comparable period, further validating the progress we have made and leading to record earnings for a quarter period.

Products continue to evolve with new versions containing new innovations. Matrikon's product development cycle takes into account feedback received from our clients through our Product Advisory Boards. The focus for the near future is the development of a technology platform based on our ProcessSuite™ products that will provide an integrated foundation to support solution deployment and better integrate existing products. Clients continue to achieve exceptional results based on our technology and this success is paving the way for increased corporate agreements and larger project opportunities. Product sales in the second quarter of 2005 were the second highest in a quarter period, confirming the value that our technology is delivering to clients and the investments made in our sales and marketing infrastructure over the past year.

Our annual sales conference and service conference were held in January 2005. The focus of the sales conference was aligned to our growth strategy and focused on both solutions based on Matrikon technology and industry targeted positioning. The first annual services conference also aligned to our growth strategy and focused on improving project management and positioning the services organization to capitalize on larger, strategic consulting projects.

Stock Based Compensation

Starting in fiscal year 2005, Matrikon is required to retroactively reflect the CICA recommendations for stock based compensation, which requires expensing the fair value of stock options on the income statement. The impact of stock based compensation was a decrease in income before taxes of \$0.20 million (\$0.01 per share) for the second quarter of 2005 and \$0.13 million (\$0.00 per share) for the second quarter of 2004. The year-to-date impact of stock based compensation was a decrease in income before taxes of

\$0.39 million (\$0.01 per share) for the first six months of 2005 and \$0.28 million (\$0.01 per share) at the end of comparable period in 2004.

Restated figures for each quarter of fiscal year 2004 are available at:

www.matrikon.com/investors/f_downloads.asp

Results of Acquisition

On May 18, 2004, Matrikon acquired PI Automation in Europe (now known as Matrikon Europe). The financial impact of the acquisition in the second quarter can be seen in the table below and should be considered when reviewing comparable results from the second quarter of 2004.

3 Months Ended						
February 28, 2005	Matrikon Inc.		Matrikon Europe		Consolidated	
<i>(\$000s Canadian)</i>		%		%		%
Total revenue	\$ 14,824	100%	\$ 1,899	100%	\$ 16,723	100%
Cost of sales	7,251	49%	829	44%	8,080	48%
Gross profit	7,573	51%	1,070	56%	8,643	52%
Expenses	5,922	40%	306	16%	6,228	37%
Other income (expenses)	817	6%	163	9%	980	6%
Income before income taxes	2,468	17%	927	49%	3,395	20%

6 Months Ended						
February 28, 2005	Matrikon Inc.		Matrikon Europe		Consolidated	
<i>(\$000s Canadian)</i>		%		%		%
Total revenue	\$ 28,232	100%	\$ 3,447	100%	\$ 31,679	100%
Cost of sales	13,507	48%	1,405	41%	14,912	47%
Gross profit	14,725	52%	2,042	59%	16,767	53%
Expenses	11,328	40%	862	25%	12,190	38%
Other income (expenses)	(1,045)	(4%)	177	5%	(868)	(3%)
Income before income taxes	2,352	8%	1,357	39%	3,709	12%

Revenue

3 Months Ended (\$000s Canadian)	28-Feb-05	% of Rev	Restated		2005 vs 2004
			29-Feb-04	% of Rev	% Change
Total Revenue	\$16,723	100%	\$10,152	100%	65%
Consulting fees	10,286	62%	6,357	63%	62%
Equipment sales	1,797	11%	859	8%	109%
Total services and related	12,083	72%	7,216	71%	67%
Software license fees	3,204	19%	1,891	19%	69%
Extended support	1,436	9%	1,045	10%	37%
Total product and related	4,640	28%	2,936	29%	58%

6 Months Ended (\$000s Canadian)	28-Feb-05	%	Restated		2003 vs 2002
			29-Feb-04	%	% Change
Total Revenue	\$31,679	100%	\$24,454	100%	30%
Consulting fees	21,650	68%	14,731	60%	47%
Equipment sales	3,406	11%	2,870	12%	19%
Total services and related	25,056	79%	17,601	72%	42%
Software license fees	3,900	12%	4,772	20%	(18%)
Extended support	2,723	9%	2,081	9%	31%
Total product and related	6,623	21%	6,853	28%	(3%)

Revenue grew by 65% to \$16.72 million in the second quarter of fiscal year 2005 (a revenue record for a quarter period) compared to \$10.15 million in the same period of fiscal year 2004. For the first six months of 2005, revenue increased 30% to \$31.68 million compared to \$24.45 million in the first six months of 2004. The European segment, acquired in the third quarter of 2004, contributed \$1.90 million to this increase in the current quarter and \$3.45 million year-to-date. Other factors in revenue growth include improved efficiencies and better project management in the consulting groups coupled with the ability to command higher rates based on the solution focus of consulting engagements and near-record product sales.

Consulting fees were down by 9% over the first quarter as a result of the reduction in hours billed during the week-long shut down. There were 57 working days in the second quarter of 2005 compared to 63 in the first quarter of 2005.

Software license fees increased by 69% to \$3.20 million compared to the second quarter of fiscal year 2004. Management expects that the near-record software license fees in the second quarter will have a positive flow through impact on consulting and support revenues in the ensuing quarters. Software license fees decreased 18% to \$3.90 million for the first six months of 2005 compared to \$4.77 million in the comparable period last year. Management believes that we remain on track to grow license revenue throughout the remainder of fiscal year 2005.

Extended support revenue increased by 37% to \$1.44 million in the second quarter from \$1.05 million in the comparable period of fiscal year 2004. This increase follows growing product sales and an improvement in support renewal rates. Management anticipates extended support revenue will continue to grow as software license fee revenue grows.

Equipment sales, which include third party software and hardware, was \$1.8 million, an increase of 109% over the second quarter of fiscal year 2004. Equipment sales are ancillary to consulting engagements and will continue to fluctuate each period.

Year-to-date revenue from product licensing, training and support was 25% of total revenue; revenue from implementation of Matrikon products was 26%, and consulting revenue (related to third party products or general consulting) was 49%. Matrikon's goal is to achieve a balance of one-third revenue for each of these aspects of our business.

Quarterly Results

The following table presents a summary of consolidated operating results for the past eight quarters and the current quarter. The quarterly numbers for fiscal years 2003 and 2004 have been restated as a result of the retroactive application of stock based compensation.

(\$000s Canadian)	Restated								
	Q2 2003	Q3 2003	Q4 2003	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Q1 2005	Q2 2005
Revenue	\$ 12,480	\$ 12,284	\$ 12,316	\$ 14,302	\$ 10,152	\$ 13,372	\$ 16,570	\$ 14,956	\$ 16,723
Gross Profit	\$ 6,759	\$ 6,471	\$ 6,036	\$ 7,324	\$ 4,515	\$ 6,271	\$ 9,101	\$ 8,124	\$ 8,643
Gross Profit %	54%	53%	49%	51%	44%	47%	55%	54%	52%
Net income (loss)	\$ 635	\$ 213	\$ 654	\$ 867	\$ (355)	\$ 167	\$ 1,358	\$ 204	\$ 2,353
Net income %	5 %	2 %	5 %	6 %	(3%)	1 %	8 %	1 %	14 %
Weighted average shares outstanding (000s)	24,209	24,215	24,224	27,274	28,877	29,270	29,321	29,465	29,633
EPS - basic	0.03	0.01	0.03	0.03	(0.01)	0.01	0.05	0.01	0.08
EPS - diluted	0.03	0.01	0.03	0.03	(0.01)	0.01	0.05	0.01	0.08
Headcount	434	444	448	476	485	486	465	488	491

Segment Results

Matrikon has five strategic business segments: Eastern Canada/United States, Western Canada, Australia, Europe, and Products. Management added a sixth segment (Corporate segment) starting in fiscal year 2005 to capture corporate expenses and more accurately reflect the results of the five main segments. Matrikon evaluates each segment's performance and reports segmented information according to this structure.

3 Months Ended (\$000s Canadian)	Eastern Canada & United States	Western Canada	Australia	Europe	Products & Support	Corporate	Total
February 28, 2005							
Revenue	\$ 1,933	\$ 4,755	\$ 3,015	\$ 1,899	\$ 5,121	\$ -	\$ 16,723
Gross Margin %	54%	35%	27%	56%	80%	-	52%
Income before income taxes	\$ 466	\$ 354	\$ 496	\$ 927	\$ 1,994	\$ (842)	\$ 3,395
Revenue change % (Q2 2005 - Q2 2004)	89 %	31 %	42 %	-	51 %	-	65 %
Employees at February 28, 2005	54	176	84	23	113	41	491
February 29, 2004							
Revenue	\$ 1,025	\$ 3,622	\$ 2,123	\$ -	\$ 3,382	\$ -	\$ 10,152
Gross Margin%	21%	28%	19%	-	85%	-	45%
Income before income taxes	\$ (640)	\$ (228)	\$ (68)	\$ -	\$ 942	\$ (445)	\$ (439)
Employees at February 29, 2004	55	203	88	-	98	41	485

6 Months Ended (\$000s Canadian)	Eastern Canada & United States	Western Canada	Australia	Europe	Products & Support	Corporate	Total
February 28, 2005							
Revenue	\$ 4,000	\$ 10,444	\$ 5,194	\$ 3,447	\$ 8,594	\$ -	\$ 31,679
Gross Margin %	52%	41%	28%	59%	80%	-	53%
Income before income taxes	\$ 904	\$ 1,793	\$ 810	\$ 1,357	\$ 3,062	\$ (4,217)	\$ 3,709
Revenue change % (Q2 2005 - Q2 2004)	34 %	28 %	(7%)	-	11 %	-	30 %
Employees at February 28, 2005	54	176	84	23	113	41	491
February 29, 2004							
Revenue	\$ 2,989	\$ 8,162	\$ 5,586	\$ -	\$ 7,717	\$ -	\$ 24,454
Gross Margin %	43%	30%	26%	-	86%	-	48%
Income before income taxes	\$ (145)	\$ (117)	\$ 667	\$ -	\$ 2,704	\$ (2,137)	\$ 972
Employees at February 29, 2004	55	203	88	-	98	41	485

Eastern Canada & US: Revenue for the Eastern Canada & US segment grew by 89% over the second quarter of fiscal year 2004. Revenue growth is a result of securing contracts in strategic consulting areas of solution integration, enterprise asset management and enterprise resource planning and renewing a strategic alliance partnership. Gross margin increased to 52% of revenue from 21% of revenue in the second quarter of 2004. This increase is related to a project that met revenue recognition criteria in this quarter but incurred expenses in a prior period. Excluding this project, gross margin for the group improved to 37% as a result of the growth in revenue while maintaining a relatively constant cost structure. For the year-to-date period, revenue in this segment grew by 34% and gross margin improved to 52% from 42% in the comparable period.

Western Canada: Western Canada revenue grew by 31% over the second quarter of fiscal year 2004, while the gross margin improved to 35% of revenue from 28% in the comparable period last year. This improvement is a result of continuing efforts to improve project efficiencies and the focus on higher margin consulting projects which include solutions related to Matrikon products. Record product sales in the fourth quarter of 2004 and in the current quarter are factors in this increase. For the year-to-date period, revenue in this segment grew by 28% and gross margin improved to 41% from 30% in the comparable period.

Australia: Australian revenue increased by 42% over the second quarter of 2004 while gross margin improved to 27% in 2005 from 19% in the comparable period of 2004. Australia continues to make progress in securing longer term, higher margin consulting projects that will drive continued improvement in gross margin. Two such projects in recent months include the BHP Billiton boiler upgrade and the Meridian Energy plant asset management system. In addition, Australia continues to gain traction with product sales, which increased by 334% compared to the second quarter of 2004. Cost of sales increased by 28% compared to the second quarter of fiscal year 2004 as a result of an increase in equipment sales (\$0.91 million in the period). For the year-to-date period, revenue in this segment declined by 7% and gross margin improved to 28% from 26% in 2004.

Europe: Europe's gross margin was 56% in the second quarter of 2005 compared to 63% in the first quarter of 2005. Comparative data for fiscal year 2004 is not available. Gross margin in Europe remains high due to high margin consulting projects and the use of employees borrowed from lower-cost base segments. Year-to-date gross margin was 59%.

Products & Support: Products and Support revenue increased 51% compared to the second quarter of fiscal 2004. Record product sales in December 2004 and increased maintenance revenue contributed to the growth over the comparable period in 2004. Gross margin was 80% in the quarter compared to 85% in the second quarter of 2004. Gross margin was impacted by commission accruals for product sales in the quarter and an increase in lower margin third party software license renewals provided as a value-added service through support contracts. For the year-to-date period, revenue in this segment grew by 11% and gross margin declined to 80% from 86% in the comparable period.

Comparative second quarter product revenue by suite was as follows:

3 Months Ended	28-Feb-05	29-Feb-04
ProcessSuite	58%	37%
Connectivity (OPC Suite)	42%	51%
Other	0%	12%

6 Months Ended	28-Feb-05	29-Feb-04
ProcessSuite	48%	52%
Connectivity (OPC Suite)	51%	42%
Other	1%	6%

Corporate: The corporate segment includes all shared corporate services (including accounting, information technology and human resources) that cannot be directly allocated to other segments. In addition to these corporate expenses, the corporate segment includes other income or expenses and amortization. The factors contributing to the increased corporate loss before income taxes for the first six months of fiscal 2005 are foreign currency translation losses of \$0.75 million and amortization of \$0.85 million.

Gross Margin

3 Months Ended

(\$000s Canadian)	28-Feb-05	29-Feb-04	Change	% Change
Gross margin	\$ 8,643	\$ 4,515	\$ 4,128	91%
% of revenue	52%	45%	7%	

6 Months Ended

(\$000s Canadian)	28-Feb-05	29-Feb-04	Change	% Change
Gross margin	\$ 16,767	\$ 11,839	\$ 4,928	42%
% of revenue	53%	48%	5%	

Gross margin improved to 52% of revenue, up from 45% in the second quarter of fiscal year 2004 and is in line with the quarterly target range of 50% to 55%. This gross margin increase is primarily due to improved utilization, high product sales and revenue from a project that met revenue recognition criteria in this quarter but incurred expenses in a prior period. The gross margin improvement was driven by improved efficiency in the consulting business units. Gross margin on consulting revenue was 38% in the period compared to 24% in the second quarter of 2004. Year-to-date consulting gross margin improved to 43% from 30% in the first six months of 2004. As the cost of sales is relatively fixed (predominantly personnel related), gross margin will be driven by product sales, related support, and Matrikon's ability to increase margin on consulting services.

Operating Expenses

3 Months Ended

(\$000s Canadian)	28-Feb-05	29-Feb-04	Change	% Change
Consulting G&A	\$ 1,646	\$ 1,654	\$ (8)	0%
% of revenue	10%	16%	(6%)	
Sales & marketing	\$ 1,803	\$ 1,958	\$ (155)	(8%)
% of revenue	11%	19%	(8%)	
Research & development	\$ 808	\$ 836	\$ (28)	(3%)
% of revenue	5%	8%	(3%)	
General & administrative	\$ 1,545	\$ 1,331	\$ 214	16%
% of revenue	9%	13%	(4%)	

6 Months Ended

(\$000s Canadian)	28-Feb-05	29-Feb-04	Change	% Change
Consulting G&A	\$ 3,361	\$ 3,442	\$ (81)	(2)%
% of revenue	11%	14%	(3%)	
Sales & marketing	\$ 3,488	\$ 3,500	\$ (12)	(0)%
% of revenue	11%	14%	(3%)	
Research & development	\$ 1,560	\$ 1,423	\$ 137	(10)%
% of revenue	5%	6%	(1%)	
General & administrative	\$ 2,930	\$ 2,510	\$ 420	17%
% of revenue	9%	10%	(1%)	

Combined operating expenses were \$6.23 million (37% of revenue) for the second quarter of fiscal 2005 compared to \$6.09 million (60% of revenue) for the second quarter of fiscal 2004. As the increase in operating expenses is predominantly a result of the European acquisition, our cost structure has remained relatively constant, which has improved our gross margins.

Research and development is reduced each period by Scientific Research & Experimental Development credits (SR&ED credits). Excluding SR&ED credits, research and development expenses were \$0.93 million (6% of revenue) in the second quarter of 2005 compared to \$0.96 million (10% of revenue) in the comparable period of 2004.

Other Income (Expenses)

Other income in the second quarter of 2005 was comprised of prior year SR&ED credits of \$0.17 million and interest income and other miscellaneous expense recoveries of \$0.05 million, offset by stock based compensation expense of \$0.20 million. Other income in the second quarter of 2004 was comprised of SR&ED credits of \$0.59 million and interest income and other miscellaneous expense recoveries of \$0.07 million, offset by stock based compensation expense of \$0.13 million.

Net Income

(\$000s Canadian)	<i>Restated</i>			
	28-Feb-05	29-Feb-04	Change	% Change
Net income	\$ 2,353	\$ (355)	\$ 2,708	763%
% of revenue	14%	(3%)	18%	
Earnings per share	0.08	(0.01)	0.09	900%

(\$000s Canadian)	<i>Restated</i>			
	28-Feb-05	29-Feb-04	Change	% Change
Net income	\$ 2,557	\$ 512	\$ 2,045	399%
% of revenue	8%	2%	6%	
Earnings per share	0.09	0.02	0.07	350%

Net income increased to \$2.35 million in the second quarter of 2005 from a net loss of \$0.35 million in the comparable period. Net income as a percentage of revenue was 14% in the quarter compared to a negative 3% in the comparable period of 2004.

Matrikon operates internationally with over two thirds of our business conducted in foreign currencies, predominantly US dollars. Accordingly, our results are affected by exchange rate fluctuations of various

currencies relative to the Canadian dollar. Currency translation gains were an after tax recovery in net income of \$0.62 million (or \$0.02 per share) in the second quarter of 2005, compared to a recovery of \$0.39 million (or \$0.01 per share) in the comparable period of 2004.

Despite the fact that the US dollar saw an improvement over the first quarter, year-to-date results continue to be negatively impacted as the Canadian dollar, relative to the US dollar, has strengthened over the first six months of fiscal 2005. The after-tax impact on year-to-date net income was a reduction of \$0.49 million (\$0.02 per share). Year-to-date, the after-tax realized foreign currency translation loss relating to exchanging US dollars into Canadian dollars was \$0.53 million (\$0.02 per share).

It is management's belief that Matrikon's continued global expansion functions as an offset to currency fluctuations by diversifying the currencies used, thereby lessening our dependency on any one currency. While the diversification of revenue currency continues, the US dollar is still the largest component of revenue at 42%. Management's plans for continued growth and expansion in Europe are expected to further reduce reliance on US currency in the future. The following table compares the percentage of billings from each of the main currencies in which Matrikon conducts business and the average exchange rate to one Canadian dollar for the second quarter of fiscal year 2005 and the second quarter of fiscal year 2004.

	Austailian Dollar	Canadian Dollar	British Pound	United States Dollar	Other Currencies
% Billings by Currency					
February 28, 2005	16 %	24 %	17 %	42 %	1 %
November 30, 2004	20 %	26 %	15 %	37 %	2 %
February 29, 2004	19 %	27 %	7 %	45 %	2 %
<i>Change (Q2 2005 - Q1 2005)</i>	<i>(4%)</i>	<i>(2%)</i>	<i>2 %</i>	<i>5 %</i>	<i>(1%)</i>
<i>Change (Q2 2005 - Q2 2004)</i>	<i>(3%)</i>	<i>(3%)</i>	<i>10 %</i>	<i>(3%)</i>	<i>(1%)</i>

Period End Exchange Rate					
February 28, 2005	0.9751	-	2.3785	1.2395	N/A
November 30, 2004	0.9306	-	2.2472	1.1866	N/A
February 29, 2004	1.0343	-	2.4966	1.3360	N/A
<i>Change (Q2 2005 - Q1 2005)</i>	<i>0.0445</i>	-	<i>0.1313</i>	<i>0.0529</i>	N/A
<i>Change (Q2 2005 - Q2 2004)</i>	<i>(0.0592)</i>	-	<i>(0.1181)</i>	<i>(0.0965)</i>	N/A

Liquidity and Capital Resources

As at (\$'000s Canadian)	28-Feb-05	30-Nov-04	29-Feb-04	31-Aug-04	Q2-Q1 Change	Q2-Q1 % Change
Cash and equivalents	\$ 9,592	\$ 7,746	\$ 10,419	\$ 6,311	\$ 1,846	24%
Trade receivables	15,647	13,004	11,459	16,771	2,643	20%
Other receivables	3,182	3,162	2,826	2,432	20	1%
Average collection period (trade receivables)	86 days	94 days	89 days	95 days	8 days	
Contracts in progress	2,577	2,537	2,350	1,830	40	2%
Current liabilities	10,526	8,852	7,430	10,446	1,674	19%

At February 28, 2005, accounts receivable were \$18.83 million compared to \$16.17 million at November 30, 2004 and \$19.20 million at August 31, 2004. This increase over the previous quarter is a result of increased sales in the quarter. In addition, the revaluation of foreign currency accounts receivable on February 28, 2005 reduced accounts receivable by \$0.04 million. Trade receivables in the quarter were

\$15.65 million compared to \$13.00 million at November 30, 2004 and \$16.77 million at August 31, 2004. Long-term accounts receivable due to holdbacks were \$0.27 million at February 28, 2005 compared to \$0.49 million at February 29, 2004. Holdbacks are common practice in some geographic areas, particularly in the Middle East. The average collection period for trade receivables was 86 days at the end of the second quarter of 2005 compared to 94 days at the end of the first quarter of 2005 and 95 days as at August 31, 2004. Matrikon's client base consists primarily of Fortune 500 companies with strong credit ratings; hence bad debt expense per annum has been minimal.

Current liabilities increased from \$8.85 million at the end of the first quarter of 2005 to \$10.53 million at the end of the second quarter. The major contributors to this change are increases in deferred revenue of \$0.78 million and income taxes payable of \$0.83 million.

Cash provided by operating activities was \$1.61 million in the second quarter of 2005, compared to cash provided by operating activities of \$1.37 million in the comparable period of 2004.

Matrikon has a \$7.00 million operating line of credit at a variable interest rate of the bank's prime plus 25 basis points. At August 31, 2004 and February 28, 2005, Matrikon had \$nil outstanding on the line of credit.

Matrikon had cash and equivalents of \$9.59 million at the end of the second quarter of 2005 compared to \$7.75 million at the end of the first quarter of 2005 and \$6.31 million at August 31, 2004. Management believes that the financial position of the company is adequate to carry out current growth strategies.

The following table summarizes Matrikon's contractual obligations:

(\$000s Canadian)	Total	Less than 1 year	2 - 3 years	4 - 5 years	More than 5 years
Operating lease obligations	\$ 4,145	\$ 1,075	\$ 2,610	\$ 460	\$ -
Foreign exchange forward contracts (\$US at 1.23)	\$ 5,000	\$ 5,000	\$ -	\$ -	\$ -

Other Information

Additional information about Matrikon, including the Annual Information Form and continuous disclosure documents, is available on SEDAR at www.sedar.com

Forward-Looking Statements

This Management's Discussion and Analysis contains forward-looking statements. The words "anticipates", "designed to", "plans", "believes", "expects", "will", "are confident that" and similar expressions are intended to identify such forward looking statements. These forward looking statements are made in light of the company's experience, its perception and assessment of historical and future trends, and the application of key assumptions relating to future events and circumstances. The material assumptions which underlie management's expectations for revenue and earnings per share include, but are not limited to, continued ability to close business at the same rate achieved in the past, relative stability in foreign currency exchange rates, continued market demand for Matrikon's products and service solutions, continued ability to retain and attract qualified employees, and continued availability of its existing line of credit. Readers should note that some assumptions, although considered reasonable at the date of the preparation of the forward-looking statement, might not materialize.

These forward looking statements are not guarantees of future performance and actual results could differ materially as a result of changes to Matrikon's plans and the impact of factors, risks and uncertainties, known and unknown, to which Matrikon's business is subject. The forward-looking statements in this press release speak only as of the date hereof. The factors which could cause actual results to differ materially from this level of revenue and earnings include, but are not limited to, changes to intensity of competition and a change in payroll costs (due to the service nature of the company, payroll is a significant component of costs). Readers are also referred to risk factors described in filings made by Matrikon from time to time with the securities regulators.

MATRIKON INC.

Consolidated Balance Sheets

(Thousands of Canadian dollars)

	February 28, 2005		August 31, 2004
	(Unaudited)		(Audited) Restated
ASSETS			
Current			
Cash and equivalents	\$ 9,592	\$	6,311
Accounts receivable	18,829		19,203
Contracts in progress	2,577		1,830
Future income taxes	189		178
Prepays	1,180		564
	<hr/> 32,367		<hr/> 28,086
Future income taxes	975		1,212
Capital assets	2,279		2,168
Intangible assets	499		911
Goodwill	10,667		10,667
	<hr/> \$ 46,787	\$	<hr/> 43,044
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	\$ 5,210	\$	5,032
Deferred revenue	3,734		3,821
Income taxes payable	1,171		750
Future income taxes	411		843
	<hr/> 10,526		<hr/> 10,446
Future income taxes	490		422
Commitments <i>(Note 8)</i>			
Shareholders' equity			
Share capital <i>(Note 4)</i>	24,406		23,624
Contributed surplus <i>(Note 5)</i>	1,444		1,188
Retained earnings <i>(Note 3)</i>	\$ 9,921		7,364
	<hr/> 35,771		<hr/> 32,176
	<hr/> \$ 46,787	\$	<hr/> 43,044

MATRIKON INC.

Consolidated Statements of Income and Retained Earnings

(Thousands of Canadian dollars except per share amounts)

	Quarter Ended		6 Months Ended	
	<i>February 28, 2005</i> (Unaudited)	<i>February 29, 2004</i> (Unaudited) Restated	<i>February 28, 2005</i> (Unaudited)	<i>February 29, 2004</i> (Unaudited) Restated
Revenue				
Consulting fees	\$ 10,286	\$ 6,357	\$ 21,650	\$ 14,731
Software license fees	3,204	1,891	3,900	4,772
Equipment sales	1,797	859	3,406	2,870
Extended support	1,436	1,045	2,723	2,081
	16,723	10,152	31,679	24,454
Cost of sales	8,080	5,637	14,912	12,615
	8,643	4,515	16,767	11,839
Expenses				
Consulting	1,646	1,654	3,361	3,442
Sales and marketing	1,803	1,958	3,488	3,500
Research and development	808	836	1,560	1,423
General and administrative	1,545	1,331	2,930	2,510
Amortization	426	312	851	589
Total expenses	6,228	6,091	12,190	11,464
Income before the undernoted	2,415	(1,576)	4,577	375
Foreign currency translation (loss) gain	961	604	(750)	(51)
Other income (expenses) <i>(Note 6)</i>	19	533	(118)	648
Income before income taxes	3,395	(439)	3,709	972
Income tax expense				
Current	1,287	26	1,290	29
Future	(245)	(110)	(138)	431
	1,042	(84)	1,152	460
Net income	\$ 2,353	\$ (355)	\$ 2,557	\$ 512
Retained earnings, beginning of quarter <i>(Note 3)</i>	\$ 7,568	\$ 6,194	\$ 7,364	\$ 5,327
Net income	\$ 2,353	\$ (355)	\$ 2,557	512
Retained earnings, end of quarter	\$ 9,921	\$ 5,839	\$ 9,921	\$ 5,839
Earnings per share				
Basic earnings per share	0.08	(0.01)	0.09	0.02
Diluted earnings per share	0.08	(0.01)	0.08	0.01
Weighted average number of shares outstanding <i>(000s)</i>				
Basic	29,633	28,877	29,610	28,120
Diluted	30,413	30,045	30,349	29,451

MATRIKON INC.

Consolidated Statements of Cash Flows

(Thousands of Canadian dollars)

	Quarter Ended		6 Months Ended	
	February 28, 2005 (Unaudited)	February 29, 2004 (Unaudited) Restated	February 28, 2005 (Unaudited)	February 29, 2004 (Unaudited) Restated
OPERATING ACTIVITIES				
Net income (loss)	\$ 2,353	\$ (355)	\$ 2,557	\$ 512
Items not affecting cash:				
Future income taxes	(245)	(110)	(138)	431
Amortization	426	312	851	589
Stock based compensation (Note 4)	202	152	392	305
	\$ 2,736	\$ (1)	\$ 3,662	\$ 1,837
Changes in non-cash working capital	(1,125)	1,373	(477)	(707)
Cash provided by operating activities	\$ 1,611	\$ 1,372	\$ 3,185	\$ 1,130
INVESTING ACTIVITIES				
Purchase of intangible assets	-	-	-	(178)
Purchase of company , net of cash	-	-	-	-
Purchase of capital assets	(276)	(274)	(550)	(573)
Cash provided (used in) investing activities	\$ (276)	\$ (274)	\$ (550)	\$ (751)
FINANCING ACTIVITIES				
Repayment of bank indebtedness	-	-	-	-
Proceeds of share issue, net of share issue costs	511	262	646	9,745
Cash provided by (used in) financing activities	\$ 511	\$ 262	\$ 646	\$ 9,745
Cash increase	\$ 1,846	\$ 1,360	\$ 3,281	\$ 10,124
Cash and equivalents, beginning of quarter	7,746	9,059	6,311	295
Cash and equivalents, end of quarter	\$ 9,592	\$ 10,419	\$ 9,592	\$ 10,419
Supplementary cash flow disclosure:	\$ 9,592	-	\$ 9,592	-
Income taxes paid (recovered)	476	168	886	90
Interest paid (recovered)	(13)	(11)	(30)	-

Notes to the Consolidated Financial Statements

Quarter ended February 28, 2005 and February 29, 2004

Thousands of Canadian dollars except share and per share amounts

1. CONSOLIDATED FINANCIAL STATEMENT PRESENTATION

The unaudited interim consolidated financial statements for the quarter ended February 28, 2005 should be read in conjunction with the consolidated financial statements for the year ended August 31, 2004. These interim financial statements conform in all material respects to the requirements of Canadian generally accepted accounting principles for interim financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

These interim financial statements follow the same accounting policies and methods as the consolidated financial statements for the year ended August 31, 2004, except as described below and in note 3.

3. CHANGE IN ACCOUNTING POLICY

During 2004, the Corporation adopted, on a retroactive basis, the transitional provisions of the CICA Handbook Section 3870, "Stock Based Compensation and Other Stock Based Payments". In accordance with the provisions of this section, the Corporation has accounted retroactively for all stock options granted, settled, or modified since September 1, 2002 using the fair value based method. The fair value based method requires the Corporation to expense the fair value of the options granted or modified during the period.

Prior to the adoption of the new standard, no compensation expense was recognized when stock options were issued. Consideration paid by employees on the exercise of stock options was recorded as share capital. The Corporation had previously disclosed the effect of accounting for these awards under the fair value based method on a pro forma basis.

In accordance with Section 3870, this change in accounting policy has been applied retroactively and the amounts presented for prior periods have been restated. The effect of this policy adoption are detailed in the table below. When options are exercised, the proceeds received by the Corporation, together with the amount originally recorded as contributed surplus when the options are granted, are credited to share capital. The impact of this restatement on the consolidated financial statements is as follows:

	As previously reported	Adjustment	Restated
As at August 31, 2003			
Retained earnings	\$ 5,899	\$ (572)	\$ 5,327
Contributed surplus	\$ 29	\$ 572	\$ 601
As at August 31, 2004			
Retained earnings	\$ 8,577	\$ (1,213)	\$ 7,364
Contributed surplus	\$ 178	\$ 1,010	\$ 1,188
Share Capital	\$ 23,421	\$ 203	\$ 23,624
Three months ended February 29, 2004:			
Other income	\$ 658	\$ (125)	\$ 533
Net income	\$ (230)	\$ (125)	\$ (355)
Net earnings per common share:			
Basic	\$ (0.01)	\$ (0.00)	\$ (0.01)
Diluted	\$ (0.01)	\$ (0.00)	\$ (0.01)
Six months ended February 29, 2004:			
Other income	\$ 908	\$ (260)	\$ 648
Net income	\$ 772	\$ (260)	\$ 512
Net earnings per common share:			
Basic	\$ 0.03	\$ (0.01)	\$ 0.02
Diluted	\$ 0.03	\$ (0.02)	\$ 0.01

Notes to the Consolidated Financial Statements

Quarter ended February 28, 2005 and February 29, 2004

Thousands of Canadian dollars except share and per share amounts

4. SHARE CAPITAL

(a) Issued Shares

	6 Months ended February 28, 2005		6 Months ended February 29, 2004	
	Number of Shares	\$ 000's	Number of Shares	\$ 000's
Authorized in unlimited numbers				
Common shares				
Issued				
Balance, beginning of period	29,383,297	\$ 23,624	24,224,306	\$ 12,948
Private placement, net of share issue costs	-	-	4,545,455	9,357
Warrants exercised	115,914	348	-	-
Stock options exercised	153,094	350	210,299	388
Employee stock ownership plan	48,009	84	45,416	-
Balance end of period	29,700,314	\$ 24,406	29,025,476	\$ 22,693

(b) Stock Options

The following stock options, with expiry dates up to January 2013, remain outstanding:

	Number of Shares	Weighted Average Exercise Price
Balance, August 31, 2004	1,957,360	\$ 2.12
Granted	78,000	2.91
Exercised	(153,094)	1.94
Cancelled	(28,728)	2.46
Expired	-	-
Balance, February 28, 2005	1,853,538	\$ 2.16

The following table summarizes information about share options outstanding February 28, 2005:

Range of Exercise Prices	Options Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
2.88 - 3.60	408,000	5.40	\$3.02	97,500	\$3.14
2.00 - 2.49	618,775	2.68	2.04	618,775	2.04
1.70 - 1.99	743,913	3.11	1.86	693,913	1.86
1.36 - 1.69	82,850	3.62	1.56	82,850	1.56
	1,853,538	3.49	\$ 2.16	1,493,038	\$2.00

Notes to the Consolidated Financial Statements

Quarter ended February 28, 2005 and February 29, 2004

Thousands of Canadian dollars except share and per share amounts

4. SHARE CAPITAL (CONTINUED)

The fair value of common share options is estimated at the grant date using the Black-Scholes pricing model based on the following assumptions:

	February 2005	February 2004
Risk free interest rate	3.51%	3.71%
Expected life	3 years	5 years
Expected volatility	63%	81%
Expected dividends	-	-

For the three months ended February 28, 2005 the Corporation recorded \$144 (\$98 - February 29, 2004) in compensation expense related to stock options. For the six months ended February 28, 2005 the Corporation recorded \$323 (\$260 - February 29, 2004) in compensation expense related to stock options.

(c) Employee Stock Ownership Program

The Corporation also has an employee share ownership program (ESOP), whereby the Corporation will issue one Common Share from Treasury at no cost to the employee for every two shares that are purchased in the market by the employee and held for 16 months. Common Shares valued to a maximum of 10% of the employee's earnings in the prior calendar year may be registered for participation in the program at the end of every quarter.

For the three months ended February 28, 2005 \$58(\$27 - February 29, 2004) of compensation expense has been recorded in other income with a corresponding credit to contributed surplus. For the six months ended February 28, 2005 \$103(\$18 - February 29, 2004) of compensation expense has been recorded in other income with a corresponding credit to contributed surplus. The following table summarizes common shares eligible to be issued under the program:

Date of Registration	Common Shares Eligible for Issuance	Date Eligible for Issuance
November 2003	19,614	March 2005
February 2004	36,797	June 2005
May 2004	3,231	September 2005
August 2004	9,641	December 2005
November 2004	22,646	March 2006
February 2005	73,007	June 2006

During the six months ended February 28, 2005, the Corporation recognized a reduction in compensation expense of \$34 (nil for the six months ended February 29, 2004) with respect to forfeitures of common shares eligible to be issued under the employee share ownership program.

(d) Warrants

The Corporation has 100,919 (November 2004 - 216,833) common share warrants outstanding which are convertible into an equivalent number of common shares at \$3.00 which expire September 24, 2005.

Notes to the Consolidated Financial Statements*Quarter ended February 28, 2005 and February 29, 2004**Thousands of Canadian dollars except share and per share amounts***5. CONTRIBUTED SURPLUS**

	3 Months Ended 28-Feb-05	6 Months Ended 28-Feb-05
Contributed Surplus restated		
Opening balance	\$ 1,242	\$ 1,188
ESOP compensation expense	58	103
ESOP forfeiture adjustment	-	(34)
Stock options expense	144	323
Reclassification to share capital in respect of options exercised	-	(52)
Reclassification to share capital in respect of ESOP shares issued	-	(84)
Closing balance	\$ 1,444	1,444

6. OTHER INCOME (EXPENSES)

	3 Months Ended 28-Feb-05	3 Months Ended 29-Feb-04 (Restated)	6 Months Ended 28-Feb-05	6 Months Ended 29-Feb-04 (Restated)
Scientific Research and Development	\$166	\$589	\$166	\$698
Interest income	58	42	101	103
Gain on sale on capital assets			0	3
Sundry expense recoveries	(3)	27	(3)	122
Compensation expense (Note 4 (b)&(c))	(202)	(125)	(392)	(278)
	\$19	\$533	\$(128)	\$648

Notes to the Consolidated Financial Statements

Quarter ended February 28, 2005 and February 29, 2004

Thousands of Canadian dollars except share and per share amounts

7. SEGMENTED INFORMATION

Matrikon operates the following business segments, which have been segmented based on the way that management organizes the segments within the business for making operating decisions and assessing performance. The Corporation has modified their business units to include a Corporate segment to further align the Corporation's segments with current business management practices. The distribution of revenue, expenses, capital assets and goodwill by business unit is as follows:

Q2 2005 3 Months Ending February 28, 2005	Eastern Canada & United States	Western Canada	Australia	Europe	Products and support	Corporate	Total
<i>Total revenue</i>	\$ 1,933	\$ 4,755	\$ 3,015	\$ 1,899	\$ 5,121	\$ -	\$ 16,723
<i>Cost of sales</i>	884	3,109	2,209	829	1,049	-	8,080
<i>Gross margin</i>	1,049	1,646	806	1,070	4,072	-	8,643
<i>Expenses</i>	583	1,292	310	306	2,078	1,659	6,228
<i>Other income (expenses) and foreign exchange translation</i>	-	-	-	163	-	817	980
<i>Income before income taxes</i>	\$ 466	\$ 354	\$ 496	\$ 927	\$ 1,994	(842)	\$ 3,395
<i>Capital assets</i>	\$ 173	\$ 1,479	\$ 514	\$ 113	\$ -	\$ -	\$ 2,279
<i>Goodwill</i>	\$ 320	\$ 2,001	\$ 640	\$ 1,098	\$ 2,100	\$ 4,508	\$ 10,667

Q2 2004 3 Months Ending February 29, 2004	Eastern Canada & United States	Western Canada	Australia	Europe	Products and support	Corporate	Total
<i>Total revenue</i>	\$ 1,025	\$ 3,622	\$ 2,123	\$ -	\$ 3,382	\$ -	\$ 10,152
<i>Cost of sales</i>	812	2,593	1,727	-	505	-	5,637
<i>Gross margin</i>	213	1,029	396	-	2,877	-	4,515
<i>Expenses</i>	856	1,257	464	-	1,935	1,579	6,091
<i>Other income (expenses) and foreign exchange translation</i>	3	-	-	-	-	1,134	1,137
<i>Income before income taxes</i>	\$ (640)	\$ (228)	\$ (68)	\$ -	\$ 942	\$ (445)	\$ (439)
<i>Capital assets</i>	\$ 244	\$ 1,478	\$ 516	\$ -	\$ -	\$ -	\$ 2,238
<i>Goodwill</i>	\$ 552	\$ 1,151	\$ 793	\$ -	\$ 2,946	\$ -	\$ 5,442

Notes to the Consolidated Financial Statements

Quarter ended February 28, 2005 and February 29, 2004

Thousands of Canadian dollars except share and per share amounts

7. SEGMENTED CONTINUED

Q2 2005 6 Months Ending February 28, 2005	Eastern Canada & United States	Western Canada	Australia	Europe	Products and support	Corporate	Total
<i>Total revenue</i>	\$ 4,000	\$ 10,444	\$ 5,194	\$ 3,447	\$ 8,594	\$ -	\$ 31,679
Cost of sales	1,903	6,179	3,744	1,405	1,681	-	14,912
<i>Gross margin</i>	2,097	4,265	1,450	2,042	6,913	-	16,767
<i>Expenses</i>	1,193	2,472	640	862	3,850	3,173	12,190
Other income (expenses) and foreign exchange translation	-	-	-	177	(1)	(1,044)	(868)
<i>Income before income taxes</i>	\$ 904	\$ 1,793	\$ 810	\$ 1,357	\$ 3,062	\$ (4,217)	\$ 3,709
<i>Capital assets</i>	\$ 173	\$ 1,479	\$ 514	\$ 113	\$ -	\$ -	\$ 2,279
<i>Goodwill</i>	\$ 320	\$ 2,001	\$ 640	\$ 1,098	\$ 2,100	\$ 4,508	\$ 10,667

Q2 2004 6 Months Ending February 29, 2004	Eastern Canada & United States	Western Canada	Australia	Europe	Products and support	Corporate	Total
<i>Total revenue</i>	\$ 2,989	\$ 8,162	\$ 5,586	\$ -	\$ 7,717	\$ -	\$ 24,454
Cost of sales	1,709	5,691	4,129	-	1,086	-	12,615
<i>Gross margin</i>	1,280	2,471	1,457	-	6,631	-	11,839
<i>Expenses</i>	1,428	2,588	790	-	3,927	2,731	11,464
Other income (expenses) and foreign exchange translation	3	-	-	-	-	594	597
<i>Income before income taxes</i>	\$ (145)	\$ (117)	\$ 667	\$ -	\$ 2,704	\$ (2,137)	\$ 972
<i>Capital assets</i>	\$ 244	\$ 1,478	\$ 516	\$ -	\$ -	\$ -	\$ 2,238
<i>Goodwill</i>	\$ 552	\$ 1,151	\$ 793	\$ -	\$ 2,946	\$ -	\$ 5,442

Goodwill balances and corporate infrastructure balances for 2004 have been reclassified to conform to the current period's presentation.

Notes to the Consolidated Financial Statements*Quarter ended February 28, 2005 and February 29, 2004**Thousands of Canadian dollars except share and per share amounts***8. COMMITMENTS****Forward Contracts**

Subsequent to the end of the quarter, the Corporation entered into foreign currency forward exchange contracts to manage cash flows between currencies for a short-term period. The Corporation has entered into the following contracts to sell United States dollars:

Expiry Date	Amount Contracted (U.S. \$)	Rate
March 2005	1,000	1.23
April 2005	1,000	1.23
May 2005	1,000	1.23
June 2005	1,000	1.23
July 2005	1,000	1.23