

TIREX CORP
Form 10KSB
October 14, 2004

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-KSB

(Mark One)

- Annual report under Section 13 or 15(d) of the Securities Exchange Act of 1934 For the fiscal year ended June 30, 2004
- 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
(Name of Small Business Issuer in Its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	22-3282985 (I.R.S. Employer Identification No.)
---	---

4055 Ste-Catherine St. West, Suite 151 Westmount, Quebec (Address of Principal Executive Offices)	H3Z 3J8 (Zip Code)
---	---------------------------

(514) 935-2525
(Issuer's Telephone Number, Including Area Code)

Securities registered under Section 12(b) of the Exchange Act:

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
NONE	NONE

Securities registered under Section 12(g) of the Exchange Act:

NONE

Edgar Filing: TIREX CORP - Form 10KSB

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

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and if no disclosure will be contained, to the best of the Company's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

\$nil
(Issuer's revenues for its most recent fiscal year)

\$4,998 (as of September 30, 2004)
(Aggregate market value of the voting stock held by non-affiliates
of the Issuer)

249,895,892 (as of September 30, 2004)
(Number of shares outstanding of each of the Issuer's classes of
common stock)

Transitional Small Business Disclosure Format (check one) Yes No

Edgar Filing: TIREX CORP - Form 10KSB

DOCUMENTS INCORPORATED BY REFERENCE
into Part I

Annual Report of the Company on Form 10-KSB for
the year ended June 30, 2004

Quarterly Reports of the Company on Form 10-QSB
for the quarters ended September 30, 2003, December 31, 2003,
and March 31, 2004

Current Reports on Forms 8-K of the Company

(none)

ITEM 1. DESCRIPTION OF BUSINESS

The Company

The Tirex Corporation (hereinafter referred to as "we", "us" or the "Company") is engaged in the business of developing for sale, license or lease an environmentally safe patented "turn key" cryogenic tire recycling system, known as the "TCS System". The TCS System was designed and developed by us and separates tires into clean and saleable rubber crumb, steel wire, and fiber. The Company was incorporated in Delaware on August 19, 1987 under the name "ConcordEnterprises, Inc." The Company's name was changed to "Stopwatch Inc." on June 20, 1989 and to "Tirex America Inc." on March 10, 1993. On July 11, 1997, the Company's name was changed to "The Tirex Corporation". Since 1993, our core business has been to develop and to initiate marketing efforts by sale or license of an environmentally friendly cryogenic tire recycling system, which we intend to sell to recycling companies and governmental agencies to enable them to recycle tires. We have devoted the bulk of our efforts to completing the design and development of our first production model and raising the financing required to do so. The Company has generated only very limited revenues from operations and is still in the development stage.

The TCS-System

Our TCS-System comprises a complete, turn-key, environmentally safe, cryogenic tire recycling system designed to: (i) disintegrate scrap tires, using less energy than is required by existing ambient methods (which shred and/or chop tires at "ambient" or normal room temperatures) or other currently available cryogenic methods (which reduce the temperature of the materials through the use of liquid nitrogen), and (ii) produce commercially exploitable, high quality, clean rubber crumb and unshredded steel and fiber. Disregarding configuration variations related to tire feedstock preparation and possible auxiliary grinding after processing through the System to obtain higher proportions of fine mesh rubber, these variations not forming part of our technology in any event, the TCS System is offered in two basic versions, these being the TCS-1 and the TCS-2. These two versions have an annual throughput capacity of approximately one million tires and two million tires respectively, these numbers based on average automobile tires having a scrap weight of approximately nineteen pounds.

The freezing chamber of the TCS-1 Production Model previously located in Montreal was a large tank through which the tire parts are circulated at temperatures of approximately 170 degrees below zero, Fahrenheit. The second version of the TCS has been designed to run approximately 20 degrees colder to ensure that no pieces of rubber can warm up to the "glass point" before being entirely processed by our patented fracturing mill. Frozen tire parts are passed through another chamber that separates the component parts of all tires, including rubber, wire and twine. This chamber contains crushing mechanisms and other proprietary parts and processes that transform the rubber into very small particles (mesh). The mesh is then physically separated from the metal and twine and is finally subjected to other steps to achieve the desired mesh size.

The functions and mechanisms of the TCS-System have been designed for the exclusive purpose of disintegrating automobile tires, although relatively minor modifications could be introduced to accept other kinds of tires as well. The components of a typical tire, which the TCS System is designed to cleanly separate, basically consist of the following elements:

Edgar Filing: TIREX CORP - Form 10KSB

1. Two types of rubber. The sidewalls of automobile tires are constructed of material containing a higher percentage of natural, as opposed to synthetic, rubber which is used in the treads. One of the several possible configurations of the front-end tire preparation section of the TCS-System has been designed to allow the entrepreneur to take advantage of these differences to produce separate rubber powders from sidewalls and treads, should the market for his output show such separation to be advantageous;

- Steel beads, which consist of steel wires tightly wound together to a diameter of approximately 3/8 of an inch. These beads are imbedded around the edges of the tire which contact the wheel rims; Steel belting, which incorporates a thin layer of steel wires laid out in a "herring bone" pattern and which underlies the surface of the tread area; and
- Fiber threads which are incorporated into the rubber used throughout the tire.

The TCS System has been designed to operate continuously (with minimum amounts of scheduled downtime for maintenance) and to require less energy than is used, to the best of the Company's knowledge, by other presently existing tire recycling equipment.

Step-by-Step Operations

The step-by step operations of the TCS-System comprise the following:

Tire Feedstock Preparation

The TCS System is not designed to accept whole tires; whole tires must undergo preliminary preparation to produce pieces of tire having a dimension which permits their introduction into the patented fracturing mill. Feedstock preparation can be accomplished in a number of ways including chipping, shredding and removal of sidewalls followed by diecutting. None of these techniques form part of the TCS System technology and the technique ultimately chosen by the tire recycling entrepreneur will revolve around issues of capital and operating costs as well as possible issues of transportation costs respecting whole tires.

Freezing the Tire Pieces

The prepared tire pieces are deposited on a conveyor belt which brings a continuous stream of tire pieces to a freezing chamber. Supercooled air, produced on-site by an Air Plant, is continuously blown into the freezing chamber, and this cold air freezes the tire pieces moving through the chamber to the point where these pieces can be made to shatter like glass when subjected to forces such as pressure and bending. After approximately thirty minutes in the Freezing Chamber the frozen pieces exit the Freezing Chamber and enter our patented disintegrators ("Fracturing Mills").

Size Reduction and Materials Separation in the Fracturing Mill

The frozen tire pieces pass through our patented disintegrators ("Fracturing Mills") where the pieces are reduced to three separate output materials, these being rubber crumb of varying degrees of fineness, intact pieces of steel and intact pieces of fiber. This operation does not involve any chopping, shredding, or hammer-milling. Therefore, the steel wires are neither cut nor broken. The fiber threads retain their basic shapes and characteristics. No steel powder or fiber fluff is produced.

Elimination of the Steel from the Fracturing Mill Output

Upon completion of processing in the Fracturing Mill, the output is conveyed to a magnetic separation system where the intact steel wires are magnetically removed from the remaining output of the Fracturing Mill, this being the

rubber crumb and the fiber. The steel can then be baled for either disposal or sale.

Fiber Removal

The fiber and rubber crumb is then passed through screens to separate the crumb from the fiber threads. The fiber threads are then conveyed out of the machine. The fiber can then be baled or put into a container for either disposal or sale.

Rubber Crumb Finishing

Rubber crumb finishing operations are dictated by the output requirements of the entrepreneur and his or her customers. The TCS System has been configured to produce rubber crumb in mesh sizes ranging from 10 mesh to 30 mesh at the option of the entrepreneur, and in such proportions of mesh sizes as the entrepreneur decides, according to his market requirements. Market considerations might incite the recycling entrepreneur to request even finer mesh sizes of rubber crumb than a TCS System is designed to produce. This requires auxiliary grinding, which takes place after the steel and fiber have been removed, and would affect the configuration of the post Fracturing Mill operations. Auxiliary processing equipment does not form part of the TCS System technology.

It is possible that some very small pieces of steel and fiber can be trapped in the larger pieces of rubber coming out of the Fracturing Mill. These small amounts of steel and fiber are released during auxiliary processing and can be separated during the auxiliary processing operation, magnetically for the steel and by an air separation system for the residual fiber. The rubber crumb is then passed through a series of screens to sort the rubber crumb by mesh size, which is thence packaged for customer requirements.

Research and Development Activities

The Company's technical expertise and that of its consultants have been an important factor in the development of the TCS technology, and thus the market potential and positioning of the Company. Since its inception, the Company has devoted substantial resources to the design and development of the TCS technology as well as to raising the financing necessary for such activities. The unavailability of financial resources forces the Company to suspend research and development activities prior to the beginning of the 2004 fiscal year. During the fiscal year 2003, the Company expended approximately \$450,000 on research and development activities applied to the design and development of the TCS-2 model, the successor to the original TCS-1 First Production Model, as well as to product development involving rubber crumb. In collaboration with our Licensee, Simpro S.p.A. of Turin, Italy, we continue to refine and enhance our tire disintegration technology to comply with emerging regulatory or industry standards or the requirements of any potential customer.

During the fiscal year ended June 30, 2003 all research and development activities respecting the TCS-1 First Production Model and the design of the TCS-2 were carried out by the Company's engineering and technical staff, consisting of Louis V. Muro, Vice President in Charge of Engineering, and two other Company contractually employed engineers.

Our current rate of recovery of saleable rubber per tire is approximately 94% of the total approximate amount of rubber (14.5 lbs.) in a 19 lb. (average weight) used auto tire. To the best of our knowledge, the recycling industry currently recovers only 70-80% of the rubber. Our Licensee, Simpro S.p.A., is currently in construction of a demonstration platform which will represent the second generation TCS technology.

Manufacturing

Our activities to date focused primarily on the design and development of the original TCS-1 First Production Model, and, more recently, on the design of a second generation version of this technology. In connection with these activities, we have been dependent upon arrangements with subcontractors for the manufacture and assembly of the principal components incorporated into a TCS System Plant. Pursuant to

our signing of the exclusive manufacturing license agreement with Simpro, S.p.A., with the exception of those systems which Simpro might choose to refuse to accept a contract from any particular potential customer, all manufacturing activities of our company will now be undertaken by this Italian company. In the seemingly unlikely scenario where Simpro would refuse a contract which we believe should be accepted, we would have the right to go to alternate sources to have such systems manufactured and installed. Management believes that numerous alternative sources of supply for all such systems are readily available.

We have licensed the manufacturing respecting our technology to our Manufacturing Partner, Simpro S.p.A. of Turin, Italy. Simpro is a designer and manufacturer of high-technology production systems, historically primarily for the automobile industry, and is active internationally. Simpro has its ISO 9001, ISO 14001 and EMAS certifications.

Operations

Until near the end of Fiscal 2002, we had one Production Model TCS-1 Plant which was composed of various proprietary and non-proprietary parts and technology. During Calendar 2001 we converted the Production Model into a full-scale commercial recycling center, with only two pieces of equipment required to be added such that we would be able to produce the quantities of fine mesh rubber crumb demanded by our identified customers. The lack of financial resources forced Management to suspend crumb rubber operations at the time of the calendar 2001 Christmas season. The continued lack of financial resources in early calendar 2002 forced Management to prolong the shutdown indefinitely. Near the end of Fiscal 2002, the Air Plant was returned to the lessor, and, subsequently, the remaining components of the system were dismantled. In order to satisfy the consulting fees and out-of-pocket costs associated with the dismantling, relocation and storage of the First Production Model, most of these components were assigned to the consultant for sale. The Fracturing Mill was sent to the Simpro facility in Italy, where it remains, to facilitate its redesign into a more compact unit.

On May 29, 1997, we entered into an Equipment Lease and Purchase Agreement (the "OTRP L&P Agreement") with Oceans Tire Recycling & Processing Co., Inc. ("OTRP"), a New Jersey corporation. Pursuant to the OTRP L&P Agreement, OTRP was to purchase the first production model TCS-1 Plant with an anticipated delivery date of September 15, 1997. However, while construction of the first full-scale Production Model of the TCS-1 Plant began in February of 1997, its completion was delayed because of the limited funds available for such purpose. As a result, OTRP waived the delivery date and agreed to reschedule delivery. In December 1997, OTRP and the Company agreed that, to the extent necessary for OTRP to obtain sale and lease-back financing for the front-end module ("Front-End") and for certain parts of the Air Plant portion of the Plant, the OTRP Agreement would be deemed to be modified, as required for such purpose. In connection therewith OTRP arranged with an equipment financing company for sale and lease-back financing, pursuant to which: (i) the said financing company purchased the Front-End and certain designated portions of the TCS-1 Plant's Air Plant directly from us; and (ii) leased such equipment back to OTRP pursuant to its arrangements with OTRP and/or the OTRP principals. We sold, pursuant to a lease purchase arrangement, the Front-End for a total purchase price of \$300,000, with irrevocable acceptance and final payment being obtained in December of 1997. The designated portions of the Air Plant were sold/leased to a financing company for a total purchase price of \$580,000, with irrevocable acceptance and final payment being obtained in April of 1998.

In July 2000, we entered onto a new agreement with OTRP/its principals (the "New Agreement") modifying and clarifying provisions of the prior agreement between the parties regarding certain rights to the Production Model. Pursuant to the terms of the New Agreement, we issued 4,553,102 shares of its Common Stock to OTRP's principal officer and stockholder in exchange for forgiveness of approximately \$938,000 in advances to us or paid on its behalf through June 30, 2000. The New Agreement confirmed OTRP's assignment to us of all its rights to the Production Model and related technology, including all intellectual property rights and any and all rights accruing to OTRP upon termination of the financing lease/purchase arrangements. In addition, OTRP and its principal agreed to make all lease payments to the financing companies in the event we failed to do so and to convert all advances into our Common Stock at 50% of the market value on the date of conversion. During fiscal year ended June 30, 2001 OTRP advanced

\$256,857 toward our lease payments, and continued to make lease payments in Fiscal 2002 at the rate of \$29,280 per month, until the expiration of the lease in mid-April 2002. Insofar as the equipment was not being used after the expiry of the lease, no further lease payments were made. As indicated previously, the lessor requested the return of the equipment, which was accomplished when the lessor provided us with an appropriate destination. In April of 2002, 2,250,000 shares were issued in partial payment against the lease payments made.

Subsidiaries

In May of 1995, in order to take advantage of financial incentives in connection with the research and development work on the first production model of the TCS-1 Plant, we formed a Canadian corporation, 3143619 Canada Inc. On June 3, 1998, this entity's name was changed to Tirex Canada R&D Inc. (hereinafter referred to as "Tirex R&D"). To qualify for Canadian Government grants and tax benefits, the record owners of 51% of the issued and outstanding capital stock of Tirex R&D are John L. Threshie, Jr. our President and Chairman of our Board of Directors and Louis V. Muro, our Vice President of Engineering and a member of our Board of Directors, both of whom are Canadian residents. John L. Threshie, Jr. also serves as the Chairman of the Board of Directors and the Chief Executive Officer of Tirex R&D while Louis V. Muro also serves as a vice president and a director of Tirex R&D. We are the record holder of the balance of 49% of the issued and outstanding capital stock of Tirex R&D. Messrs. Threshie and Muro hold their Tirex R&D shares under the terms of a shareholders agreement, which we can require them to transfer all such shares to us for no compensation.

On April 22, 1998, we formed a second Canadian corporation, 3477584 Canada Inc., the name of which was changed to Tirex Advanced Products Quebec Inc. on June 3, 1998 (hereinafter referred to as "TAP"). TAP is a wholly owned subsidiary of ours, but is presently dormant.

On June 1, 1998, we formed a third Canadian corporation, The Tirex Corporation Canada Inc., referred to herein as "TCCI". TCCI is also a wholly owned subsidiary of ours. TCCI was established to operate as our manufacturing arm, but is presently dormant. We do not have any current plans to reactivate TCC.

We also have another dormant, wholly owned subsidiary, formed under the laws of the State of Delaware, Tirex Acquisition Corp. ("TAC"), for which we have no present plans.

Canadian Grants

The governments of Canada and of Quebec, have officially acknowledged the pivotal role played by business investment in research and development in ensuring sustained economic growth and long-term prosperity. In order to encourage such activities, the Government of Canada, on a national basis, and the Government of Quebec, on a provincial basis, support private research and development initiatives through the provision of scientific research tax incentives to businesses and individuals. As a result of the combined efforts of both levels of government, the Quebec location has offered the most generous tax incentives for research and development programs in North America of which we are aware.

In May of 1995, in order to take advantage of such financial incentives in connection with the research and development work on the first production model of the TCS-1 Plant, we formed Tirex R&D. (See "Subsidiaries").

The Tirex R&D License

Tirex R&D holds an exclusive, ten year license from the Company, which expires on July 2, 2005. This license, which was modified in June of 2002, permits Tirex R&D to design, develop, and manufacture the TCS-Systems on a worldwide basis (the "Primary License"). To the extent necessary to ensure that Tirex R&D's operations are focused on pure research and development activities, Tirex R&D may sublicense the Primary License to TCCI or such other corporate entity as would be deemed appropriate and beneficial. Unless the context requires otherwise, the terms of

the sublicense will be identical to those of

the Primary License. To the extent necessary to achieve the aforesaid goals, all other contracts to which Tirex R&D is a party, will be transferred and assigned, in whole or in part, from Tirex R&D to us, TCCI, or any other existing or future subsidiary or affiliate of ours.

Canadian Government and Government Sponsored Financial Assistance

Our May 1995 transfer of our research and development and manufacturing activities to Tirex R&D (then referred to as "Tirex Canada") made us eligible for various Canadian and Quebec government programs which provide loans, grants, and tax incentives, as well as government guarantees for loans from private lending institutions, for eligible investment, research and development, and employee-training activities.

Tax Incentives

Canadian and Quebec tax incentives take the form of deductions and tax credits with respect to eligible research and development expenditures of Tirex R&D. Certain tax credits are called "refundable" because, to the extent that the amount of the tax credit exceeds the taxes payable, they are paid over or "refunded" to the taxpayer. Thus, these credits function effectively as monetary grants. To qualify for such tax credits, research and development activities must comprise investigation or systematic technological or scientific research conducted through pure or applied research, undertaken to advance science and develop new processes, materials, products or devices or to enhance existing processes, materials, products, or devices. In the period following June 30, 2002, the Company's claim for tax credits in respect of Fiscal 2002 was audited by Revenue Canada, which organization changed its name to Canada Customs and Revenue Agency, or CCRA. For purposes of ease of reading, the old name of Revenue Canada will continue to be used. As a result of this assessment, Revenue Canada determined that Cdn\$193,936 (approximately US\$124,000) was due to us. After deducting arrearages on payroll taxes and amounts due to other government departments, the Company received a net amount of Cdn\$132,038 (approximately US\$84,500). As a function of reciprocal arrangements between Revenue Canada and Revenue Quebec, the Revenue Canada audit result becomes the basis of the calculation of the tax credit granted by Revenue Quebec. The calculated Quebec credit is Cdn\$180,520 (approximately US\$115,500) After deduction of payroll tax arrearages and payroll tax audit adjustments, an amount due to us in the amount of Cdn\$119,365 was established (approximately US\$76,400). Rather than release this amount, Revenue Quebec withheld the amount on account of taxes owed by the President of the Company. This situation remains unresolved.

Canadian Government, and Government Sponsored Loans and Grants

We have in the past also received financial assistance by way of loans and grants from Canadian and Quebec governmental agencies for the design and development of the TCS-1 Plant and for export market development. All of the activities for which these loans were approved have been completed and we have received the funds approved. Approximately 80% of the loans previously received have been repaid. Of the remaining approximately US\$78,091, an approximate amount of US\$14,800 will be forgiven if the Company does not realize any sales in Spain and Portugal prior to June 30, 2007.

Patent Protection

We were issued a United States patent on our Cryogenic Tire Disintegration Process and Apparatus on April 7, 1998 (Patent No. 5,735,471). The duration of the patent is 20 years from the date the original application was filed. In November 1998, we filed our patent, for review, with the Canadian Patent Office. We are unable to state at this time how long the Canadian review process will take and is unable to give any assurances that the Canadian Patent will be granted. Prior to the issuance of such patent, we relied solely on trade secrets, proprietary know-how and technological innovation to develop our technology and the designs and specifications for the TCS-1 Plant. The Company's patent is free of liens. We do not presently hold any patents for our products or systems outside of the United States. A Canadian patent has been applied for and remains pending. We have lacked the financial resources to

apply for a process patent on an international basis, but the Company intends to file for additional patent protection, in accordance with our Agreement with Simpro S.p.A. of Turin, Italy, once sufficient financial resources will become available.

We have entered into confidentiality and invention assignment agreements with certain employees and consultants, which limit access to, and disclosure or use of, our technology. There can be no assurance, however, that the steps we have taken to deter misappropriation of our intellectual property or third party development of our technology and/or processes will be adequate, that others will not independently develop similar technologies and/or processes or that secrecy will not be breached. In addition, although Management believes that our technology has been independently developed and does not infringe on the proprietary rights of others, there can be no assurance that our technology does not and will not so infringe or that third parties will not assert infringement claims against us in the future. Management believes that the steps they have taken to date will provide some degree of protection, however, no assurance can be given that this will be the case.

Competition

At present, there are various methods available to recycle tires, either to produce rubber crumb or to extract their energy value. We know of no devices, apparatus or equipment, utilizing technology which is identical or comparable to the TCS-System technology, which are presently being sold or used anywhere in the world, nor are we aware of any competing patents relating to our disintegration technology. However, the TCS-System technology may reasonably be expected to have to compete with related or similar processes, machines, or devices for tire disintegration, cryogenic or otherwise. There are presently many companies currently recycling tires which have established business relationships. Moreover, prospective competitors which may enter the field in the future may be considerably larger than us in total assets and resources.

This could enable them to bring their own technologies to more advanced stages of development with more speed and efficiency than we will be able to apply to the TCS-System. Additionally, manufacturers of presently available equipment and systems are in a position to operate research and development departments dedicated to continuously improving conventional systems and to developing new and improved systems. There can be no assurance that the TCS-System will successfully compete with existing systems or with any improved or new systems which may be developed in the future.

Employees

As of October 2004, we have four persons employed either directly or under consulting contracts including its three executive officers.. Three of the foregoing persons devote their full time to our business and affairs, as required. At times, we also utilize the services of part-time consultants to assist us with market research and development and other matters. We intend to hire additional personnel, as needed, and as financial resources permit.

Potential Markets

We believe that the potential markets for our TCS System will be directly reflected by the level of demand for economical, high quality rubber crumb derived from the recycling of scrap tires. The following discussion of the potential markets for rubber crumb assumes that the TCS System will be capable of economically producing high quality recycled rubber crumb and in a variety of sizes, capable of being used in wide range of products. It should be noted, however, that because of the limited operating history of our heretofore TCS-1 Production Model Plant, we cannot, give any assurance that our TCS Systems will in fact perform as expected under continuous, commercial operating conditions. Moreover, even if the demand for rubber crumb should increase in accordance with our expectations, there can be no assurance that a demand for TCS Systems will likewise develop.

Rubber is a valuable raw material and we believe that recycling this valuable resource from scrap tires is an ideal way to recover that value. Recycled scrap tire rubber is already used in a great variety of products, promoting longevity by adding it to asphalt pavement, adding bulk and providing drainage as a soil additive, providing durability as a carpet underpadding, increasing resiliency in running track surfaces and gymnasium floors, absorbing shock and lessening the potential for injuries as a ground cover for playgrounds

and other recreational areas, and as a significant component added to plastic resins for making extruded or injection molded products.

Marketing Activities

To a large extent, we have, in the past, concentrated our efforts on completing the design, development, and construction of our heretofore TCS-First Production Model 1 and raising adequate financing to support such efforts. Our long-term objective, however, is to market TCS Systems worldwide, through national and international sales representatives, licensees or strategic partners.. Pursuant to an extensive technical audit, our heretofore First Production Model permitted our company to be certified as an Accredited Tire Recycler by Recyc-Quebec, a quasi-governmental agency of the Quebec Government, and should we re-establish crumb rubber production operations, we would be entitled to tipping fees paid by Recycle Quebec. In the meantime, Management believes that this accreditation will be beneficial to our marketing efforts respecting our technology.

We can make no assurances with respect to the success of our marketing and distribution strategy of our TCS Systems. Furthermore, we have limited resources to achieve the distribution of our TCS Systems and to date we have made no sales, leases or licenses. We believe that we will need additional financing, which may not be available, to achieve our long-term objectives.

Government Regulation

Insofar as the Company is not actually a tire recycler, government regulations have little direct effect on our activities. Of greater importance is the possible effect on our customers for the TCS technology. The TCS-System is a "closed loop" system which does not use any chemicals, solvents, gases or other substances which could result in emissions of any kind from the operation of the Plant. To the best of the Company's knowledge, operation of a TCS-System will not result in the emission of any pollutants, the disposal of combustion residues, the storage of hazardous substances, or the production of any significant amounts of solid waste which would have to be landfilled. However, the operation of a TCS System will involve, to varying degrees and for varying periods of time, the storage of scrap tires or tire pieces representing the feedstock to the System, and limited storage of crumb rubber prior to shipment to customers. Rubber, regardless of its physical dimensions or form, is widely defined as being a fire hazard by fire protection services in most industrially-advanced countries. Whole tires, with their size, volume and composition, can pose potentially serious environmental problems. While the Company does not believe that such storage will normally involve quantities of tires so large or storage periods so extensive as to constitute the "stockpiling" of scrap tires, it should be noted that stockpiling, should it occur, could constitute a particularly serious environmental problem. Among the numerous problems relating to scrap tires, is that when stockpiled above ground, tires create serious public health and environmental hazards. These range from scrap tire fires, which generate large and dense clouds of black smoke and cause serious soil pollution problems, and which are extremely difficult to extinguish, to the creation of vast breeding grounds for mosquitoes and vermin.

As a result, many US states and Canadian provinces have either passed or have pending legislation regarding discarded tires including legislation limiting the storage of used tires to specifically designated areas. Operators of TCS Systems will therefore be subject to various local, state, and federal laws and regulations including, without limitation, regulations promulgated by federal and state environmental, health, and labor agencies. Establishing and operating a TCS System for tire recycling will require numerous permits and compliance with environmental and other government regulations, on the part of our customers, both in the United States and Canada and in most other foreign countries. The process of obtaining required regulatory approvals may be lengthy and expensive for customers of our TCS Systems. Moreover, regulatory approvals, if granted, may include significant limitations on operations. The US-EPA and comparable US state and local regulatory agencies, and similar government bodies in Canada and in other jurisdictions where TCS Systems will be marketed actively enforce environmental regulations and conduct periodic inspections to determine compliance with government regulations. Failure to comply with applicable regulatory requirements can result in, among other things, fines, suspension of approvals, seizure or recall of products,

operating, restrictions, and criminal prosecutions.

We believe that existing government regulations, while extensive, will not result in the disenabling of its TCS System customers to operate profitably and in compliance with such regulations. While these regulations are usually stringent, the huge scrap tire problem must also be dealt with on a daily basis and the need for economic and environmentally friendly recycling operations is critical. The burden of compliance with laws and regulations governing the installation and/or operation of TCS Systems could, nonetheless, discourage potential customers from purchasing a TCS System. This would adversely affect our business, prospects, results, and financial condition. As a result, our business could be directly and indirectly affected by government regulations.

ITEM 2. DESCRIPTION OF PROPERTY

Our corporate headquarters is located at 4055 Ste-Catherine St. , Suite 151, Westmount, Quebec, Canada H3Z 3J8. We have occupied offices at this address since March 2003. The space was provided free of charge for the first six months, which included the first two months of Fiscal 2004, and included electricity, heating and local telephone service. This was extended by mutual agreement for a period of four months to the end of December 2003. Late in Fiscal 2004, new, but still advantageous terms were negotiated with the landlord. The property is occupied on a month-by-month basis with no written lease. Prior to moving to these premises, during Fiscal 2003, the Company occupied premises in an industrial building on St. Patrick Street in Montreal, where our heretofore First Production Model was located. After having accumulated very substantial arrearages in rent and property taxes for which we were financially responsible, our former landlord instructed us to vacate these premises such that he could rent the space out to another company. As part of the settlement agreement with this former landlord, we agreed to pay to this former landlord the sum of US\$540,000 out of the proceeds of the first four sales of TCS Systems, at the rate of US\$140,000 per system sold. .

ITEM 3. LEGAL PROCEEDINGS

We are presently a party in the following legal proceedings:

IM2 Merchandising and Manufacturing, Inc and David B. Sinclair v. The Tirex Corporation, Tirex Corporation Canada, Inc., et al.

The Plaintiffs, a Canadian resident and a Canadian corporation sued in the Delaware, U.S. Federal District Court claiming fraud, breach of contract, unjust enrichment and other allegations, that the alleged Defendants, which include Tirex Corporation Canada and The Tirex Corporation, jointly conspired to profit from their failure to comply with terms of a manufacturing agreement. The monetary demand of this complaint was unspecified. We were prepared to move to dismiss Plaintiffs' Complaint, but after consultations with the Plaintiffs' Attorneys, the Plaintiffs' withdrew this complaint voluntarily. Plaintiffs later filed a second action in the Chancery Court of Delaware alleging certain of the same allegations; fraud, breach of contract, unjust enrichment, breach of fiduciary duty and misrepresentation, but eliminated other counts including the securities fraud allegations. The Defendants in the State Court action are the same named in the Federal Court action, and again the monetary damages are unspecified. We moved to dismiss the State Court Chancery case alleging defective service of process and asserting that the Court had no jurisdiction over the Defendants in Delaware and for removal of the case to Canada based on forum non convenience and other considerations. Our motion was granted and the case dismissed.

Subsequently, on or about April 25, 2001, the Plaintiffs instituted a lawsuit in Superior Court, judicial district of Montreal alleging breach of contract and claims damages of Canadian\$794,690 (approximately US\$508,600) representing expenses and an additional Canadian\$5,411,158 (approximately US\$1,874,000) in loss of profits. Unlike the suit filed in the US Federal District Court in Delaware, there was no accusation of fraud. We have filed a detailed answer denying all liability, stating further that Plaintiffs failed to comply with their obligations. We believe we have meritorious defenses to all of the Plaintiffs' claims. The action is still pending.

Surgent v. The Tirex Corporation

An action was brought by the Plaintiff against us, alleging that we had agreed to issue 1,000,000 shares of our Common Stock to the Plaintiff in consideration for expenses allegedly paid by the Plaintiff on our behalf in the amount of approximately \$150,000. These expenses allegedly were incurred in relation to the rental of certain office space and performance of administrative services. The Plaintiff's complaint sought to impose an equitable trust or lien on 1,000,000 of our unissued common shares, demanded the issuance of the 1,000,000 shares and alleged breach of contract and claimed damages of \$1,400,000.

We moved to dismiss the case on various procedural grounds and in September 2000 the Court granted our motion based upon the lack of venue in Union County, New Jersey. A new action was instituted by Plaintiff in the Superior Court of New Jersey, Bergen County in April 2001 alleging similar claims as set forth in the previous action (Docket L-08060-00). We denied all of plaintiff's allegations. On July 24, 2002, The Superior Court of New Jersey, Bergen County, dismissed, with prejudice, the plaintiff,s complaint for "Lack of Prosecution". Plaintiff was granted right to appeal, which was undertaken. However, Plaintiff's appeal was rejected by the Appellate Court.

Lefebvre Freres Limited v. The Tirex Corporation

Lefebvre Freres Limited instituted an action against us on August 13, 2001 in the Superior Court, judicial district of Montreal claiming Canadian \$98,513 (approximately US\$63,000) is due and owing for the manufacture and delivery of car tire disintegrators. We are preparing a defense and cross claim against Plaintiff as the product delivered was defective and we believe we are entitled to a reimbursement of sums paid. The action is still pending.

Tri-Steel Industries Inc. v. The Tirex Corporation

Our landlord Tri-Steel Industries Inc. instituted an action against us, and our subsidiaries Tirex Canada and Tirex Canada R & D Inc., on or about June 22, 2001 for arrears of rent in the amount of Canadian \$177,973.62 Subsequent to the Plaintiff's instituting this action, we continued to accumulate very substantial arrearages for rent and property taxes for which we were financially responsible. Subsequent to our vacating the premises which had been the object of the lease, we settled with our former landlord for a total amount of US\$560,000, to be paid at the rate of \$140,000 from each of our first four TCS System sales.

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 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

During the fiscal year ended June 30, 2004, no matters were submitted to a vote of the shareholders of the Company.

PART II

ITEM 5. MARKET FOR THE COMPANY'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's common stock, is traded on a limited basis in the over-the-counter market and, since January 2003, has been listed on the "Gray Sheets". We are currently awaiting the completion of our first unconditional sales contract before attempting to have our stock re-quoted on the OTC Electronic Bulletin Board, maintained by the National Association of Securities Dealers, Inc. (the "OTC Bulletin Board"). The following table sets forth representative high and low bid prices by calendar quarters as reported in the OTC Bulletin Board during the last two fiscal years. The level of trading in the Company's common stock has been limited and the bid prices reported may not be indicative of the value of the common stock or the

Edgar Filing: TIREX CORP - Form 10KSB

existence of an active market. The OTC market quotations reflect inter-dealer prices without retail markup, mark-down, or other fees or commissions, and may not necessarily represent actual transactions.

Period

Fiscal Year Ending June 30, 2002

September 29, 2001

December 29, 2001

March 30, 2002

June 29, 2002

High

Low

September 30, 2002

December 30, 2002

March 31, 2003

June 30, 2003

See note following

Since being relegated to the Gray Sheets, bid prices are not posted.

Sales of Unregistered Securities.

Following are the numbers of unregistered securities issued by the Company during the past three fiscal years, the vast majority of which were issued to officers, directors and consultants in lieu of cash payments with respect to salaries, expenses and consulting fees.

Fiscal 2004

Fiscal 2003

Fiscal 2002

Shareholders

As of October 1, 2004, the number of holders of record of the Company's common stock, \$.001 par value, was less than 500, which does not include shares held by persons or companies in street or nominee name.

Dividends

The Company has paid no cash dividends and has no present plan to pay cash dividends, intending instead to reinvest its earnings, if any. Payment of future cash dividends will be determined from time to time by its Board of Directors, based upon its future earnings (if any), financial condition, capital requirements and other factors, the company is not presently subject to any contractual or similar restriction on its present or future ability to pay such dividends.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following discussion of our financial condition and results of operations should be read in conjunction with the financial statements and notes thereto included elsewhere in this prospectus. This document contains certain forward-looking statements including, among others, anticipated trends in our financial condition and results of operations and our business strategy. These forward-looking statements are based largely on our current expectations and are subject to a number of risks and uncertainties. Actual results could differ materially from these forward-looking statements. Important factors to consider in evaluating such forward-looking statements include (i) changes in external competitive market factors or in

our internal budgeting process which might impact trends in the our results of operations; (ii) unanticipated working capital or other cash requirements; (iii) changes in the our business strategy or an inability to execute its strategy due to unanticipated changes in the industries in which we operates; and (iv) various competitive factors that may prevent the us from competing successfully in the marketplace.

In March 2000, we announced that our tire recycling technology was ready for replication and commercialization. Since Fiscal 2001, we have demonstrated our technology to numerous groups from Asia, Europe, North and South and America and the Caribbean, as well as to some shareholders and potential strategic alliance partners. While numerous Letters of Intent were signed during the early marketing stage, none materialized into firm purchase contracts. Management attributed these failures to proceed to firm contracts to the lack of a track record for the TCS technology, or alternatively, to the Company's inability to provide performance guarantees. 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. As of June 30, 2004, no purchase/sale contracts had been written.

Marketing Structure

We entered into a conditional agreement with Tirex-Europe in April 2001 respecting market development activities to be undertaken in most of Europe, the Middle East and those North African countries bordering on the Mediterranean Sea. This agreement originated from a previous letter of intent we entered into with European Transformation Resources (ETR), a company to be incorporated under the laws of the Grand Duchy of Luxembourg, for the marketing of TCS Systems in these same regions. Under the terms of the conditional agreement with Tirex-Europe, the Gross Revenue and Cost of Systems Sold numbers resulting from the sales of TCS Systems by Tirex Europe would be recorded on their books rather than on ours. Revenue would thus be attributed to us on the basis of a gross profit sharing proportion applied to such sales concluded by Tirex-Europe. These gross profit sharing proportions are variable as a function of whether or not the sale is being made to a new customer or an existing customer and how many sales are being made to the same customers. The variable scale is not country-specific. Also under the terms of the Tirex-Europe Agreement, Tirex-Europe will pay to us the sum of \$500,000, payable over the sale of the first ten TCS Systems but with an overall deadline of twelve months. The contract with Tirex-Europe does not come into effect until Tirex-Europe delivers to us a first firm purchase order for a TCS System. To date, Tirex Europe has not delivered any firm purchase orders and thus the Tirex Europe Agreement remains ineffective. The Agreement has not, however, been cancelled. In the interim, we are completely at liberty to undertake any marketing activities we feel appropriate in those countries and regions where Tirex Europe was to be active.

In January 2000, we signed a License Agreement with Ocean Equipment Manufacturing and Sales Co. ("OEMS") of New Jersey, a company owned by Louis A. Sanzaro who is also a director and a significant shareholder of Tirex, for the marketing and for the manufacturing, installation and service of our tire recycling systems in the U.S. market. Under the terms of the Agreement, we would receive a royalty for each system sold, subject to adjustments respecting actual manufacturing costs. As of June 30, 2003, OEMS had not yet concluded any sales of TCS Systems to independent parties. As reported in a previous 10-KSB, Mr. Sanzaro had accepted to relinquish his exclusivity with respect to the US market. We are now dealing with potential US customers directly or through go-betweens on a case-by-case basis, and, as such, the Company has not had to pay any up-front fees or commissions or assume any marketing expenses incurred by such independent persons.

On January 31, 2001, we entered into an Agreement with James Conway, an Australian national, under which he was named Business Development Manager Asia. Under this Agreement, Mr. Conway was directed to find a Japanese licensee to produce and sell TCS Systems. The Japanese company eventually selected would have exclusive rights to the Japanese market and non-exclusive rights in other Asian markets. This five-year agreement with Mr. Conway provides for the payment of 10% of the License Fee paid by the Japanese company plus a 1% commission on sales made within five years on all sales made by the licensed Japanese manufacturer. On August 10, 2001, we further appointed Mr. Conway as a Sales Representative in Asian markets which would be outside of Japan, the territory which would be attributed to an eventual Japanese licensee. Under the terms of this three-year agreement, Mr.

Conway would receive a

commission equal to 5% of the selling price, before any sales or value-added taxes, customs and excise taxes and similar levies which might be imposed by a government. This Agreement expired on August 8, 2004.

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. Simpro is actually negotiating with the Italian government respecting the financing of the construction of a new demonstration model in Italy, which it plans to use to support their marketing efforts. To date, Simpro has not sold any systems.

Since Fiscal 2002 and to date, the Company received several expressions of interest to market our systems in worldwide markets but the Company is unwilling to give market exclusivity to anybody except on a customer-by-customer basis.

The lack of a significant track record relative to the operation and output of the TCS System has proven to be difficult hurdle to overcome in making TCS System sales. 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 Euros4,300,000 (approximately US\$5.25 million at prevailing exchange rates). For a TCS-2, the comparable cost to the entrepreneur is in the vicinity of Euros5,500,000 (approximately US\$6.7 million at prevailing exchange rates). This represents a substantial investment for an entrepreneur and, without performance guarantees to substitute for the lack of a significant operating history, entrepreneurs or their financial backers have heretofore been unwilling 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. Simpro is now offering limited Performance Guarantees.

Potential System Sales Initiated Prior to Fiscal 2004

Puerto Rico

- A letter of intent was signed to set up a TCS-2 facility and joint venture on a crumb rubber product manufacturing facility in Puerto Rico. The Puerto Rican representatives presented their project, which includes our technology, to the Government of Puerto Rico in June 2001 to secure approval to proceed, and again in September of 2001 for purposes of securing public funding for the project.. The Puerto Rican group was able to secure substantial partial funding from the Puerto Rican Development Bank but throughout was unable to obtain the necessary financial backing to meet the cash injection requirements of the bank. Subsequent to June 30, 2003, the Puerto Rican project developer identified an investor with the means and the interest to invest in the Puerto Rican project. In August of 2003, the investor sent to us a Letter of Intent indicating his intent to provide the necessary financing to ensure the realization of the Puerto Rican project. However, this investor never followed through on his written intentions. After several months of attempting to secure the cash commitment from this investor, the Puerto Rican entrepreneur turned his attention to other avenues. After several months of attempting to secure the cash commitment from this investor, the Puerto Rican entrepreneur turned his attention to other avenues. To date, no viable new investors have been found.

Recycletron Inc.

- We entered into a letter of intent with Recycletron in July of 1997 wherein Recycletron agreed to purchase a TCS-1 upon our completing the design of the system and demonstrating its performance on a 24-hour basis over a significant period of time. The duration of operations of the original TCS-1 First Production Model, prior to its dismantling, did not suffice to entice Recycletron to enter into a firm purchase contract. Regardless, Recycletron continues to indicate interest in our technology. In the meantime, Management has been attempting to attract other entrepreneurs to invest in a Quebec-based TCS facility. It is likely that such other investment would be in the form of a TCS-2, which would consume approximately 2,000,000 scrap

Edgar Filing: TIREX CORP - Form 10KSB

tires per year. Quebec produces approximately 7,000,000 scrap tires per year with the greater Montreal region accounting for half of these, thus leaving ample quantities of scrap tires for Recycletron should they wish to proceed with a purchase. Regardless, there can be no assurances that a firm purchase contract will actually be signed with Recycletron.

Marketing Efforts Initiated or Pursued During Fiscal 2004

During Fiscal 2004, the Company and Simpro have responded to numerous requests for information. Out of these requests, several opportunities have presented themselves which merited the expenditure of considerable effort to close a Purchase and Sales Agreement. In addition to the Puerto Rican project, Tirex and Simpro are actively pursuing opportunities in Mexico, Australia, Brazil, Malaysia, the Middle East and Botswana. All of these opportunities are well advanced. Simpro is also pursuing interesting opportunities in the UK, France and Italy, while Tirex is also pursuing an opportunity in Eastern Canada. However, regardless of Management's optimism as the various opportunities enunciated above, there can be no assurance that these opportunities will actually result in unconditional sales contracts.

The finalizing of the License Agreement with Simpro means that the gross revenues from these sales will be recorded on Simpro's books, not in the books of Tirex. The amount remitted back to Tirex will take the form of a royalty and will be accounted for as such. Even if these sales would have been set up in such a way as to be recordable on the books of Tirex, generally accepted accounting principles in effect in the USA would have prevented the Company from recognizing the revenue as such until the systems would have been accepted by the customers. Given the time line required to manufacture, install and have accepted these systems, it is quite unlikely that these revenues would become recognizable during our fiscal year which will end June 30, 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 out-of-pocket cash costs have been reduced to negligible amounts. Our cash flow deficit condition will continue until such time as the Company will start generating revenues from the sale of TCS Systems.

While we have initiated marketing of TCS Systems and have in place a License Agreement, as of September 30, 2003, no unconditional sales orders for TCS Systems had been received and manufacturing of TCS Systems has not

been initiated. We do 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., We did not generate any gross sales during either Fiscal 2002 or Fiscal 2003. 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 the foregoing, we have never engaged in any significant business activities.

Liquidity and Capital Resources

As of June 30, 2004, we had total assets of \$233,297 as compared to \$233,298 as at June 30, 2003 reflecting a decrease of \$1. Fiscal year-end total assets at June 30, 2003 had reflected a previous decrease of \$1,069,657 over \$1,302,955 at June 30, 2002. There were no significant changes in the value of individual assets, representing Notes Receivable, Inventory, Property and Equipment and an Investment, from June 30, 2003 to June 30, 2004.

As of June 30, 2004, the Company had total liabilities of \$4,327,710 as compared to \$3,748,881 at June 30, 2003, reflecting an increase in liabilities of \$578,829. Total liabilities at June 30, 2003 had reflected a previous decrease of \$300,259 over \$4,049,140 in total liabilities at June 30, 2002. We attribute such increases in total liabilities at June 30, 2004 primarily to: (i) an increase in Accounts Payable and Accrued Liabilities and current portion of Long-Term Debt in the amount of \$289,663 from \$1,877,467 as of June 30, 2003 to \$2,167,130 as of June 30, 2004, and (ii) an increase in Convertible Loans in the amount of \$376,246 from \$794,922 as of June 30, 2003 to \$1,171,168 as of June 30, 2004.

Reflecting the foregoing, the financial statements indicate that as at June 30, 2004, the Company had a working capital deficit (current assets minus current liabilities) of \$2,073,333 and that as at June 30, 2003, the Company had a working capital deficit of \$1,783,669, a working capital deficit increase of \$289,664. There were no significant changes in current assets, as noted above, while there were additions to current liabilities due to third parties represented by Accounts Payable and Accrued Liabilities.

The success of our tire recycling equipment manufacturing business and our ability to continue as a going concern will be dependent upon our ability 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.

Results of Operations

As noted above, we are presently in the early stages of the business of manufacturing and selling TCS Systems. We will commence manufacturing operations with respect to TCS Systems, either directly or through licensees, upon receipt of firm purchase orders, either directly or through strategic market development partners. While progress to this end has proven frustrating so far, we believe that we will be able to secure such purchase orders during Fiscal 2004. We had only incidental revenues from operations during Fiscal years 2002 related to the sale of a relatively small quantity of crumb rubber and no revenues for Fiscal 2003. Unless and until we successfully develop our marketing and manufacturing operations related to TCS Systems on a full-scale commercial basis, we will continue to generate inadequate revenues from operations to support our monthly cash requirements. Except for the incidental revenues from the sale of a relatively small quantity of crumb rubber, the Company has never engaged in any significant commercial activities.

The financial statements, which are included in this Report, reflect total general and administrative expenses of \$476,796 for fiscal 2004, which reflects a decrease of \$504,374 over Fiscal 2003, when general and administrative expenses were \$981,170. During fiscal 2004, the Company's total operating costs decreased by \$979,334 from \$1,456,130 for fiscal 2003 to \$476,796 for fiscal 2004. A large part of

the decrease is the result of a further write-down in the carrying value of the TCS-1 Prototype Air Plant from the previous value of \$500,000 to its current estimated Net Realizable Value of \$50,000, resulting in a writedown of \$450,000, and the suspension of Research and Development activities during Fiscal 2003. The decrease in total operating costs also was the result of a decrease in general and administrative expenses, as noted above, in the amount of \$504,374.

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

From inception (July 15, 1987) through June 30, 2004, we have incurred a cumulative net loss of \$29,511,282. Approximately \$1,057,356 of such cumulative net loss was incurred prior to the inception of our present business plan in connection with the Company's discontinued proposed health care business and was due primarily to the expending of costs associated with the unsuccessful attempt to establish such health care business. The Company never commenced the proposed health care operations and therefore, generated no revenues therefrom.

Pursuant to an agreement dated December 18, 2002, our Company has licensed the manufacturing rights to Simpro S.p.A. of Turin, Italy, and our own operations will be restricted to receiving license fees and royalties and marketing the product in conjunction with Simpro.

ITEM 7. FINANCIAL STATEMENTS

Our financial statements required to be included in this Report pursuant to Item 310(a) of Regulation S-B, are set forth below.

ITEM 8. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Following the end of Fiscal 2004, our independent certifying accountant informed us that he was abandoning all SEC-oriented work. Thus, we have had to change our certifying accountant effective with the annual financial statements for the year ended June 30, 2004. The resignation of our former certifying accountant was not related in any way to any disputes respecting the Company's accounting or its financial disclosures to shareholders or other interested parties. The Company is attempting to find a new auditor. As such, the financial statements included in this report are unaudited. Once a new auditor will have been hired, the audit of the 2004 Fiscal Year financial statements will be completed and an amendment to the 10-KSB will be filed. Prior to this most recent resignation, there had been no other resignation or dismissals of our principal independent accountant during the two most recent fiscal years.

ITEM 8A 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, 2004. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective in alerting them in a timely manner to material information relating to The Tirex Corporation, including its consolidated subsidiaries, required to be included in this report and the other reports that the Company files or submits under the Securities Exchange Act of 1934. During the first fiscal quarter of 2004, there have been no changes in the Company's internal control over financial reporting that have materially affected, or that are reasonably likely to materially affect, its internal control over financial reporting.

ITEM 8B OTHER INFORMATION

There is no additional information of any substantial importance. There have been no 8-K filings during Fiscal 2004. The Company intends to file an 8-K once a new auditor will have been hired.

PART III

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

Directors, Executive Officers and Significant Employees

The following sets forth, as of June 30, 2003 the names and ages of all directors, executive officers, and other significant employees of the Company; and all positions and offices in the Company held by each, and the terms of said offices. Each director will hold office until the next annual meeting of shareholders and until his or her successor has been elected and qualified:

Name

John L. Threshie, Jr.

72	Vice President	January 1996 -
55	Director	January 1997 - present
55	Secretary, Treasurer,	February 1999-

The Board of Directors has no standing committees.

Family Relationships

No family relationships exist between any director or executive officer of Company or any person contemplated to become such.

Business Experience

The following summarizes the occupation and business experience during the past five years for each director, executive officer and significant employee of the Company. A significant employee is a person who is not an executive officer of the Company but who is expected to make a significant contribution to the business of the Company.

JOHN L. THRESHIE, JR.

Mr. Threshie has served as President and Chief Executive Officer of the Company since November of 1999. Prior to that time he served as a Vice President of the Company since June 1995. He was appointed Assistant Secretary of the Company on February 11, 1999. From December 1996 until February 11, 1999, Mr. Threshie held the position of Secretary, and from June 1995 until February 11, 1999, as a Director, of the Company. He also served as a Director for The Tirex Corporation Canada Inc. and Tirex Canada R&D Inc. from June 1998 and June 1995, respectively, until February 11, 1999. He has more than fourteen years of experience in the areas of management, marketing and sales primarily in the field of advertising. Mr. Threshie holds a Bachelor's Degree in Political Science from the University of North Carolina. He was employed as an insurance and financial broker by Primerica Financial Services from 1991 through 1994. From 1988 to 1990, Mr. Threshie was an advertising account supervisor for Ammirati & Puris Inc., an advertising firm in New York. From 1983 to 1988 Mr. Threshie was employed as a senior account executive at the advertising firm of Saatchi and Saatchi, Inc. From 1979 to 1983 Mr. Threshie was employed by Milliken & Co. as a sales representative.

LOUIS V. MURO.

Mr. Muro acted as an engineering consultant to the Company from January 18, 1995 until January 1, 1996 when he was appointed as a Director and as Vice President in charge of engineering. Mr. Muro served as a Director of the Company from December 29, 1992 until January 18, 1995. He also served as the Company's Secretary from December 29, 1992 until March 1994 when he was appointed President of the Company, a position he held until January 18, 1995. He has also served as the Vice President in charge of engineering and as a director of The Tirex Corporation Canada Inc. and Tirex Canada R&D Inc. since June 1998 and May 1995 respectively. Mr. Muro received a B.S. degree in Chemical Engineering from Newark College of Engineering in 1954, since which time he has continually been employed as a chemical engineer. From 1974 to 1993 Mr. Muro has been the sole proprietor of Ace Refiners Corp. of New Jersey, a precious metals refinery. From 1971 to 1974, he worked as an independent consultant and from 1964 until 1971, he was director of research and development for Vulcan Materials Corporation in Pittsburgh, Pa., a public company engaged in the business of recovering useable tin and clean steel from scrap tin plate. From 1960 to 1964, Mr. Muro was the sole proprietor of Space Metals Refining Co. in Woodbridge, NJ, a company involved in the purification of scrap germanium to transistor grade metal. From 1959 to 1960 he was employed by Chemical Construction Co., of New Brunswick, NJ, where he developed a process for the waste-free production of urea from ammonia, carbon dioxide and water. From 1954 to 1959, Mr. Muro worked in the research and development department at U.S. Metals Refining Co. in Carteret, NJ where he was involved with the refinement of precious metals.

LOUIS SANZARO

. Mr. Sanzaro has been a Director of the Company since January 1997 and a Director of The Tirex Corporation Canada Inc. since June 1998. He served as a consultant to the Company from January 1, 1997 until June 1998, when he was appointed Vice President of Operations and Chief Operating Officer. On February 11, 1999, Mr. Sanzaro resigned as Vice President of Operations and was appointed to the position of President of the Company. Effective November 23, 1999, and to avoid a possible future conflict of interest, Mr. Sanzaro resigned as President of the Company. Mr. Sanzaro holds a degree in marketing from Marquette University. In 1997, he was named "Recycler of the Year" for the State of New Jersey and was also awarded the distinction of being named "Recycling Processor of the Decade" by Ocean County, New Jersey. He is the President and a

Edgar Filing: TIREX CORP - Form 10KSB

member of the Board of Directors of the nation-wide, Construction Material Recycling Association. Since 1986, Mr. Sanzaro has served as President and CEO of Ocean County Recycling Center, Inc. ("Ocean County Recycling"), in Tom's River, New Jersey. Ocean County Recycling is in the business of processing construction and demolition debris for reuse as a substitute for virgin materials in the construction and road building industries. In addition, since 1989, Mr. Sanzaro has served as Vice President and COO of Ocean Utility Contracting Co., Inc., a New Jersey company engaged in the installation of sewer and water main pipelines and the construction of new roadway infrastructure. From 1973 until 1990, Mr. Sanzaro was the President and CEO of J and L Excavating and Contracting Co., Inc., a company engaged in the construction of residential, commercial, industrial, and government buildings.

MICHAEL D.A. ASH

. Mr. Ash joined the Company on January 11, 1999. On February 11, 1999, Mr. Ash was appointed Secretary, Treasurer, and Chief Financial and Accounting Officer of the Company. Mr. Ash graduated with a Bachelor's Degree in Business Administration, Magna Cum Laude, from Bishop's University in Quebec in 1970, and with an MBA, With Distinction, from Harvard Business School in 1975. Mr. Ash received his Chartered Accountant certification, (Canadian equivalent to a CPA) in 1972 while employed by Coopers & Lybrand (now PriceWaterhouseCoopers). Since graduation from Harvard, Mr. Ash has spent most of his career with the Government of Canada, first with the Office of the Comptroller General in Ottawa and, for the subsequent eighteen years, with a federal regional economic and industrial development agency in Montreal where he gained exposure to a very large number of companies and industrial sectors, ranging from developmental companies to major multi-national corporations. For ten years during this time period, Mr. Ash was also a part-time lecturer in accountancy at Concordia University in Montreal for students registered in the program leading to the Chartered Accountancy designation.

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

None of the securities have been registered pursuant to Section 12 of the Exchange Act of 1934, as amended (the "Exchange Act"). Therefore, Section 16(a) of the Exchange Act is not applicable.

Compliance with Item 406 of Regulation S-B (Code of Ethics)

The Company is currently drafting a Code of Ethics which will be in full compliance with the requirements as to content, application and publishing. Once completed, this Code of Ethics will be available for review on the Company's web site.

Audit Committee

The Company does not currently have an audit committee.

ITEM 10. EXECUTIVE COMPENSATION

Current Remuneration

The following table sets forth information concerning the annual compensation received or accrued for services provided in all capacities for the fiscal years ended June 30, 2002, 2003 and 2004 by our chief executive and all our executive officers serving as such as at June 30, 2004 or at any time during the year ended June 30, 2004. Common stock issued in lieu of cash salary payments was valued at a 30-50% discount from the average market price of such stock during the periods in which such salary was earned. Determination of the market price for such purpose was based upon the average of the bid and ask prices of such stock, as traded in the over-the-counter market and quoted in the OTC Bulletin Board. With respect to the issuance of shares during the fourth quarter of Fiscal 2003, this issuance representing but partial compensation to those directors and officers to whom sums were due, the period involved was prior to the company's stock being demoted to the gray sheets, and thus reference to the Bulletin Board prices still applied. The discount from the market price was determined arbitrarily, by negotiation between the Company and our executive officers and did not bear any relationship to any established valuation criteria such as assets, book value, or prospective earnings. The market prices of our common stock and the liquidity of such market has historically been volatile. Future announcements concerning us, our competitors, results of testing, technological innovations or new commercial products may have a significant impact on the market price of our common stock. We believe that, as of the dates when such shares were issued, the actual market value of such shares was, and as of the date hereof remains, highly contingent upon, and subject to, extremely high risks.

SUMMARY COMPENSATION TABLE:

ANNUAL COMPENSATION				
Name and Principal Position	Year	Salary \$	Bonus \$	Other \$
John L. Threshie Jr. President	2004	\$125,000 (1)	Nil	nil
	2003	\$125,000 (2)		
	2002	\$125,000 (3)		
Louis V. Muro Vice President - Engineering	2004	\$150,000 (1)	Mil	nil
	2003	\$150,000 (4)		
	2002	\$150,000 (5)		
Michael D.A. Ash Secretary-Treasurer & CFO	2004	\$100,000 (1)	Nil	nil
	2003	\$100,000 (6)		
	2002	\$100,000 (7)		

In 1999, Mr. Ash abrogated his then existing Employment Agreement. This was replaced by a Consulting Agreement for a period of sixteen (16) months to the end of Calendar 2000. Under this consulting agreement, Mr. Ash received 2,000,000 shares of the common stock of the Company. A new employment Agreement with an effective date of January 2001 was put into effect and the prior Consulting Agreement was allowed to lapse. Under that Employment Agreement, Mr. Ash earned a salary of \$100,000 and Mr. Ash also had options to purchase stock of the company at the lesser of 20(cent) for the first year option, 40(cent) for the second year option and 50(cent) for the third year option, or 50% of market applicable to each series. The options were exercisable on a cashless basis.. Prorating the stock issuance over the sixteen month term of the prior Consulting Agreement, in Fiscal 2000, Mr. Ash was entitled to 1,250,000 shares of stock. There was no cash salary in Fiscal 2000 for Mr. Ash. For Fiscal 2001, Mr. Ash received the balance of his stock entitlement, i.e. 750,000 shares, and was entitled to receive \$50,000 in cash. For Fiscal 2002 and 2003, Mr. Ash was entitled to receive \$100,000 annually. Mr. Ash exercised the stock options available to him under the Employment Agreement which terminated December 31, 2003. Mr. Ash's Employment Agreement was renewed verbally for the three-year period starting January 1, 2004. A written agreement will be concluded shortly. Until this renewed agreement, Mr. Ash will continue to be entitled to receive an annual salary of \$100,000, and Mr. Ash has been granted a new set of options identical, other than for dates, to the options granted in the preceding agreement.

(1) No compensation was paid either in cash or in shares to Messrs. Threshie, Muro and Ash during Fiscal 2004. The amounts due have been recorded as liabilities of the Company.

(2) During Fiscal 2003, Mr. Threshie received 2,500,000 commons shares of the stock of our Company in partial compensation for salary and expenses, issued at a 35% discount to market.

(3) In lieu of cash payment of salary, reimbursable expenses and other benefits, Mr. Threshie was issued shares of our Common Stock and was permitted to purchase shares during FY 2002 at a discount of 35% currently in effect versus 50% in prior years, of the then current market price. The number of shares issued to Mr. Threshie pursuant thereto during fiscal 2002 aggregated 6,555,709 shares. It is our intention and that of Mr. Threshie to continue to enter into similar transactions during fiscal year 2003 for all or part of his salary and for reimbursement of expenses.

(4) During Fiscal 2003, Mr. Muro received 2,000,000 common shares of the stock of our Company in partial compensation for salary and expenses, issued at a 35% discount to market.

(5) In lieu of cash payment of salary, reimbursable expenses and other benefits, Mr. Muro, from time to time, was issued shares of our Common Stock and purchased shares during FY 2002 at a discount of 35% currently in effect, versus 50% in prior years, of the then current market price. The number of shares issued to Mr. Muro pursuant thereto during fiscal 2002 aggregated 2,250,000 shares.

Edgar Filing: TIREX CORP - Form 10KSB

(6) In lieu of cash payment of salary, reimbursable expenses and other benefits, Mr. Ash received 2,100,000 common shares of our Company, as partial compensation, during Fiscal 2003, issued at a 35% discount to market. During Fiscal 2003, Mr. Ash notified the Company of his desire to exercise his first option under his Employment Agreement. The Company has not yet issued the 500,000 shares necessary to satisfy this exercise on a cashless basis, as provided for in the Employment Agreement.

(7) In lieu of cash payment of salary, reimbursable expenses and other benefits, Mr. Ash received 3,468,603 common shares of our Company during Fiscal 2002, issued at a 35% discount to market,

(7) We believe that it is impossible to determine the actual current or potential value of such shares in light of the fact that, as of the dates when such shares were issued to the executive officers, the actual potential market value of such shares were highly contingent upon, and subject to, extremely high risks including but not limited to the following factors: (i) the very early stage of development of our business; (ii) our lack of sufficient funds to implement our business plan and the absence of any commitments from potential investors to provide such funds; (iii) the absence of a reliable, stable, or substantial trading market for such shares; and (iv) the uncertainty respecting our ability to continue as a going concern.

OPTIONS GRANTED OUTSIDE THE EMPLOYEE STOCK OPTION PLAN

<u>Beneficiary</u>	<u>Issuable</u>	<u>Exercise Window</u>	<u>Price</u>
John L. Threshie Jr.	1,000,000 share options at the beginning of each of Calendar Years 2002, 2003 and 2004	Two (2) years from date of issue	Series 1: lesser of 20 cents or 50% of market Series 2: lesser of 40 cents or 50% of market Series 3: lesser of 50 cents or 50% of market
Michael Ash	1,000,000 share options at the beginning of each of Calendar Years 2004, 2005 and 2006	Two (2) years from date of issue	Series 1: lesser of 20 cents or 50% of market Series 2: lesser of 40 cents or 50% of market Series 3: lesser of 50 cents or 50% of market

Mr. Ash has exercised the options which had been granted to him with respect to the options granted under the Employment Agreement which terminated December 31, 2003. This was done on a cashless basis, resulting in 1,500,000 shares being issuable to Mr. Ash. These shares will be issued, subject to adjustments for stock splits and stock dividends, if any, occurring prior to the issuance to Mr. Ash at such time when the Company will have an adequate number of shares available for issue. Pursuant to the verbal renewal of his employment agreement, which will be documented shortly, Mr. Ash has been granted a new set of options identical to those granted to him in his employment agreement which ended December 31, 2003.

The Tirex Corporation Stock Plan

On June 23, 2000 we adopted the Tirex Corporation Stock Plan (the "Plan") to advance our interests and those of our shareholders by affording to our key personnel, consultants and other persons who have made substantial contributions to us an opportunity to acquire or increase their proprietary interest in the Company by the issuance to such individuals of Awards, Options or Grants under the terms set forth in the Plan. By thus encouraging such individuals to become owners of our common stock we seek to motivate, retain, and attract those highly competent individuals upon whose judgment, initiative, leadership, and continued efforts our success in large part depends.

The Plan originally provided that up to 21,000,000 shares could be issued for this purpose, 7 million shares to be given as awards, 7 million shares to underlie options to purchase common stock, and 7 million shares to be given as grants. Awards and Options can only be given to individuals who have been either in our employ, an officer, director or consultant for the preceding 6 months. Awards are not fully vested until the end of three years with the 1/12th of the aggregate award vesting at the end of each quarter. If the Awardee is terminated for cause or resigns the unvested portion of the award is forfeited. Options can be exercised at any time and upon exercise the underlying stock is fully vested with the purchaser. The Options are not transferable and are exercisable for two (2) years after which time they expire. If the Optionee is terminated for cause or resigns all unexercised options are forfeited. A Grant of Stock pursuant to the terms of the Plan can only be given to persons who have made a substantial contribution to us and the shares are not forfeitable. Subsequent to the Plan's adoption an additional 5,000,000 shares of common stock were added to it and up to the 26,000,000 shares were made eligible to be given as either Awards, Grants or Options.

As discussed elsewhere in this Report, the following is a summary of those options and warrants outstanding with respect to the purchase of the common stock of the Company:

Compensation of Directors

The Directors of the Company were not compensated for their services as such in fiscal 2004.

Employment Agreements

We seek to maintain employment agreements with all of our executive officers (the "Executive Agreements"). We currently have an employment agreement with Mr. Threshie that provides for an annual salary of \$125,000 and is in effect until December 31, 2003. Mr. Threshie also has options, as noted above, to purchase shares of the Company. Mr. Threshie is granted options to purchase 1,000,000 shares at each anniversary date of his Employment Agreement for the next three years, and, for each series of options, has a two-year period to exercise that option. The options are exercisable at the lesser of 50% of market and 20(cent) for the first series, 40(cent) for the second series and 50(cent) for the third series. We currently employ Mr. Muro on a month-to-month basis, based on an annual salary projection of \$150,000. During fiscal 2000 Mr. Ash voluntarily abrogated his Executive Agreement with us and entered into a new agreement under which his compensation is in the form of shares. Under this new agreement, Mr. Ash continued to act as Secretary-Treasurer and Chief Financial Officer on a consulting basis. Under the terms of the original Executive Agreement, Mr. Ash's annual compensation was US\$125,000. The consulting agreement extended to December 31, 2000 and was renewable by mutual consent of the Company and Mr. Ash. Mr. Ash's compensation for the sixteen-month period ended December 31, 2000 was 2,000,000 common shares, subject to prorated adjustment in the event of a stock split. At the beginning of Calendar 2001, Mr. Ash's consulting agreement was converted back to an Employment Agreement under which Mr. Ash earns an annual salary of \$100,000 and has options, as noted above, to purchase company stock on terms identical to the options granted to Mr. Threshie. As of the date of this Report, Mr. Ash had exercised all of his options on a cashless basis, thus resulting in 1,500,000 shares being issuable to Mr. Ash. The Company currently has less than 5,000 shares available for issue. Thus, the shares issuable to Mr. Ash will remain as such until the Company does have adequate shares to satisfy this transaction. Any shares ultimately issuable to Mr. Ash will be automatically adjusted for stock splits and stock dividends, if any, occurring prior to the issuance of shares to Mr. Ash.

All of the above agreements provide for the payment of bonuses at the sole discretion of the Board of Directors based upon an evaluation of the executive's performance, with payment of any such bonuses to be reviewed annually. The Executive Agreements also provide for the participation by each of the foregoing persons in any pension plan, profit-sharing plan, life insurance, hospitalization or surgical program, or insurance program hereafter adopted by us, reimbursement of business related expenses, the nondisclosure of information which we deem to be confidential to it, non-competition by the executive with us for the one-year period following termination of employment with us and for various other terms and conditions of employment.

The Executive Agreements with Messrs. Threshie, Muro and Ash also include severance provisions which provide, among other things, for severance compensation in the event that the employment of the executive is terminated by us other than for cause, or by the executive for "good reason", as that term is defined in the Executive Agreements, or pursuant to a change in control of the Company. The various Executive Agreements provide for severance compensation, as follows:

Edgar Filing: TIREX CORP - Form 10KSB

In the case of Messrs. Threshie and Muro, 200% of the amount of the base salary for a period of twelve months; In the case of Mr. Ash, the amount of severance compensation for termination other than for cause, or by the executive for "good reason", as that term is defined in the Executive Agreements, or pursuant to a change in control of the Company, amounts to twice his annual base salary plus four months of base salary for each year of service following February 11, 1999.

Because of the early stage of our development, our lack of operations and insignificant cash flow, since January 18, 1995, we have not had the resources to meet fully our financial obligations under the Executive Agreements. As a result, the major portion of compensation which has been available to our executive officers has consisted of shares of our common stock, which such individuals accepted, in lieu of cash compensation, for a substantial portion of salary and/or consulting fees due to them.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information as of October 1, 2004, with respect to the persons known to the Company to be the beneficial owners of more than 5% of the common stock, \$.001 par value of the Company and of more than 5% of the Class A Common Stock of the Company's subsidiary, Tirex R&D and of all Officers and Directors of the Company as that term is defined in Item 402(a)(2) of Regulation S-B. Neither the Company nor Tirex R&D have any shares of any other class issued or outstanding.

<u>Title of Class</u>	<u>Name and Address of Beneficial Owner</u>	<u>Amount and Nature of Percent Ownership</u>	<u>Percent of Class (1)</u>
Common The Tirex Corporation	John L. Threshie, Jr. 4055 Ste-Catherine Street West Suite 151 Westmount), Quebec Canada, H3Z 3J8	2,000,000(2)	0.8%
Class A Common Tirex R&D		34 (5)	34%
Common The Tirex Corporation	Louis V. Muro 374 Oliver Avenue Westmount, Quebec Canada H3Z 3C9	5,978,957(2)(3)	2.39%
Class A Common Tirex R&D		17(5)	17%
Common The Tirex Corporation	Louis V. Sanzaro 1497 Lakewood Road Toms River, NJ 08755	16,281,088(2)	6.52%

Edgar Filing: TIREX CORP - Form 10KSB

Common The Tirex Corporation	Michael Ash 310 Mont#233e Sabourin St. Bruno, Quebec Canada, J3V 4P6	2,980,000 (4)	1.19%
Common The Tirex Corporation	All directors and officers as a group (4 persons)	27,239,945	10.90%
Class A Common	All directors and officers as a group (2 persons)	51	51.0%
Tirex R&D			

(1) The percentages listed in the table is calculated on the basis of 249,895,892 shares of the common stock, \$.001 par value, of the Company outstanding as at October 1, 2004.

(2) Our executive officers, directors and principal shareholders have pledged an aggregate of 11,986,315 (approximately 6% of our then outstanding shares) of their personal shareholdings in the Company as a security interest for our recent issuance of \$750,000 of 8% convertible notes, pursuant to a Subscription Agreement and Security Agreement dated February 26, 2001. Specifically, John L. Threshie, Jr. pledged 1,891,204 shares, Louis Muro pledged 1,723,514 shares and Louis Sanzaro pledged 8,371,597 shares of our common stock. These shares are currently being held in escrow, pending satisfaction of the terms of the notes. We were served a notice of default by the investors of the notes in July 2001. A Settlement Agreement was reached in April of 2002. The Company has been unable to respect its financial obligations under the terms of the Settlement Agreement and negotiations with respect to a new settlement have not been completed. As of the date of this Report, 3,190,977 collateral shares remained in the hands of the Investors. This represents approximately 1.3% of our current outstanding stock. The Investors also possess 4,000,000 of non-collateral stock, representing an additional 1.6% of our stock outstanding. The Company will replace those Collateral Shares sold by the Investors to those who pledged the shares.

(3) Includes: (i) 5,244,957 shares held of record by Mr. Muro as of October 1, 2004; and (ii) 734,000 shares held of record by Mr. Muro's wife, Nina Aviles Muro.

(4) Includes: (i) 2,750,000 shares held of record by Mr. Ash as of September 30, 2004; and (ii) 230,000 shares held of record in the name of Loryta Investments Limited an entity beneficially owned by the family of Mr. Ash. Does not include the 1,500,000 shares issuable to Mr. Ash as a result of his having exercised stock options, and for which an inadequate number of issuable shares exist to satisfy this option.

(5) Messrs. Threshie and Muro hold all shares of Tirex R&D Class A Common Stock pursuant to the terms of a Shareholders agreement among them and the Company (the "Tirex R&D Shareholders Agreement"), pursuant to which they will be obligated to transfer all such shares to the Company, for no consideration, on May 2, 2001, unless the term of such Agreement is unilaterally extended by the Company. The Company does not intend to take any actions of any kind with respect to such shares which would be in violation of any Canadian government regulations governing tax and other financial incentives which may be available to Tirex R&D. The Company is in the process of preparing appropriate documentation the effect of which would be to extend the duration of the Agreement.

Changes in Control

On February 26, 2001 we issued \$750,000 worth of convertible notes at an annual rate of eight percent (8%) to certain investors. Interest payable on these notes is payable quarterly commencing June 30, 2001. In addition, all principal and unpaid interest due on the outstanding notes is immediately due and payable on February 26, 2003, or earlier in the event of a default. One of the conditions of this transaction was that we would file with the Securities and Exchange Commission a Registration Statement on Form SB-2 to register various securities issuable upon the conversion of notes by a date certain and that the Registration Statement would be effective by August 15, 2001. We failed to meet these deadlines and the investors served a notice of default on us on July 19, 2001. Negotiations were undertaken throughout the remainder of Calendar 2001 and into 2002 until a Settlement Agreement was reached on April 26, 2002. Under the terms of the Agreement, a copy of which is included as an Exhibit to this Report, the Company is obligated to pay down the amount owed to the Investor Group, including interest and penalties, over a period of approximately two years. During the time when an amount continues to be owed to the Investor Group, the Investor Group will have the right to sell up to 600,000 collateral or Rule 144 shares per month and apply the proceeds to interest due, fees and finally to reduction of the principle amount outstanding. Any remaining collateral shares at the time the debt will have been totally repaid will be returned to the original owners of the shares. The Investor Group was also given three series of warrants for 500,000 shares each, exercisable at prices of \$0.01, \$0.05 and \$0.10 respectively and exercisable within pre-defined time windows over a three year period starting with the date of signature of the Settlement Agreement. . As of October 24, 2002, the Investor Group had 6,081,597 collateral shares

in their possession. As to the failure to have an SB-2 Registration Statement effective by August 15, 2001, the signing of the Settlement Agreement negated the default. Due to a lack of financial resources, the Company was forced to default on the terms of the Settlement Agreement. To date, the Investors have sold 8,795,338 shares of the original 11,986,315 collateral shares held by them.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The following is a description of transactions during the last two fiscal years or any presently proposed transactions to which the Company was or is to be a party, in which the amount involved in such transaction (or series of transactions) was \$60,000 or more and which any of the following persons had or is to have a direct or indirect material interest: (i) any director or executive officer of the Company; (ii) any person who owns or has the right to acquire 5% or more of the issued and outstanding common stock of the Company; and (iii) any member of the immediate family of any such persons.

Pursuant to a Subscription Agreement dated February 26, 2001 we issued \$750,000 of 8% convertible notes, due February 26, 2003 to three investors. Under the Subscription Agreement, we had the option, subject to conditions, to require the investors to purchase additional convertible put notes up to \$4,250,000. Interest only payments are due quarterly commencing June 30, 2001, and the principal is due in one lump sum on February 26, 2003, or upon certain events of default. The number of shares of common stock issuable upon conversion of the convertible notes is 15,000,000, based on a conversion price of \$0.05 per share. One of the conditions of this transaction was that we would file with the Securities and Exchange Commission a Registration Statement on Form SB-2 to register various securities issuable upon the conversion of the notes by a date certain and that the Registration Statement would be effective by August 15, 2001. We failed to meet these deadlines and the investors served a notice of default on us on July 19, 2001. The conversion price for the convertible notes is the lesser of (i) 80% of the average of the three lowest closing bid prices of the common stock for the twenty-two (22) trading days prior to the closing date, or (ii) 80% of the average of the five lowest closing bid prices of the common stock for the sixty (60) trading days prior to the conversion date, as defined in the convertible note. The maximum number of shares of common stock that any subscriber or group of affiliated subscribers may own after conversion at any given time is 4.99%.

During the years ended June 30, 2003 and 2004, the Company's executive officers and certain consultants to the Company have waived substantial portions of their salaries, fees and/or unreimbursed expenses made by them on behalf of, and for the account of, the Company, and, in 2003, have accepted shares of the Company's common stock in partial payment in lieu thereof, with the remaining amounts payable still being listed as liabilities of the Company. No cash payments nor payments in common stock were made to such persons during Fiscal 2004. In connection therewith shares have been issued as follows:

During Fiscal 2004, no shares were issued. During fiscal 2003 various officers and former officers received Common Stock in partial compensation with respect to salaries and expense reimbursements and purchased shares of Common Stock totaling 6,600,000 shares. The shares issued or sold to officers were valued at thirty-five per cent (35%) of the then current market price.

During fiscal 2000 the Company modified its agreement with Oceans Tire Recycling & Processing Co., Inc. ("OTRP") to clarify various terms of the parties prior agreements and to obtain a commitment by OTRP to pay future lease payments on the Production Model system, if necessary. The Company also exchanged its debt obligation to OTRP for 4,553,102 shares of its Common Stock, which was issued, pursuant to OTRP's request, to its principal shareholder and President.

ITEM 13. EXHIBITS

FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

Financial Statements

The financial statements filed as a part of this report are as follows:

Consolidated Balance Sheet - June 30, 2004

Edgar Filing: TIREX CORP - Form 10KSB

Consolidated Statements of Operations for the years ended June 30, 2003 and 2004, and cumulative for the period from inception (July 15, 1987) to June 30, 2004

Consolidated Statements of Owners' Equity (Deficit) as at July 15, 1987 and June 30, 2000 - 2004

Consolidated Statements of Cash Flows for the years ended June 30, 2003 and 2004 and cumulative for the period from inception (July 15, 1987) to June 30, 2004

Financial Statement Schedules

Financial statements schedules have been omitted for the reason that they are not required or are not applicable, or the required information is shown in the financial statements or notes thereto.

Exhibits

The exhibits filed as a part of this Report or incorporated herein by reference are as follows:

	Exhibits Incorporated Herein By Reference, Exhibit No. As Filed With Document Indicated
3. (a) Certificate of Incorporation filed August 19, 1987	3(a)
(b) Certificate of Amendment filed June 20, 1989	3(b)
(c) Certificate of Amendment filed March 10, 1993	3
(d) Certificate of Amendment filed December 5, 1995	3(e)
(e) By-Laws	3(b)
(f) Certificate of Amendment filed August 11, 1997	
(g) Certificate of Amendment filed February 3, 1998	3
(h) Certificate of Incorporation of Tirex Acquisition Corp., filed with the Secretary of State of Delaware on December 15, 1997	3(h)
(k) Certificate of Amendment to the Certificate of Incorporation, filed with the Secretary of State of Delaware on July 10, 1998	3

Reports on 8-K

The Company has not filed any reports on Form 8-K during Fiscal 2004.

SIGNATURES

In accordance with Section 15(d) of the Exchange Act of 1934, the Company has caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

THE TIREX CORPORATION

By /s/ JOHN L. THRESHIE, JR.

Date: October 14, 2003

John L. Threshie, Jr.
Chairman of the Board of Directors and
Chief Executive Officer

In accordance with Section 15(d) of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Company in the capacities and on the dates indicated.

SIGNATURES	TITLE	DATE
Principal Executive Officer: /s/ JOHN L. THRESHIE, JR. John L. Threshie, Jr	Chairman of the Board of Directors and Chief Executive Officer	October 14, 2003
Principal Financial and Accounting Officer: /s/ MICHAEL D.A. ASH Michael D.A. Ash	Secretary, Treasurer, and Chief Financial and Accounting Officer	October 14, 2003
A Majority of the Board of Directors: /s/ JOHN L. THRESHIE, JR. John L. Threshie, Jr.	Chairman of the Board of Directors	October 14, 2003
/s/ LOUIS SANZARO Louis Sanzaro	Director	October 14, 2003
/s/ LOUIS V. MURO Louis V. Muro	Director	October 14, 2003

SUPPLEMENTAL INFORMATION TO BE FURNISHED WITH REPORTS FILED PURSUANT TO SECTION
15(D) OF THE EXCHANGE ACT BY NON-REPORTING ISSUERS

No annual report or proxy materials have been sent to security-holders during the fiscal year ended June 30, 2004 or the subsequent interim period. As at the date hereof, the Company plans to furnish proxy materials relating to its annual meeting, which is presently intended to be held during the current fiscal year. All such materials will be furnished to the Commission at the same time as they are sent to securities holders.

Edgar Filing: TIREX CORP - Form 10KSB

THE TIREX CORPORATION
A DEVELOPMENT STAGE COMPANY

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2004

THE TIREX CORPORATION
A DEVELOPMENT STAGE COMPANY

CONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 2004

**June 30,
2004**

ASSETS

Current Assets

Cash and cash equivalents	\$	-
Accounts receivable		-
Notes receivable		20,475
Inventory		73,322
Research and Experimental Development tax credits receivable		-
		93,797

Property and equipment,
salvage value

50,000

Other assets

Investment, at cost		89,500
		89,500

\$ 233,297

LIABILITIES AND STOCKHOLDERS' EQUITY
(DEFICIT)

Current Liabilities

Accounts payable and accrued liabilities	\$	2,089,040
Current portion of long-term debt		78,091
		2,167,131

Other liabilities

Long-term deposits and notes		217,500
Government loans (net of current)		-
Capital lease obligations (net of current)		-
Convertible notes		586,356
Convertible note		185,556
Convertible loans		1,171,168
		2,160,580

4,327,711

Stockholders' Equity (Deficit)

Common stock, \$.001 par value, authorized 250,000,000 shares, issued and outstanding		
--	--	--

Edgar Filing: TIREX CORP - Form 10KSB

249,895,892 shares (June 30, 2003 - 249,895,892 shares)	249,896
Additional paid-in capital	25,222,219
Deficit accumulated during the development stage	(29,165,398)
Unrealized gain (loss) on foreign exchange	(401,131)
	(4,094,414)
	\$ 233,297

THE TIREX CORPORATION
A DEVELOPMENT STAGE COMPANY

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	Twelve months ended June 30		Cumulative from March 26, 1993 to June 30, 2004
	2004	2003	
Revenues	\$ -	\$ -	\$ 1,354,088
Cost of Sales	-	-	1,031,075
Gross profit	-	-	323,013
Operations			
General and administrative	476,796	981,170	12,113,871
Depreciat	-	24,960	365,545
Research and development	-	450,000	15,396,966
Total Expense	476,796	1,456,130	27,876,382
Loss before other expenses (income)	(476,796)	(1,456,130)	(27,553,369)
Other expenses (income)			
Interest expense	83,438	105,245	846,169
Interest income	-	-	(45,443)
Income from stock options	-	-	(10,855)
Loss on disposal of equipment	-	-	4,549
	83,438	105,245	794,420
Net loss	(560,234)	(1,561,375)	(28,347,789)
Other comprehensive loss			
Loss (gain) on foreign exchange	-	-	106,137
Net loss and comprehensive loss	\$ (560,234)	\$ (1,561,375)	\$ (28,453,926)
Basic and Diluted net loss and comprehensive loss per common share	\$ (0.01)	\$ (0.01)	\$ (0.40)
Weighted average shares of common stock outstanding	249,895,892	237,326,726	70,432,613

Edgar Filing: TIREX CORP - Form 10KSB

THE TIREX CORPORATION AND SUBSIDIARIES

(A Developmental Stage Company)

Consolidated Statements of Stockholders' Equity (Deficit)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Deficit Accumulated During Developmental Stage	Unrealized Foreign Exchange	Total
Balance at June 30, 1992	3,383,020	\$ 3,383	\$ 194,980	\$ (1,057,356)	\$ -	\$ (858,993)
Stock issued for reorganization	18,650,000	18,650	76,155	-	-	94,805
Stock issued for services	100,000	100	(100)	-	-	-
Stock issued in exchange for Warrants	363,656	364	(364)	-	-	-
Forgiveness of debt	-	-	728,023	-	-	728,023
Net loss and comprehensive loss for the year	-	-	-	(165,296)	-	(165,296)
Balance at June 30, 1993	22,496,676	22,497	998,694	(1,222,652)	-	(201,461)
Stock issued	2,000	2	(2)	-	-	-
Exchange for debt	-	-	149,170	-	-	149,170
Payments received for stock previously issued	-	-	237,430	-	-	237,430
Net loss and comprehensive loss for the year	-	-	-	(179,296)	-	(179,296)
Balance at June 30, 1994	22,498,676	22,499	1,385,292	(1,401,948)	-	5,843
Revision of common stock	(11,900,000)	(11,900)	11,900	-	-	-
Stock issued for services	5,592,857	5,592	513,908	-	-	519,500
Shares issued in exchange for debt	200,000	200	24,300	-	-	24,500
Issuance of common stock	402,857	401	21,915	-	-	22,316
Net loss and comprehensive loss for the year	-	-	-	(575,771)	-	(575,771)
Balance at June 30, 1995	16,794,390	\$16,792	\$1,957,315	\$ (1,977,719)	\$ -	\$ (3,612)

See Notes to Consolidated Financial Statements

Edgar Filing: TIREX CORP - Form 10KSB

THE TIREX CORPORATION AND SUBSIDIARIES
(A Developmental Stage Company)

Consolidated Statements of Stockholders' Equity (Deficit)

	Common Stock		Additional	Deficit	Unrealized	Total
	Shares	Amount	Paid-in	Accumulated	Foreign	
			Capital	During	Exchange	
				Developmental		
				Stage		
Balance at June 30, 1995	16,794,390	\$ 16,792	\$ 1,957,315	\$ (1,977,719)	\$ -	\$ (3,612)
Stock issued	3,975,662	5,090	846,612	-	-	851,702
Shares issued in exchange for debt	391,857	392	29,008	-	-	29,400
Issuance of common stock	710,833	710	80,161	-	-	80,871
Net loss and comprehensive loss for the year	-	-	-	(1,127,044)	-	(1,127,044)
Balance at June 30, 1996	21,872,742	22,984	2,913,096	(3,104,763)	-	(168,683)
Stock issued for options	-	-	912,838	-	-	912,838
Stock issued for services	5,067,912	3,955	690,234	-	-	694,189
Shares issued in exchange for debt	251,382	252	43,965	-	-	44,217
Issuance of common stock	10,257,936	10,259	335,132	-	-	345,391
Grants issued	-	-	408,597	-	-	408,597
Net loss and comprehensive loss for the year	-	-	-	(2,376,279)	-	(2,376,279)
Balance at June 30, 1997	37,449,972	37,450	5,303,862	(5,481,042)	-	(139,730)
Stock issued for services	4,396,466	4,396	922,180	-	-	926,576
Stock issued for options	-	-	948,500	-	-	948,500
Issuance of common stock	21,795,000	21,796	1,176,755	-	-	1,198,551
Unrealized foreign exchange	-	-	-	-	183,785	183,785
Stock options issued and outstanding	-	-	1,236,913	-	-	1,236,913
Grants issued	-	-	669,906	-	-	669,906
Net loss and comprehensive loss for the year	-	-	-	(4,570,441)	-	(4,570,441)
Balance at June 30, 1998	63,641,438	\$ 63,642	\$10,258,116	\$ (10,051,483)	\$183,785	\$454,060

See Notes to Consolidated Financial Statements

THE TIREX CORPORATION AND SUBSIDIARIES
(A Developmental Stage Company)

Consolidated Statements of Stockholders' Equity (Deficit)

	Common Stock		Additional	Deficit Accumulated During	Unrealized	Total
	Shares	Amount	Paid-in Capital	Developmental Stage	Foreign Exchange	
Balance at June 30, 1998	63,641,438	\$ 63,642	\$10,258,116	\$(10,051,483)	\$ 183,785	\$ 454,060
Stock issued for services	24,200,439	24,200	2,735,544	-	-	2,759,744
Stock issued for options	2,234,567	2,235	38,765	-	-	41,000
Shares issued in exchange for debt	3,787,947	3,788	340,164	-	-	343,952
Conversion of debentures	2,816,966	2,817	290,102	-	-	292,919
Issuance of common stock	677,966	678	49,322	-	-	50,000
Unrealized foreign exchange	-	-	-	-	(29,142)	(29,142)
Stock options issued and outstanding	-	-	385,600	-	-	385,600
Grants issued	-	-	1,057,742	-	-	1,057,742
Net loss and comprehensive loss for the year	-	-	-	(4,909,879)	-	(4,909,879)
Balance at June 30, 1999	97,359,353	97,360	15,155,355	(14,961,362)	154,643	445,996
Stock issued for services	28,873,210	28,873	2,217,758	-	-	2,246,631
Stock issued for options	5,327,486	5,327	381,600	-	-	386,927
Shares issued in exchange for debt	7,342,055	7,342	382,556	-	-	389,898
Conversion of debentures	12,010,073	12,010	815,796	-	-	827,806
Issuance of common stock	221,000	221	16,039	-	-	16,260
Unrealized foreign exchange	-	-	-	-	5,789	5,789
Grants issued	-	-	395,683	-	-	395,683
Net loss and comprehensive loss for the year	-	-	-	(5,548,829)	-	(5,548,829)
Balance at June 30, 2000	151,133,177	151,133	19,364,787	(20,510,191)	160,432	(833,839)
Stock issued for services	10,142,903	10,143	1,023,512	-	-	1,033,655
Stock issued for options	-	-	-	-	-	-
Shares issued in exchange for debt	14,236,399	14,236	1,891,602	-	-	1,905,838
Conversion of debentures	121,000	121	24,079	-	-	24,200
Issuance of common stock	732,929	733	39,427	-	-	40,160
Unrealized foreign exchange	-	-	-	-	(340,661)	(340,661)
Grants issued	-	-	249,294	-	-	249,294
Net loss and comprehensive loss for the year	-	-	-	(3,112,138)	-	(3,112,138)

Edgar Filing: TIREX CORP - Form 10KSB

Balance at June 30, 2001

176,366,408 \$ 176,366 \$22,592,701 \$(23,622,329) \$ (180,229) \$(1,033,491)
See Notes to Consolidated Financial Statements

Edgar Filing: TIREX CORP - Form 10KSB

THE TIREX CORPORATION AND SUBSIDIARIES
(A Developmental Stage Company)

Consolidated Statements of Stockholders' Equity (Deficit)

	Common Stock		Additional	Deficit	Unrealized	Total
	Shares	Amount	Paid-in Capital	Accumulated During Developmental Stage	Foreign Exchange	
Balance at June 30, 2001	176,366,408	\$ 176,366	\$ 22,592,701	\$(23,622,329)	\$ (180,229)	\$(1,033,491)
Stock issued for services	18,466,162	18,466	314,859	-	-	333,325
Stock issued for options	-	-	-	-	-	-
Shares issued in exchange for debt	24,075,502	24,076	1,649,442	-	-	1,673,518
Conversion of debentures	-	-	-	-	-	-
Issuance of common stock	5,849,487	5,850	61,897	-	-	67,747
Unrealized foreign exchange	-	-	-	-	(19,940)	(19,940)
Grants issued	-	-	-	-	-	-
Net loss and comprehensive loss for the year	-	-	-	(3,421,460)	-	(3,767,344)
Balance at June 30, 2002	224,757,559	\$ 224,758	\$24,618,899	\$ (27,043,789)	\$ (200,169)	\$ (2,746,185)
Stock issued for services	5,455,000	5,455	130,920	-	-	136,375
Stock issued for options	-	-	-	-	-	-
Shares issued in exchange for debt	15,400,000	15,400	441,183	-	-	456,583
Conversion of debentures	-	-	-	-	-	-
Issuance of common stock	4,283,333	4,283	31,217	-	-	35,500
Unrealized foreign exchange	-	-	-	-	(182,365)	(182,365)
Grants issued	-	-	-	-	-	-
Net loss and comprehensive loss for the year	-	-	-	(1,561,375)	-	(1,561,375)
Balance at June 30, 2003	249,895,892	\$ 249,896	\$25,222,219	\$ (28,605,164)	\$ (382,534)	\$ (3,515,583)
Stock issued for services	-	-	-	-	-	-
Stock issued for options	-	-	-	-	-	-
Shares issued in exchange for debt	-	-	-	-	-	-
Conversion of debentures	-	-	-	-	-	-
Issuance of common stock	-	-	-	-	-	-
Unrealized foreign exchange	-	-	-	-	(18,597)	(18,597)
Grants issued	-	-	-	-	-	-
Net loss and comprehensive loss for the year	-	-	-	(560,234)	-	(560,234)
Balance at June 30, 2004	249,895,892	\$ 249,896	\$25,222,219	\$ (29,165,398)	\$ (401,131)	\$ (4,094,414)

See Notes to Consolidated Financial Statements

THE TIREX CORPORATION
A DEVELOPMENT STAGE COMPANY

CONSOLIDATED STATEMENT OF CASH FLOWS

	Twelve months ended June 30		Cumulative from March 26, 1993 to June 30, 2004
	2004	2003	
Cash flows from operating activities:			
Net loss	\$ (560,234)	\$ (1,561,375)	\$ (28,453,926)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	-	24,960	364,304
(Gain) loss on disposal and abandonment of assets	-	530,651	2,005,498
Stock issued in exchange for interest	-	-	169,142
Stock issued in exchange for services and expenses	-	43,250	10,574,972
Stock options issued in exchange for services	-	-	3,083,390
Unrealized (loss) gain on foreign exchange	(18,597)	(182,365)	(401,151)
Other non-cash items	282,188	-	282,188
Changes in assets and liabilities:			
(Increase) decrease in:			
Account receivable	-	33,213	-
Inventory	-	(8,158)	(73,323)
Sales tax receivable	-	22,053	(36)
Research and experimental development tax credits receivable	-	246,970	-
Other assets	-	242,956	(10,120)
(Decrease) increase in :			
Accounts payables and accrued liabilities	121,643	273,586	2,017,744
Accrued salaries	175,000	33,080	498,152
Due to stockholders	-	-	5,000
Net cash used in operating activities	-	(301,179)	(9,938,166)
Cash flow from investing activities:			
Increase in notes receivable	-	(2,415)	(259,358)
Reduction in notes receivable	-	-	237,652
Investment	-	-	(89,500)
Equipment	-	-	(321,567)
Equipment assembly costs	-	-	(1,999,801)
Organization cost	-	-	6,700
Reduction in security deposit	-	-	(1,542)

Edgar Filing: TIREX CORP - Form 10KSB

Net cash used in investing activities	-	(2,415)	(2,427,416)
Cash flow from financing activities:			
Loans from related parties		133,600	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	-	(52,628)	(488,439)
Proceeds from issuance of stock options	-	-	20,000
Proceeds from grants	-	187,122	3,628,277
Proceeds from issuance of common stock	-	4,283	85,582
Proceeds from additional paid-in capital	-	31,217	2,145,775
Net cash provided by financing activities	-	303,594	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

Twelve months ended		Cumulative from
June 30		March 26, 1993 to
2004	2003	June 30, 2004

Supplemental Disclosure of Non-Cash
Activities:

During the year ended June 30, 2003, the Company recorded an increase in common stock and in additional paid-in capital of \$456,583 which was in recognition of the payment of debt. During the year ended June 30, 2004, the Company did not issue common stock in recognition of the payment of debt. During the year ended June 30, 2003, stock was issued in exchange for services performed and expenses in the amount of \$136,375. During the year ended June 30, 2004, the Company did not issue common stock in exchange for services performed and expenses.

Supplemental Disclosure of Cash Flow
Information:

Interest paid	\$	-	\$	21,024	\$	232,748
Income taxes paid	\$	-	\$	-	\$	-

Edgar Filing: TIREX CORP - Form 10KSB

THE TIREX CORPORATION
A DEVELOPMENT STAGE COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2004

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 June 30, 2004, the Company is still in the development stage. The operations consist mainly of raising capital, obtaining financing, developing equipment, obtaining customers and supplies, installing and testing equipment and administrative activities.

BASIS OF CONSOLIDATION

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

CASH AND CASH EQUIVALENTS

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

INVENTORY

The Company values inventory, which consists of finished goods and equipment held for resale, at the lower of cost

(first-in, first-out method) or market.

THE TIREX CORPORATION
A DEVELOPMENT STAGE COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2004

PROPERTY AND EQUIPMENT

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

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

INVESTMENT

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

ESTIMATES

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

ADOPTION OF STATEMENT OF ACCOUNTING STANDARD NO. 123

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

ADOPTION OF STATEMENT OF ACCOUNTING STANDARD NO. 128

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

THE TIREX CORPORATION

A DEVELOPMENT STAGE COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2004

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 June 30, 2004 and June 30, 2003, 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 \$29.5 million as of June 30, 2004, expiring through 2024. 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 June 30, 2004.

FOREIGN CURRENCY TRANSLATION

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

THE TIREX CORPORATION

A DEVELOPMENT STAGE COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2004

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 Company's financial statements for the years ended June 30, 2004 and June 30, 2003, the Company incurred a net loss of \$560,234 and \$1,561,375, respectively.

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 June 30, 2004, 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 June 30, 2004, 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 years ended June 30, 2004 and June 30, 2003 was zero and \$24,960, respectively.

THE TIREX CORPORATION

A DEVELOPMENT STAGE COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2004

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:

June 30	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 June 30, 2004 and June 30, 2003 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:

Edgar Filing: TIREX CORP - Form 10KSB

Balance at June 30, 2004	\$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

JUNE 30, 2004

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 June 30, 2004	\$ 185,556
Interest rate	8%
Issue date	July 19 th , 2000
Maturity date	January 19 th , 2002
Redemption rights	If not converted, the holder may require the Company to redeem at any time after maturity for the principal amount plus interest.
Conversion ratio	Not convertible prior to July 19 th , 2001, at 20%

Edgar Filing: TIREX CORP - Form 10KSB

discount to market between July 19th, 2001 and January 19th, 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

JUNE 30, 2004

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 June 30, 2004 and June 30, 2003, the balances owing to Directors and Officers was \$1,297,462 and \$919,462, respectively. These amounts are without interest or terms of repayment.

Long-term deposits and notes included an amount of \$118,500 at June 30, 2004, 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, 2003, the Company issued common stock in exchange for services performed totaling \$136,375. The amount for the year ended June 30, 2003 did not include any payments to Officers of the Company in exchange for salary and expenses. During the year ended June 30, 2004, 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 June 30, 2004 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 June 30, 2004, 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, the Company did not make any additional claims for tax credits as it was not eligible to do so and, as such, the Company did not record any additional tax credits receivable. The previous receivable balance in respect of tax credits from these governments went from \$246,970 as of June 30, 2002 to zero as of June 30, 2003 and remained as such as of June 30, 2004.

THE TIREX CORPORATION

A DEVELOPMENT STAGE COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2004

Note 13 COMMITMENTS

Rental expense for the years ended June 30, 2004 and June 30, 2003 amounted to zero and \$124,442, respectively.

At June 30, 2004, the Company was in arrears of rent, including interest and related charges, in the approximate amount of \$560,000. A settlement agreement with the former landlord is in place under the terms of which the Company would pay to the former landlord the sum of \$140,000 from the proceeds to the Company of revenues from each of the first four sales of TCS Systems.

Note 14 LITIGATION

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

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

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

Note 15 ACCUMULATED OTHER COMPREHENSIVE INCOME

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