

TRIANTECHNOLOGIES INC.

2004 SECOND QUARTER REPORT

Three months and six months ended June 30, 2004

TRIANTECHNOLOGIES INC.

2004 SECOND QUARTER REPORT

For the three months and six months ended June 30, 2004

CORPORATE PROFILE

Triant Technologies Inc. is a leader in equipment health monitoring, advanced fault detection and sophisticated data analysis technology. Our initial industry focus is the semiconductor industry where we provide innovative APC (Advanced Process Control) software solutions that enable our customers to improve their productivity and lower their manufacturing costs. In addition to our work in the semiconductor industry, we are pursuing opportunities for our technology.

To address the market opportunity in the semiconductor industry, we have developed *ModelWare*[®], a complete equipment health monitoring and advanced fault detection software solution. Leading semiconductor companies are using *ModelWare* to improve their competitive advantage in manufacturing silicon chips.

Our core technology is *UPM*[™] (Universal Process Modeling), a proprietary advanced mathematical algorithm that can be used to model the behavior of any correlated system or process turning raw data into useful information. UPM, the heart of *ModelWare*, is key to our strategy of developing new products and services around our core technology for the semiconductor market, as well as other vertical markets.

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TRIAINT TECHNOLOGIES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Amended)

For the three months and six months ended June 30, 2004

Restated as at February 8, 2005

This Management's Discussion and Analysis has been restated as at February 8, 2005 and contains forward-looking statements that are subject to various risks and uncertainties. The Company's actual results could differ materially from those anticipated in such forward-looking statements as a result of numerous factors that may be beyond the Company's control. Forward-looking statements are based on the expectations and opinions of the Company's management on the date the statements are made.

The following discussion should be read in conjunction with, and is qualified in its entirety by, the Consolidated Financial Statements of the Company for the year ended December 31, 2003 and the unaudited Interim Consolidated Financial Statements for the six months ended June 30, 2004. Those interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP) for interim financial statements as disclosed in Note 1 to those interim financial statements. All figures herein are expressed in Canadian dollars unless otherwise noted.

A. Operating Results

General

The nature of operations is outlined within Note 1 to the annual Consolidated Financial Statements of the Company. The Company develops, markets, and supports equipment health monitoring, advanced fault detection and sophisticated data analysis technology. The revenue of the Company is derived principally from the sale of software licenses, products and services, including software updates and maintenance services provided pursuant to annual service agreements. The Company currently derives revenue primarily from a limited number of customers in the semiconductor industry. As these customers are geographically dispersed and the Company closely monitors credit granted to each customer, credit risks are considered to be minimal. The Company identifies Canada as the primary economic environment in which it operates and uses the Canadian dollar as its functional currency. A substantial amount of the revenue of the Company and receivables are denominated in U.S. dollars. The Company translates revenue and the related receivable at the prevailing exchange rate at the time of the sale. Funds denominated in U.S. dollars are translated into Canadian dollars at the rate in effect on the balance sheet date. Translation gains and losses resulting from variations in exchange rates, upon translation into Canadian dollars, are included in results of operations.

The principal product of the Company, ModelWare, is priced and sold only in U.S. dollars due to the adoption of a common software industry practice of billing worldwide customers in U.S. dollars. This policy of invoicing in U.S. dollars introduces a price risk from exposure to fluctuations in foreign exchange rates. Any increase in the relative value of the U.S. dollar to the Canadian dollar results in increased revenue and net earnings to the Company as the majority of the expenses of the Company are denominated in Canadian dollars. A decrease in the relative value of the U.S. dollar to the Canadian dollar would decrease sales revenue and net earnings of the Company. For example, if the relative value of the U.S. dollar to the Canadian dollar had increased (decreased) by an additional 1.0% for the six months ended June 30, 2004, then revenue would have increased (decreased) by approximately 1.0% or \$18,400, costs and expenses would have increased (decreased) by approximately 0.1% or \$5,100 and loss from operations and net loss would have decreased (increased) by \$13,300. The Company does not hedge foreign currency transactions nor funds held and denominated in U.S. dollars.

The operations of the Company are sensitive to fluctuations in revenue as the base of expenses is relatively fixed over the short-term. The Company has developed and continually seeks to refine its management practices to allow initiation of timely corrective actions if operating results fail to reach pre-determined objectives.

Critical Accounting Policies and Significant Estimates

The significant accounting policies are outlined within Note 2 to the annual Consolidated Financial Statements of the Company for the year ended December 31, 2003, except for the change in accounting policy, as of January 1, 2004 retroactively in accordance with the recommendations of CICA 3870, *Stock-Based Compensation and Other Stock-Based Payments*, as outlined within Note 2 to the interim Consolidated Financial Statements of the Company for the three months and six months ended June 30, 2004. Some of those accounting policies require the Company to make estimates and assumptions that affect the amounts reported by the Company. The following items require the most significant judgment and may involve complex estimation:

Use of estimates

The 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, liabilities, revenues and expenses and disclosure of contingent assets and liabilities at the date of the financial statements and for the periods presented. Estimates are used for, but not limited to, accounting for doubtful accounts, determination of the net recoverable value of assets, amortization, income taxes, and contingencies. Actual results may differ from those estimates. Inaccurate estimates or wrong assumptions may have a material effect on the financial condition and results of operations of the Company.

Research and development costs

Research costs are expensed when incurred. Under Canadian GAAP, development costs are capitalized to the extent that recovery of these costs is assured, and are amortized over the life of the related product. No development costs have been capitalized as at June 30, 2004 and December 31, 2003. The assessment of the extent to which development costs should be expensed or capitalized may have a material effect on the financial condition and results of operations of the Company.

Revenue recognition

Revenues from software license agreements are recognized upon delivery of software if persuasive evidence of an arrangement exists, collection is probable, the fee is fixed or determinable, and vendor-specific objective evidence exists to allocate the total fee to elements of the arrangement. Vendor-specific objective evidence is typically based on the price charged when an element is sold separately, or, in the case of an element not yet sold separately, the price established by authorized management, if it is probable that the price, once established, will not change before market introduction. Elements included in multiple element arrangements could consist of software products, upgrades, enhancements, or customer support services. If an acceptance period is required, revenues are recognized upon the earlier of customer acceptance or the expiration of the acceptance period. The Company's agreements with its customers, value-added resellers and distributors do not contain product return rights (except for product defects).

Service revenues are primarily related to training performed on a time-and-materials basis under separate service arrangements related to the use of the Company's software products. Revenues from services are recognized as services are performed.

Where the Company enters into arrangements which require customization of hardware bundled with software, the Company recognizes revenue upon delivery and acceptance by the customer where the fee is fixed or determinable and collection is reasonably assured. If the fee is not fixed or determinable due to the existence of extended payment terms, revenue is recognized periodically as payments become due, provided all other conditions for revenue recognition are met.

If a transaction includes both license and service elements, license fee revenues are recognized on shipment of the software, provided that services do not include significant customization or modification of the base product, and the payment terms for licenses are not subject to acceptance criteria. In cases where license

fee payments are contingent on acceptance of services, the Company defers recognition of revenues from both the license and the service elements until the acceptance criteria are met. Deferred revenue on sales to distributors is recorded net of direct commissions paid.

Revenue related to maintenance agreements for supporting and maintaining the Company's products is recognized ratably over the term of the agreement, generally one year. Where the Company enters into arrangements for the sale of software licenses and maintenance, the Company accounts for such transactions as multiple element arrangements and allocates the consideration received to each element, based on vendor specific objective evidence of the price charged for elements separately. As a result, revenues recognized from maintenance and license agreements may vary depending on the allocation determined by the Company.

These revenue recognition policies and related estimates may have a material effect on the financial condition and results of operations of the Company.

Warranty

A provision for potential warranty claims is provided for at the time that the sale is recognized, based on warranty terms, and prior experience. While these estimates are determined based on product history, as well as an assessment of the potential for future claims, actual claims may have a material adverse effect on the financial condition and results of operations of the Company.

Summary of Selected Quarterly Operating Results

The summary of selected quarterly operating results set forth below is derived in part from the interim Consolidated Financial Statements of the Company. This information should be read in conjunction with such interim Consolidated Financial Statements that have been prepared in accordance with Canadian GAAP.

	2004 Q2 (Restated - Note 1)
Revenue	\$779,480
Net loss	\$(1,410,554)
Loss per share, basic and diluted	\$(0.03)

Note 1. During the second quarter of 2004, the Company changed its distribution business model in Korea to provide direct customer service and support through its Korean subsidiary (which was incorporated during the second quarter of 2004) instead of through its Korean distributor (who continues to provide a sales agent function). As a result of this change and a year-end review of the application of GAAP for revenue recognition to the sale of a 300mm fab-wide license that was made during the second quarter of 2004, the Company has restated its results for the second quarter of 2004. The fab-wide license fee portion of this sale had previously been recognized upon delivery in the second quarter of 2004, but has been restated and recognized over the period of installation (prior to the 2004 year end). The effect of this restatement is a decrease in revenue of \$867,843 and an increase in net loss of \$694,274, or \$0.02 per share, for the second quarter of 2004. The restatement had no material effect on the annual financial results for 2004. Subsequent to the 2004 year end, the Company received all the cash related to this transaction. The Company's restated consolidated financial statements and Management's Discussion and Analysis for the second quarter of 2004 is being filed with the applicable securities commissions and will be available on SEDAR at www.sedar.com and may also be obtained without charge upon request from the Company. The following table summarizes the increase (decrease) for restated amounts:

	2004 Q2 (3 months)	2004 Q2 (6 months)
Increase (decrease) in revenue	\$ (867,843)	\$ (867,843)
(Increase) decrease in net loss	\$ (694,274)	\$ (694,274)
(Increase) decrease in loss per share, basic and diluted	\$ (0.02)	\$ (0.02)
Increase (decrease) in total assets	\$ —	\$ —
Increase (decrease) in accrued liabilities	\$ (173,569)	\$ (173,569)
Increase (decrease) in deferred revenue	\$ 867,843	\$ 867,843
Increase (decrease) in total liabilities	\$ 694,274	\$ 694,274
Increase (decrease) in total shareholders' equity	\$ (694,274)	\$ (694,274)

Quarterly revenue varies due to lengthy sales cycles, coupled with the fact that the industry is characterized by a relatively small number of semiconductor manufacturers. Quarterly net loss varies primarily as a function of revenue, as well as changes in cost of revenue due to the distribution channel mix and the product and services mix; changes in operating expenses due to staffing levels and other operating expenses, and changes in interest and other due to foreign exchange gains or losses that resulted from changes in the relative value of the Canadian dollar to the U.S. dollar on working capital denominated in U.S. dollars.

Operating Results

Revenue for the three months ended June 30, 2004 was \$779,480 (restated from \$1,647,323) compared to \$1,438,808 for the second quarter of 2003. During the second quarter, the Company announced that Hynix Semiconductor Inc., one of the world's leading manufacturers of memory chips, had purchased two additional fab-wide licenses of ModelWare, the Company's Advanced Process Control (APC) solution for the semiconductor industry: one for its first 300mm fab and one for its R&D fab in Korea. These purchases were the latest in a series of orders for a total of five fab-wide licenses of ModelWare that the Company has received from Hynix over the past 12 months. The Company's source of revenue is increasingly switching to fab-wide licenses as the Company continues to service existing accounts and to develop significant new accounts, particularly in 300mm fabs. As a result of these efforts, the Company received \$2.4 million in new orders in the second quarter of 2004 compared to \$1.8 million in the second quarter of 2003.

Cost of revenue for the three months ended June 30, 2004 was \$222,591 (restated from \$396,160) compared to \$328,870 for the second quarter of 2003. These costs consist primarily of commissions, salaries and benefits, travel, allocated overhead costs, freight and brokerage and other costs directly associated with revenue. Gross margin and gross margin percentage for the second quarter of 2004 were \$556,889 (restated from \$1,251,163) and 71% (restated from 76%), respectively, compared to \$1,109,938 and 77%, respectively, for the second quarter in 2003. The decrease in gross margin percentage for the second quarter of 2004 compared to the second quarter of 2003 was attributable to the combined effect of changes in the distribution channel mix and the product and services mix.

Operating expenses for the three months ended June 30, 2004 were \$2,024,053 (including \$115,884 for non-cash stock-based compensation expense) compared to \$1,894,103 (including \$145,553 for non-cash stock-based compensation expense) for the second quarter of 2003. The 7% increase in expenses for the second quarter of 2004 compared to the second quarter of 2003 was attributable to increased research and development expenses and increased selling, general and administrative expenses partially offset by decreased stock-based compensation expense.

Research and development expenses for the three months ended June 30, 2004 were \$977,168 compared to \$910,183 for the second quarter of 2003. The 7% increase in research and development expenses for the second quarter of 2004 compared to the second quarter of 2003 was attributable to increased personnel and related costs. Development work in the second quarter of 2004 continued to be focused on increasing ModelWare functionality; improving availability and reliability; and enhancing usability. The Company expensed costs relating to research and development, as recovery of such costs from future revenue was not assured. Subsequent to the end of the second quarter of 2004, ModelWare

version 5.1 was released during the SEMICON West tradeshow. This new release of ModelWare introduces the concept of dynamic models that automatically compensates for maintenance-induced shifts in equipment operation. As well, version 5.1 reduces the number of fault detection models required by sharing models among tools and recipes. This simplifies the number and maintenance of fault detection models, thereby significantly reducing the cost of ownership of ModelWare. This new release of ModelWare is even easier to use with additional features that includes multi-lot overlay plots, drill-down reports, and comprehensive alarm reports. Version 5.1 is also easier to manage, integrate, and scale and makes significant use of database and middleware technologies.

Selling, general and administrative expenses for the three months ended June 30, 2004 were \$931,001 compared to \$838,367 for the second quarter of 2003. The 11% increase in selling, general and administrative expenses in the second quarter of 2004 compared to the second quarter of 2003 was attributable to increased sales and marketing activities during the quarter, as the Company continues to invest in developing the market opportunity for APC (Advanced Process Control) products and services in the semiconductor industry. These activities included the formation of a systems integration group responsible for providing our customers with integration services related to the deployment and application of our APC solutions, as well as the establishment of a wholly owned Korean subsidiary, named Triant Technologies Korea Limited and staffed by local Korean engineers, to better serve our customers in this region.

Loss from operations for the three months ended June 30, 2004 was \$1,467,164 (restated from \$772,890 and including \$115,884 for non-cash stock-based compensation expense) compared to \$784,165 (including \$145,553 for non-cash stock-based compensation expense) for the second quarter of 2003. The 87% increase in loss from operations for the second quarter of 2004 compared to the second quarter of 2003 was a result of lower gross margin combined with higher research and development expenses and higher selling, general and administrative expenses during the quarter.

Net loss for the three months ended June 30, 2004 was \$1,410,554 (restated from \$716,280 and including \$115,884 for non-cash stock-based compensation expense) compared to \$894,888 (including \$145,553 for non-cash stock-based compensation expense) for the second quarter of 2003. The 58% increase in net loss for the second quarter of 2004 compared to the second quarter of 2003 reflected increased loss from operations, as well as the effect of a foreign exchange gain of \$33,314 in the second quarter of 2004 compared to a foreign exchange loss of \$164,075 in the second quarter of 2003 that resulted from changes in the relative value of the Canadian dollar to the U.S. dollar on working capital denominated in U.S. dollars.

Loss per share for the three months ended June 30, 2004 was \$0.03 (restated from \$0.02) compared to \$0.02 for the second quarter of 2003.

Revenue for the six months ended June 30, 2004 was \$1,841,669 (restated from \$2,709,512) compared to \$2,508,176 for the six months ended June 30, 2003. The Company is well positioned to take advantage of the growth in 300mm fab opportunities, where it is recognized that APC is no longer an option but a necessity and its recently announced win of the 300mm business at Hynix is evidence of this. The Company believes that semiconductor device makers realize that maintaining an active APC program is essential to remaining a leader in semiconductor manufacturing. The Company has continued to focus on opening up new fab-wide accounts and further deployments of ModelWare in existing accounts. As a result of these efforts, the Company received \$3.5 million in new orders for the six months ended June 30, 2004 compared to \$2.3 million for the six months ended June 30, 2003.

Cost of revenue for the six months ended June 30, 2004 was \$406,863 (restated from \$580,432) compared to \$627,348 for the six months ended June 30, 2003. These costs consist primarily of commissions, salaries and benefits, travel, allocated overhead costs, freight and brokerage and other costs directly associated with revenue. Gross margin and gross margin percentage for the six months ended June 30, 2004 were \$1,434,806 (restated from \$2,129,080) and 78% (restated from 79%), respectively, compared to \$1,880,828 and 75%, respectively, for the six months ended June 30, 2003.

The increase in gross margin percentage was attributable to the combined effect of changes in the distribution channel mix and the product and services mix.

Operating expenses for the six months ended June 30, 2004 were \$3,854,462 (including \$229,443 for non-cash stock-based compensation expense) compared to \$3,908,706 (including \$289,253 for non-cash stock-based compensation expense) for the six months ended June 30, 2003. The 1% decrease in expenses was attributable to decreased research and development expenses and stock-based compensation expenses partially offset by increased selling, general and administrative expenses.

Research and development expenses for the six months ended June 30, 2004 were \$1,748,752 compared to \$1,906,339 for the six months ended June 30, 2003. The 8% decrease in research and development expenses was attributable to decreased personnel and related costs and to decreased outsourcing of certain contract software development services during the first three months of the comparative periods. Over the past five years, ModelWare has evolved from a simple tool-side solution to a complete fab-wide solution. The current version of ModelWare is a complex product. It has to operate continuously, be highly reliable and maintainable, simultaneously monitor hundreds of tools and be easy to use. In addition, each customer has a set of performance and feature requirements that may be different from its competitors. Meeting the semiconductor industry's needs requires significant research and development, if the Company is to remain a leader.

Selling, general and administrative expenses for the six months ended June 30, 2004 were \$1,876,267 compared to \$1,713,114 for the six months ended June 30, 2003. The 10% increase in selling, general and administrative expenses was attributable to increased sales and marketing activities.

Loss from operations for the six months ended June 30, 2004 was \$2,419,656 (restated from \$1,725,382 and including \$229,443 for non-cash stock-based compensation expense) compared to \$2,027,878 (including \$289,253 for non-cash stock-based compensation expense) for the six months ended June 30, 2003. The 19% increase in loss from operations was a result of lower gross margin and higher selling, general and administrative expenses partially offset by lower research and development expenses and stock-based compensation expense.

Net loss for the six months ended June 30, 2004 was \$2,307,445 (restated from \$1,613,171 and including \$229,443 for non-cash stock-based compensation expense) compared to \$2,696,471 (including \$289,253 for non-cash stock-based compensation expense) for the six months ended June 30, 2003. The 14% decrease in net loss reflected the decreased loss from operations, as well as the effect of a foreign exchange gain of \$53,434 during the first six months of 2004 compared to a foreign exchange loss of \$757,161 during the first six months of 2003 that resulted from changes in the relative value of the Canadian dollar to the U.S. dollar on working capital denominated in U.S. dollars.

Loss per share for the six months ended June 30, 2004 was \$0.06 (restated from \$0.04 compared to \$0.07 for the six months ended June 30, 2003). The 14% decrease in loss per share resulted from decreased net loss.

B. *Liquidity and Capital Resources*

At June 30, 2004, cash, cash equivalents and short-term investments were \$5,849,793 compared to \$7,354,044 at December 31, 2003; working capital was \$6,784,925 compared to \$8,192,230 at December 31, 2003; assets were \$8,815,383 compared to \$11,319,517 at December 31, 2003; and shareholders' equity was \$7,363,156 compared to \$8,745,194 at December 31, 2003.

At June 30, 2004, 5.5% of cash, cash equivalents and short-term investments were denominated in U.S. dollars compared to 2.2% as at December 31, 2003 and 100% of trade accounts receivable were denominated in U.S. dollars compared to 100% as at December 31, 2003 (since the Company invoices its products primarily in U.S. dollars). Any increase (decrease) in the relative value of the U.S. dollar to the Canadian dollar would increase (decrease) cash, cash equivalents and short-term investments and would impact the net earnings of the Company. For example, if the relative value of the U.S. dollar to the

Canadian dollar had increased (decreased) by an additional 1.0% for the six months ended June 30, 2004, then cash, cash equivalents and short-term investments would have increased (decreased) and net loss would have decreased (increased) by approximately \$3,200 and accounts receivable would have increased (decreased) and net loss would have decreased (increased) by approximately \$21,000. Included in accounts receivable at June 30, 2004 is U.S.\$515,000 relating to extended payment terms as a sales incentive for a major customer. The Company does not hedge funds denominated in U.S. dollars.

During the three months ended June 30, 2004, the Company had a net outflow of cash and cash equivalents of \$884,797 compared to a net inflow of \$244,339 for the second quarter of 2003. During the second quarter of 2004, cash and cash equivalents were used in operating activities (outflow of \$810,053) and used in investing activities for property, plant and equipment (outflow of \$74,744). During the second quarter of 2003, cash and cash equivalents were used in operating activities (outflow of \$1,515,614) and used in investing activities for property, plant and equipment (outflow of \$32,707).

During the six months ended June 30, 2004, the Company had a net outflow of cash and cash equivalents of \$1,504,251 compared to a net outflow of \$1,982,131 for the six months ended June 30, 2003. During the six months ended June 30, 2004, cash and cash equivalents were used in operating activities (outflow of \$1,394,032), provided by financing activities (inflow of \$1,690) and used in investing activities for property, plant and equipment (outflow of \$111,909). During the six months ended June 30, 2003, cash and cash equivalents were used in operating activities (outflow of \$3,673,637) and used in investing activities for property, plant and equipment (outflow of \$101,154).

The Company believes that its existing cash resources are sufficient to fund expected capital requirements and operating losses for the next 12 months. The Company intends to use its existing cash resources to fund research and development of existing and new technologies; to fund new business development programs, including sales and marketing of existing and new products; and for general corporate purposes, including possible future acquisitions and investments. While management anticipates continued growth in revenue from its products and services, there is no assurance that the Company will earn sufficient revenue to maintain future operations and fund the growth of the Company. Consequently, the Company may raise additional funds through financings in the future in order to take advantage of any growth opportunities, which may require a more rapid expansion, or acquisitions of complementary businesses or technologies, the formation of new alliances, the development of new products, and other responses to competitive pressures. There can be no assurance that additional financing will be available, if at all, on terms favourable to the Company. If such funds are unavailable or are not available on acceptable terms, the Company may be unable to maintain its future operations, take advantage of opportunities, develop new products, or otherwise respond to competitive pressures.

Contractual Obligations

As at June 30, 2004, the aggregate minimum future payments under operating leases and other commitments are as follows:

	As at and for the years ended December 31, (all amounts in Canadian Dollars)			
	2004	2005	2006	2007
Operating leases	\$ 166,464	\$ 233,346	\$ 162,216	\$ 40,554
Purchase obligations	—	—	—	—
Total contractual obligations	\$ 166,464	\$ 233,346	\$ 162,216	\$ 40,554

Off Balance Sheet Arrangements

None exist.

Transactions With Related Parties

None exist.

Proposed Transactions

None exist.

Changes in Accounting Policies

Stock-based compensation

As of January 1, 2004, the Company changed its accounting policy retroactively in accordance with the recommendations of CICA 3870, *Stock-Based Compensation and Other Stock-Based Payments*. This section establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based awards made in exchange for goods and services. As permitted by CICA 3870, the Company has applied this change retroactively for new awards granted on or after January 1, 1995. The Company has adopted the fair value based method of accounting of stock-based compensation awards using the Black-Scholes option-pricing model.

Using the fair value method for stock-based compensation, the Company recorded an additional charge to earnings of \$115,884 and \$145,553 for the three months ended June 30, 2004 and 2003, respectively, for stock options granted to employees and directors. The fair values of options granted during the three months ended June 30, 2004 were determined using an option pricing model assuming no dividends were paid, a weighted average volatility of the Company's share price of 79% (2003 – 62%), a weighted average expected life of 3 years (2003 – 3 years) and a weighted average annual risk free rate of 3.73% (2003 – 3.37%). The option valuation produced by the model is \$0.23 per share (2003 – \$0.15 per share). The Company has applied the new provisions retroactively with the restatement of prior periods. As a result, a cumulative adjustment to increase common shares, contributed surplus and deficit by \$528,399, \$1,836,062 and \$2,364,461, respectively, has been recorded on January 1, 2003 to reflect the retroactive impact of adopting the new provisions.

Summary

The Company continues to invest in developing the market opportunity for APC (Advanced Process Control) products and services in the semiconductor industry.

The Company believes the demand for APC products and services will continue to increase on a year-over-year basis as customers realize their benefits. According to the Semiconductor Industry Association, 2004 is expected to be another year of strong double-digit growth for the semiconductor industry and has projected stronger-than-expected growth of 28.6% for the year, with a projected compound annual growth rate of 10.4% for the period 2004 through 2007. The Company is optimistic that this will have a positive effect on its business. For 40 years the semiconductor industry has sustained a remarkable growth due to a variety of design and manufacturing improvements that have resulted in the proliferation of electronics. Because of these improvements, the industry has managed a 30% per year cost reduction per chip function and has managed to grow at a compound annual rate of 17% per year during this past period. However, the industry is facing some tough challenges, which include: increasingly complex factories due to the rapid changes in semiconductor technologies, business requirements and market conditions; the efficiency of the equipment used to manufacture chips is not keeping up with industry-specific targets, which has a significant impact on capital and operating costs; and with respect to the conversion to 300mm factories, the semiconductor industry must quickly ramp 300mm production to high volumes and it must achieve its efficiency targets. APC can help the semiconductor industry meet these and other challenges it currently faces. APC is the Company's business.

As stated by the Company earlier in the year, a significant portion of its 2004 revenue is targeted from 300mm fabs, and the timing of this revenue may be dependent on when these 300mm fabs are brought

on-line. APC solutions are characterized by lengthy sales cycles, due in part to the strategic importance of these solutions especially in 300mm fabs where APC has become a necessity. APC provides our customers with a strategic manufacturing advantage and they carefully compare competing products and companies before making a final decision. Lengthy sales cycles, coupled with the fact that the industry is characterized by a relatively small number of semiconductor manufacturers, means that our quarter-to-quarter revenue can be lumpy.

The Company's strategy is to focus on the semiconductor industry and develop a sustainable and profitable business in this industry segment by focusing on equipment health monitoring and advanced fault detection, and by introducing new products and services into the semiconductor market to broaden our opportunities.

(Signed) Robert Heath

Chief Executive Officer

Vancouver, Canada

(Restated as at February 8, 2005)

(Signed) Mark Stephens

Chief Financial Officer & Corporate Secretary

Interim Consolidated Financial Statements of

TRIANTECHNOLOGIES INC.

June 30, 2004

(Expressed in Canadian dollars)

Restated as at February 8, 2005

TRIANTECHNOLOGIES INC.
CONSOLIDATED BALANCE SHEETS
(Expressed in Canadian Dollars)
(Unaudited)

	June 30, 2004	December 31, 2003
Assets	(Note 8)	(Note 2)
Current		
Cash and cash equivalents	\$ 5,849,793	\$ 7,354,044
Accounts receivable, net		
Trade (net of allowance for doubtful accounts:		
June 30, 2004 and December 31, 2003 - \$Nil)	2,088,346	3,002,297
Other	49,843	7,814
Prepaid expenses and deposits	79,630	144,878
Inventory (Note 3)	169,540	257,520
Total current assets	8,237,152	10,766,553
Property, plant and equipment, net	578,231	552,964
Total assets	\$ 8,815,383	\$ 11,319,517
 Liabilities		
Current		
Accounts payable	\$ 127,862	\$ 873,824
Accrued liabilities	510,898	1,235,999
Deferred revenue	1,507,741	464,500
Total current liabilities	2,146,501	2,574,323
 Commitments (Note 6)		
 Shareholders' equity		
Capital stock (Note 4)		
Preferred shares		
Authorized: 100,000,000 without par value		
Issued and outstanding: June 30, 2004 and December 31, 2003 - Nil		
Common shares		
Authorized: 100,000,000 without par value		
Issued and outstanding: June 30, 2004 - 41,407,875		
and December 31, 2003 - 41,402,675		
	36,739,395	36,736,977
Contributed surplus	2,662,889	2,434,174
Deficit	(32,733,402)	(30,425,957)
Total shareholders' equity	6,668,882	8,745,194
Total liabilities and shareholders' equity	\$ 8,815,383	\$ 11,319,517

Approved by the Board of Directors:

(Signed) Robert Heath
Robert Heath, Director

(Signed) David L. Baird
David L. Baird, Director

TRIAN TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Expressed in Canadian Dollars)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
	(Note 8)	(Note 2)	(Note 8)	(Note 2)
Revenue				
Licenses and products	\$ 536,204	\$ 1,368,972	\$ 1,246,918	\$ 2,218,759
Services and maintenance	243,276	69,836	594,751	289,417
	<u>779,480</u>	<u>1,438,808</u>	<u>1,841,669</u>	<u>2,508,176</u>
Cost of revenue	<u>222,591</u>	<u>328,870</u>	<u>406,863</u>	<u>627,348</u>
Gross margin	<u>556,889</u>	<u>1,109,938</u>	<u>1,434,806</u>	<u>1,880,828</u>
Operating expenses				
Research and development	977,168	910,183	1,748,752	1,906,339
Selling, general and administrative	931,001	838,367	1,876,267	1,713,114
Stock-based compensation (Note 2) ...	115,884	145,553	229,443	289,253
	<u>2,024,053</u>	<u>1,894,103</u>	<u>3,854,462</u>	<u>3,908,706</u>
Loss from operations	(1,467,164)	(784,165)	(2,419,656)	(2,027,878)
Interest and other income	23,296	53,352	58,777	88,568
Foreign exchange gain (loss)	33,314	(164,075)	53,434	(757,161)
Net loss for the period	<u>\$ (1,410,554)</u>	<u>\$ (894,888)</u>	<u>\$ (2,307,445)</u>	<u>\$ (2,696,471)</u>
Loss per common share	<u>\$ (0.03)</u>	<u>\$ (0.02)</u>	<u>\$ (0.06)</u>	<u>\$ (0.07)</u>
Weighted average number of common shares outstanding	<u>41,407,875</u>	<u>41,402,675</u>	<u>41,406,925</u>	<u>41,402,675</u>

See accompanying Notes to the Consolidated Financial Statements.

TRIAN TECHNOLOGIES INC.
Consolidated Statements of Shareholders' Equity
(Expressed in Canadian Dollars)
(Unaudited)

	Common Shares		Contributed	Deficit (Note 8)	Total (Note 2)
	Shares	Amount	Surplus		
Balance at December 31, 2002	41,402,675	\$36,208,578	\$ -	\$ (24,673,739)	\$ 11,534,839
Cumulative effect of change in accounting policy (Note 2)	-	528,399	1,836,062	(2,364,461)	-
Stock-based compensation (Note 2) ...	-	-	598,112	-	598,112
Net loss for the year	-	-	-	(3,387,757)	(3,387,757)
Balance at December 31, 2003	41,402,675	36,736,977	2,434,174	(30,425,957)	8,745,194
Issued for cash					
Share Incentive Plan, options	5,200	2,418	(728)	-	1,690
Stock-based compensation (Note 2) ...	-	-	229,443	-	229,443
Net loss for the period (Note 8)	-	-	-	(2,307,445)	(2,307,445)
Balance at June 30, 2004	<u>41,407,875</u>	<u>\$36,739,395</u>	<u>\$ 2,662,889</u>	<u>\$ (32,733,402)</u>	<u>\$ 6,668,882</u>

See accompanying Notes to the Consolidated Financial Statements.

TRIAN TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
	(Note 8)	(Note 2)	(Note 8)	(Note 2)
Operating activities				
Net loss for the period	\$ (1,410,554)	\$ (894,888)	\$ (2,307,445)	\$ (2,696,471)
Items not affecting cash				
Accrued interest on short-term investments	-	(157)	-	(7,195)
Amortization	46,084	41,512	86,642	80,630
Foreign exchange loss on short-term investments	-	-	-	133,512
Stock-based compensation (Note 2)	115,884	145,553	229,443	289,253
Changes in operating assets and liabilities (Note 5)	438,533	(807,634)	597,328	(1,473,366)
Net cash used in operating activities	<u>(810,053)</u>	<u>(1,515,614)</u>	<u>(1,394,032)</u>	<u>(3,673,637)</u>
Financing activity				
Common shares issued for cash, net of issue costs	-	-	1,690	-
Net cash provided by financing activity	<u>-</u>	<u>-</u>	<u>1,690</u>	<u>-</u>
Investing activity				
Proceeds from disposition of short-term investments	-	1,792,660	-	1,792,660
Acquisition of property, plant and equipment	(74,744)	(32,707)	(111,909)	(101,154)
Net cash (used in) provided by investing activities	<u>(74,744)</u>	<u>1,759,953</u>	<u>(111,909)</u>	<u>1,691,506</u>
Net cash (outflow) inflow	(884,797)	244,339	(1,504,251)	(1,982,131)
Cash and cash equivalents, beginning of period	6,734,590	8,296,592	7,354,044	10,523,062
Cash and cash equivalents, end of period	<u>\$ 5,849,793</u>	<u>\$ 8,540,931</u>	<u>\$ 5,849,793</u>	<u>\$ 8,540,931</u>
Cash and cash equivalents are comprised of:				
Cash	\$ 3,638,490	\$ 8,486,987	\$ 3,638,490	\$ 8,486,987
Cash equivalents	2,211,303	53,944	2,211,303	53,944
	<u>\$ 5,849,793</u>	<u>\$ 8,540,931</u>	<u>\$ 5,849,793</u>	<u>\$ 8,540,931</u>

See accompanying Notes to the Consolidated Financial Statements.

TRIAINT TECHNOLOGIES INC.
Notes to the Interim Consolidated Financial Statements
June 30, 2004
(Expressed in Canadian Dollars)
(Unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements include all information and footnote disclosures required under Canadian generally accepted accounting principles for interim financial statements. In the opinion of management, all adjustments (consisting primarily of normal recurring adjustments) considered necessary for a fair presentation of the consolidated financial position, results of operations and cash flows as at June 30, 2004, and for all periods presented, have been included.

The unaudited consolidated balance sheets, statements of operations and shareholders' equity and statements of cash flows have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements. These financial statements follow the same accounting policies and methods of applications as the most recent annual consolidated financial statements dated December 31, 2003, except as described in Note 2. These financial statements should be read in conjunction with the annual consolidated financial statements and notes thereto for the fiscal year ended December 31, 2003.

2. CHANGE IN ACCOUNTING POLICY

As of January 1, 2004, the Company changed its accounting policy retroactively in accordance with recommendations of CICA 3870, *Stock-based Compensation and Other Stock-based Payments*. This section establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based awards made in exchange for goods and services. As permitted by CICA 3870, the Company has applied this change retroactively for new awards granted on or after January 1, 1995. The Company has adopted the fair value based method of accounting of stock-based compensation awards using the Black-Scholes option pricing model.

Using the fair value method for stock-based compensation, the Company recorded an additional charge to earnings of \$115,884 and \$145,553 for the three months ended June 30, 2004 and 2003, respectively, for stock options granted to employees and directors. The fair values of options granted during the three months ended June 30, 2004 were determined using an option pricing model assuming no dividends were paid, a weighted average volatility of the Company's share price of 79% (2003 - 62%), a weighted average expected life of 3 years (2003 - 3 years) and a weighted average annual risk free rate of 3.73% (2003 - 3.37%). The option valuation produced by the model is \$0.23 per share (2003 - \$0.15 per share).

TRIANTECHNOLOGIES INC.
Notes to the Interim Consolidated Financial Statements
June 30, 2004
(Expressed in Canadian Dollars)
(Unaudited)

2. CHANGE IN ACCOUNTING POLICY (Continued)

The Company has applied the new provisions retroactively with the restatement of prior periods. As a result, a cumulative adjustment to common shares, contributed surplus and deficit has been recorded on January 1, 2003 to reflect the retroactive impact of adopting the new provisions as follows:

	<u>Increase as at January 1, 2003</u>
Common shares	\$ 528,399
Contributed surplus	1,836,062
Deficit	(2,364,461)

3. INVENTORY

As at June 30, 2004, finished goods inventory of \$63,000 (December 31, 2003 - \$123,000) is valued at the lower of cost and estimated net realizable value, and work-in-progress inventory of \$106,540 (December 31, 2003 - \$134,520) is valued on a percentage of completion basis based on cost.

4. CAPITAL STOCK

As at June 30, 2004, there were 4,581,000 options issued and outstanding at exercise prices ranging from \$0.26 to \$2.15 with remaining contractual lives ranging from 0.5 to 5 years.

As at July 13, 2004, there were 41,407,875 common shares issued and outstanding and 4,581,000 options issued and outstanding at exercise prices ranging from \$0.26 to \$2.15 with remaining contractual lives ranging from 0.5 to 5 years.

TRIANTECHNOLOGIES INC.
Notes to the Interim Consolidated Financial Statements
June 30, 2004
(Expressed in Canadian Dollars)
(Unaudited)

5. CHANGES IN OPERATING ASSETS AND LIABILITIES

The effect on cash flows from changes in operating assets and liabilities is as follows:

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Accounts receivable				
Trade	\$ (539,681)	\$ (944,815)	\$ 913,951	\$ (320,902)
Other	(35,986)	21,744	(42,029)	(11,319)
Prepaid expenses and deposits	26,038	22,484	65,248	23,042
Inventory	78,523	15,600	87,980	(165,000)
Accounts payable	(89,371)	(76,232)	(745,962)	(31,959)
Accrued liabilities	27,588	61,903	(725,101)	(384,804)
Deferred revenue	971,422	91,682	1,043,241	(582,424)
	<u>\$ 438,533</u>	<u>\$ (807,634)</u>	<u>\$ 597,328</u>	<u>\$ (1,473,366)</u>

6. COMMITMENTS

At June 30, 2004, aggregate minimum future payments under operating leases for the years ended December 31 are as follows:

2004	\$ 166,464
2005	233,346
2006	162,216
2007	40,554

TRIANTECHNOLOGIES INC.
Notes to the Interim Consolidated Financial Statements
June 30, 2004
(Expressed in Canadian Dollars)
(Unaudited)

7. SEGMENTED AND OTHER INFORMATION

- (a) The Company operates in one segment for developing, marketing and supporting equipment health monitoring, advanced fault detection and sophisticated data analysis technology. Since the Company operates in one segment, all financial segment information can be found in the consolidated financial statements.

Information related to geographic areas is as follows:

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Revenue				
Asia	\$ 583,804	\$ 739,948	\$ 1,544,415	\$ 1,791,620
Europe	62,940	638,253	88,294	638,476
United States ...	132,736	60,607	208,960	78,080
	<u>\$ 779,480</u>	<u>\$ 1,438,808</u>	<u>\$ 1,841,669</u>	<u>\$ 2,508,176</u>

The Company attributes revenue among geographical areas based on the location of its customers. Long-lived assets consist of property, plant and equipment, substantially all of which are located in Canada.

- (b) *Concentration of credit risk and economic dependence*

The Company currently derives revenue primarily from customers in the semiconductor industry. These customers are geographically dispersed and the Company closely monitors credit granted to each customer. Therefore, credit risks are considered to be minimal. Revenue during the three-month and six-month periods ended June 30, 2004 includes \$604,382 (78%) (2003 - \$1,322,332 (92%)) from sales to three (2003 - three) customers and \$1,581,262 (86%) (2003 - \$2,337,382 (93%)) from sales to three (2003 - three) customers, respectively. As at June 30, 2004, accounts receivable includes \$2,036,197 (95%) (December 31, 2003 - \$2,977,111 (99%)) from four (December 31, 2003 - five) customers. The Company invests its excess cash principally in money market funds and investment grade securities. The Company has established guidelines relative to diversification and maturities that maintain safety and liquidity.

TRIAINT TECHNOLOGIES INC.
Notes to the Interim Consolidated Financial Statements
June 30, 2004
(Expressed in Canadian Dollars)
(Unaudited)

8. RESTATED RESULTS

During the second quarter of 2004, the Company changed its distribution business model in Korea to provide direct customer service and support through its Korean subsidiary (which was incorporated during the second quarter of 2004) instead of through its Korean distributor (who continues to provide a sales agent function). As a result of this change and a year-end review of the application of GAAP for revenue recognition to the sale of a 300mm fab-wide license that was made during the second quarter of 2004, the Company has restated its results for the second quarter of 2004. The fab-wide license fee portion of this sale had previously been recognized upon delivery in the second quarter of 2004, but has been restated and recognized over the period of installation (prior to the 2004 year end). The effect of this restatement is a decrease in revenue of \$867,843 and an increase in net loss of \$694,274, or \$0.02 per share, for the second quarter of 2004. The restatement had no material effect on the annual financial results for 2004. Subsequent to the 2004 year end, the Company received all the cash related to this transaction. The following table summarizes the increase (decrease) for restated amounts:

	2004 Q2 (3 months)	2004 Q2 (6 months)
Increase (decrease) in revenue	\$ (867,843)	\$ (867,843)
(Increase) decrease in net loss	\$ (694,274)	\$ (694,274)
(Increase) decrease in loss per share, basic and diluted	\$ (0.02)	\$ (0.02)
Increase (decrease) in total assets	\$ —	\$ —
Increase (decrease) in accrued liabilities	\$ (173,569)	\$ (173,569)
Increase (decrease) in deferred revenue	\$ 867,843	\$ 867,843
Increase (decrease) in total liabilities	\$ 694,274	\$ 694,274
Increase (decrease) in total shareholders' equity	\$ (694,274)	\$ (694,274)

TRIAINT TECHNOLOGIES INC.
Corporate Directory
June 30, 2004

Other Information

BOARD OF DIRECTORS

David Baird ^{(1) (2)}

Richard Deininger ⁽¹⁾

Brian Harrison ^{(1) (2)}
CHAIRMAN OF THE BOARD

Robert Heath
CHIEF EXECUTIVE OFFICER

Paul O'Sullivan
PRESIDENT AND CHIEF OPERATING OFFICER

Brian Piccioni ^{(1) (2)}

(1) MEMBER OF AUDIT COMMITTEE

(2) MEMBER OF CORPORATE GOVERNANCE COMMITTEE

OFFICERS

Brian Harrison ⁽³⁾
CHAIRMAN OF THE BOARD

Robert Heath
CHIEF EXECUTIVE OFFICER

Paul O'Sullivan
PRESIDENT AND CHIEF OPERATING OFFICER

Mark Stephens
CHIEF FINANCIAL OFFICER AND CORPORATE SECRETARY

Francis St-Pierre
VICE PRESIDENT, WORLDWIDE SALES & MARKETING

Don Gayton
VICE PRESIDENT, ENGINEERING

(3) NON-EXECUTIVE OFFICER

AUDITORS

Deloitte & Touche LLP
Vancouver, Canada

BANKERS

Bank of Montreal
Vancouver, Canada

SOLICITORS

Koffman Kalef
Vancouver, Canada

REGISTRAR AND TRANSFER AGENT

Computershare Investor Services Inc.
Vancouver, Canada

All dollar amounts in this Interim Report are in Canadian dollars and in accordance with Canadian generally accepted accounting principles unless stated otherwise.

This Interim Report contains forward-looking statements that are subject to various risks and uncertainties. The Company's actual results could differ materially from those anticipated in such forward-looking statements as a result of numerous factors that may be beyond the Company's control. Forward-looking statements are based on the expectations and opinions of the Company's management on the date the statements are made.

TRADEMARKS

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SHARE LISTINGS

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OTC Bulletin Board (OTCBB), Symbol: TNTTF

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