

TRIANTECHNOLOGIES INC.

2005 THIRD QUARTER REPORT

For the three months and nine months ended September 30, 2005

TRIAINT TECHNOLOGIES INC.

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CORPORATE PROFILE

Triant Technologies Inc. is a leader in equipment health monitoring, advanced fault detection and sophisticated data analysis technology. Our primary 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.

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 integrated circuits (ICs).

The Company's core competencies include:

- Equipment fault detection using simple and advanced statistical modeling techniques, which includes using our *UPM*[™] (Universal Process Modeling) technology, an advanced mathematical algorithm that can be used to model the behaviour of any correlated system or process
- Real-time data acquisition from complex semiconductor equipment using HSMS/SECS or hardware-based interfaces
- Development of robust, scaleable and high-reliability software systems
- Knowledge of semiconductor processes and factory operations

The Company's *ModelWare* product provides a commercially available, real-time, multivariate equipment health monitoring and advanced fault detection software solution to the semiconductor industry, by virtue of its technology, deployment experience and expertise in equipment health monitoring and advanced fault detection principles and techniques.

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TRIANTECHNOLOGIES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months and nine months ended September 30, 2005

Dated October 19, 2005

Forward-looking Statements

This Management's Discussion and Analysis (the "MD&A") contains forward-looking statements about Triant Technologies Inc. (the "Company") and its business. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects," "anticipates," "believes," "intends," "estimates," "projects" and similar expressions, or that events or conditions "will," "may," "could" or "should" occur. Forward-looking statements are based on the beliefs, opinions and expectations of the Company's Management at the time they are made, and the Company does not assume any obligation to update its forward-looking statements if those beliefs, opinions or expectations, or other circumstances, should change. Readers should not place undue reliance on forward-looking statements.

The forward-looking statements in this MD&A are subject to various risks, uncertainties and other factors that could cause the Company's actual results or achievements to differ materially from those expressed in or implied by forward-looking statements. These risks, uncertainties and other factors include, without limitation: the Company's ability to achieve the goals and satisfy the assumptions of management; the availability and cost of financing; the demand for the Company's products; the development of competing technologies and the possibility of increased competition; the effect of economic trends and conditions in the markets that the Company and its customers serve; risks associated with technical difficulties or delays in product introductions, improvements, implementations, product development, product pricing or other initiatives of the Company and its competitors; factors that may result in a reduction in capital expenditures and/or delayed buying decisions affecting demand for the Company's products; the threat or reality of war in certain of the Company's geographic markets; currency fluctuations; the possibility that the Company will pursue additional development projects or other business opportunities; and other factors more specifically set forth under "Item 5.2. Risk Factors" in the Company's Annual Information Form (Form 51-102F2) dated March 24, 2005.

The following discussion should be read in conjunction with, and is qualified in its entirety by, the audited Consolidated Financial Statements of the Company for the year ended December 31, 2004 and the unaudited Interim Consolidated Financial Statements for the three months and nine months ended September 30, 2005. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP). 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 audited Consolidated Financial Statements of the Company for the year ended December 31, 2004. 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 generally major multinational corporations, credit risks are considered to be minimal. Historically, the Company has not had any significant bad debts expense. 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 would increase revenue and decrease the net loss of the Company as the majority of the expenses of the Company are denominated in Canadian dollars. Any decrease in the relative value of the U.S. dollar to the Canadian dollar would decrease revenue and increase the net loss 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 nine months ended September 30, 2005, then revenue would have increased (decreased) by approximately 1% or \$37,100, costs and expenses would have increased (decreased) by approximately 0.2% or \$8,900, and loss from operations and net loss would have decreased (increased) by \$28,200. 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, 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, determination of the fair value of multiple element revenue arrangements, the stage of completion of software/service implementations, 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 reasonably assured, and are amortized over the life of the related product. No development costs have been capitalized as at September 30, 2005 and December 31, 2004. 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). Where the Company enters into an arrangement directly with an end-user to deliver licenses and services, the revenue for these items is recognized ratably over the period of installation.

Service revenues are primarily related to training and customer support services 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. Where installation services are essential to the functionality of the base product, then revenue is recognized on a percentage of completion basis over the period of installation. 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 unaudited 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 unaudited interim Consolidated Financial Statements that have been prepared in accordance with Canadian GAAP.

	2005 Q3	2005 Q2	2005 Q1	2004 Q4	2004 Q3	2004 Q2	2004 Q1	2003 Q4
Revenue	\$ 1,314,495	\$ 872,563	\$1,524,513	\$ 844,258	\$ 1,637,944	\$ 779,480	\$ 1,062,189	\$ 2,170,791
Net loss	(578,566)	(1,006,165)	(169,320)	(1,550,709)	(1,152,120)	(1,410,554)	(896,891)	(213,635)
Loss per share, basic and diluted	\$ (0.01)	\$ (0.02)	\$ 0.00	\$ (0.04)	\$ (0.03)	\$ (0.03)	\$ (0.02)	\$ (0.01)

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 earnings (loss) vary 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 September 30, 2005 was \$1,314,495 compared to \$1,637,944 for third quarter of 2004, or a 20% decrease. The revenue of the Company is derived principally from the sale of software licenses, hardware products, and related services, including software updates and maintenance services provided pursuant to annual service agreements, man-on-site agreements, and custom systems integration software development services. During the third quarter of 2005, revenue from the sale of licenses and products was lower by 46% than in the third quarter of 2004 primarily due to longer than expected sales cycles and revenue from services and maintenance provided by the Company's systems integration and customer support groups was higher by 36% than in the third quarter of 2004 due to additional maintenance contracts, increased revenue from systems integration services and the effect of the change in the Company's distribution business model in Korea during 2004 to provide direct customer service and support through its Korean subsidiary (which was incorporated during the third quarter of 2004) instead of through its Korean distributor (who continues to provide a sales agent function). The Company continues to pursue the sale of fab-wide licenses of ModelWare and service and maintenance contracts and related products with primarily Asian semiconductor manufacturers. APC (Advanced Process Control) solutions are still 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. During the third quarter ended September 30, 2005, the Company received \$1.1 million in new orders compared to \$0.4 million for the third quarter of 2004. The Company ended the third quarter of 2005 with \$1.0 million in total of deferred revenue and backlog (defined as the unbilled portions of purchase orders received from customers, which is a non-GAAP measure that may not be comparable to other companies) compared to \$1.0 million at the end of the third quarter of 2004.

Cost of revenue for the three months ended June 30, 2005 was \$274,487 compared to \$529,801 for the third quarter of 2004. 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 three months ended September 30, 2005 were \$1,040,008 and 79%, respectively, compared to \$1,108,143 and 68%, respectively, for the third quarter of 2004. 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 three months ended September 30, 2005 were \$1,562,256 (including non-cash stock-based compensation expense of \$62,455) compared to \$2,146,382 (including non-cash stock-based compensation expense of \$118,703) for the third quarter of 2004. The 27% decrease in operating expenses for the third quarter of 2005 compared to the third quarter of 2004 was attributable to lower research and development expenses; selling, general and administrative expenses; and stock-based compensation expense.

Research and development expenses for the three months ended September 30, 2005 were \$800,052 compared to \$965,635 for the third quarter of 2004. The 17% decrease in research and development expenses for the third quarter of 2005 compared to the third quarter of 2004 was attributable to lower personnel and related costs. Development work in the third quarter of 2005 continued to be focused on beta testing of ModelWare Version 6.0, which apart from increased functionality and usability, is also focused on improving availability and reliability. Research and development expenses represented the largest expense category for the Company in the third quarter of 2005 and the second largest expense category in the third quarter of 2004. With continuing technological change and competitive pressures characterizing the markets for the Company's products and services, the Company expensed costs relating to research and development, as recovery of such costs from future revenue was not assured.

Selling, general and administrative expenses for the three months ended September 30, 2005 were \$699,749 compared to \$1,062,044 for the third quarter of 2004. The 34% decrease in selling, general and administrative expenses in the third quarter of 2005 compared to the third quarter of 2004 was attributable to the consolidation of office facilities with the closure of the Company's facilities in Nanaimo, British Columbia and related costs during 2004 and a reduction of personnel expenses and related accruals. Selling, general and administrative expenses represented the second largest expense category in the third quarter of 2005 and the largest expense category in the third quarter of 2004.

Loss from operations for the three months ended September 30, 2005 was \$522,248 (including non-cash stock-based compensation expense of \$62,455) compared to a loss from operations of \$1,038,239 (including non-cash stock-based compensation expense of \$118,703) for the third quarter of 2004. The 50% decrease in loss from operations in the third quarter of 2005 compared to the third quarter of 2004 was a result of significantly lower operating expenses, partially offset by lower revenue.

Net loss for the three months ended September 30, 2005 was \$578,566 (including the effect of non-cash stock-based compensation expense of \$62,455) compared to a net loss of \$1,152,120 (including non-cash stock-based compensation expense of \$118,703) for the third quarter of 2004. This change reflected the decrease in loss from operations, partially offset by the unfavourable effect of foreign exchange losses of \$72,923 for the third quarter of 2005 compared to foreign exchange losses of \$12,881 for the third quarter of 2004 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 September 30, 2005 was \$0.01 compared to a loss per share of \$0.03 for the third quarter of 2004. This change resulted from the decreased net loss.

Revenue for the nine months ended September 30, 2005 was \$3,711,571 compared to \$3,479,613 for the nine months ended September 30, 2004. Revenue from the sale of licenses and products was lower by 29% and revenue from services and maintenance provided by the Company's systems integration and customer support groups was higher by 81% for a net increase in revenue of 7% overall for the nine months ended September 30, 2005 compared to the nine months ended September 30, 2004. During the nine months ended September 30, 2005, the Company received \$2.9 million in new orders compared to \$3.9 million for the nine months ended September 30, 2004.

Cost of revenue for the nine months ended September 30, 2005 was \$909,661 compared to \$936,664 for the nine months ended September 30, 2004. 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 nine months ended September 30, 2005 were \$2,801,910 and 75%, respectively, compared to \$2,542,949 and 73%, respectively, for the nine months ended September 30, 2004. 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 nine months ended September 30, 2005 were \$4,624,626 (including non-cash stock-based compensation expense of \$176,001) compared to \$6,000,844 (including non-cash stock-based compensation expense of \$348,146) for the nine months ended September 30, 2004. The 23% decrease in operating expenses for the nine months ended September 30, 2005 compared to the nine months ended September 30, 2004 was attributable to decreases in personnel and related costs in research and development and general administration.

Research and development expenses for the nine months ended September 30, 2005 were \$2,309,224 compared to \$2,714,387 for the nine months ended September 30, 2004. The 15% decrease in research and development expenses for the nine months ended September 30, 2005 compared to the nine months ended September 30, 2004 was attributable to decreased personnel and related costs. Research and development expenses represented the largest expense category for the Company in the nine months ended September 30, 2005 and the second largest expense category in the nine months ended September 30, 2004. 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, server-style, 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 nine months ended September 30, 2005 were \$2,139,401 compared to \$2,938,311 for the nine months ended September 30, 2004. The 27% decrease in selling, general and administrative expenses in the nine months ended September 30, 2005 compared to the nine months ended September 30, 2004 was attributable to the consolidation of office facilities with the closure of the

Company's facilities in Nanaimo, British Columbia and related costs during 2004 and a reduction of personnel expenses and related accruals. Selling, general and administrative expenses represented the second largest expense category in the nine months ended September 30, 2005 and the largest expense category in the nine months ended September 30, 2004.

Loss from operations for the nine months ended September 30, 2005 was \$1,822,716 (including non-cash stock-based compensation expense of \$176,001) compared to \$3,457,895 (including non-cash stock-based compensation expense of \$348,146) for the nine months ended September 30, 2004. The 47% decrease in loss from operations in the nine months ended September 30, 2005 compared to the nine months ended September 30, 2004 was primarily the result of lower operating expenses due to the reduction of personnel and related cost in research and development and general administration and higher revenue due to the change in the Company's distribution business model.

Net loss for the nine months ended September 30, 2005 was \$1,754,251 (including the effect of non-cash stock-based compensation expense of \$176,001) compared to a net loss of \$3,459,565 (including non-cash stock-based compensation expense of \$348,146) for the nine months ended September 30, 2004. This change reflected the combination of a decrease in operating expenses and a slight increase in revenue, as well as the favourable effect of foreign exchange gains of \$19,136 for the nine months ended September 30, 2005 compared to foreign exchange losses of \$79,756 for the nine months ended September 30, 2004 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 nine months ended September 30, 2005 was \$0.04 compared to a loss per share of \$0.08 for the nine months ended September 30, 2004. This change resulted from the combination of a decrease in operating expenses and a slight increase in revenue.

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. 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 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 for the semiconductor industry is the Company's primary business.

B. *Liquidity and Capital Resources*

As at September 30, 2005, cash and cash equivalents were \$2,471,689 compared to \$2,813,563 as at December 31, 2004; working capital was \$2,183,536 compared to \$3,677,420 at December 31, 2004; assets were \$3,911,526 compared to \$6,544,492 at December 31, 2004; and shareholders' equity was \$2,634,845 compared to \$4,213,095 at December 31, 2004.

As at September 30, 2005, 32 % of cash and cash equivalents were denominated in U.S. dollars compared to 10.7% as at December 31, 2004 and 99.4% of trade accounts receivable were denominated in U.S. dollars compared to 99.8% as at December 31, 2004 (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 and cash equivalents 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 nine months ended September 30, 2005, then cash and cash equivalents would have increased (decreased) and net loss would have decreased (increased) by approximately \$8,000 and accounts receivable would have increased (decreased) and net loss would have decreased (increased) by approximately \$6,600. The Company does not hedge funds denominated in U.S. dollars.

During the three months ended September 30, 2005, the Company had a net outflow of cash and cash equivalents of \$737,607 compared to a net outflow of \$1,111,590 for the third quarter of 2004. During the third quarter of 2005, cash and cash equivalents were used in operating activities (outflow of \$720,535) and used in investing activities for property, plant and equipment (outflow of \$17,072). The principal components for

operating activities include an outflow of \$578,766 for net loss for the third quarter of 2005 (plus items not affecting cash, which consisted of amortization of \$40,539 and non-cash stock-based compensation expense of \$62,455) and an outflow of \$244,763 for changes in operating assets and liabilities, primarily consisting of an outflow of \$151,550 resulting from an increase in trade accounts receivable due to the timing of billings for licenses, products, services and maintenance contracts and an outflow of \$135,337 resulting from a decrease in deferred revenue due to the timing of revenue recognition for licenses, products, services and maintenance contracts. During the third quarter of 2004, cash and cash equivalents were used in operating activities (outflow of \$1,078,874) and used in investing activities for property, plant and equipment (outflow of \$32,716). The principal components for operating activities include an outflow of \$1,152,120 for net loss for the third quarter of 2004 (less items not affecting cash, which consisted of amortization of \$46,886 and non-cash stock-based compensation expense of \$118,703) and an outflow of \$92,343 for changes in operating assets and liabilities, primarily consisting of an outflow of \$832,441 resulting from an decrease in deferred revenue due to the timing of revenue recognition for licenses, products, services and maintenance contracts, partially offset by an inflow of \$185,183 resulting from collections of trade accounts receivable and outflows of \$244,165 and \$260,621 resulting from decreases in accounts payable due to the timing of purchases and accrued liabilities due to management estimates for accruals, respectively.

During the nine months ended September 30, 2005, the Company had a net outflow of cash and cash equivalents of \$381,874 compared to a net outflow of \$2,615,841 for the nine months ended September 30, 2004. During the nine months ended September 30, 2005, cash and cash equivalents were used by operating activities (outflow of \$308,736) and used in investing activities for property, plant and equipment (outflow of \$33,138). The principal components for operating activities include an outflow of \$1,754,251 for net loss for the nine months ended September 30, 2005 (plus items not affecting cash, which consisted of amortization of \$117,504 and non-cash stock-based compensation expense of \$176,001) and an inflow of \$1,152,010 for changes in operating assets and liabilities, primarily consisting of an inflow of \$2,172,662 resulting from collections of accounts receivable partially offset by outflows of \$135,348, \$271,890 and \$647,478 resulting from decreases in accounts payable due to the timing of purchases, accrued liabilities due to management estimates for accruals, and deferred revenue due to the timing of revenue recognition for licenses, products, services and maintenance contracts, respectively. During the nine months ended September 30, 2004, cash and cash equivalents were used in operating activities (outflow of \$2,472,906), resulted from financing activities for the issuances of common shares (inflow of \$1,690) and used in investing activities for property, plant and equipment (outflow of \$144,625). The principal components for operating activities include an outflow of \$3,459,565 for net loss for the nine months ended September 30, 2004 (less items not affecting cash, which consisted of amortization of \$133,528 and non-cash stock-based compensation expense of \$348,146) and an inflow of \$504,985 for changes in operating assets and liabilities, primarily consisting of inflows of \$1,099,134 and \$210,800 resulting from collections of accounts receivable and an increase in deferred revenue due to the timing of revenue recognition for licenses, products, services and maintenance contracts, respectively, partially offset by outflows of \$501,797 and \$464,480 resulting from decreases in accounts payable and accrued liabilities due to the timing of purchases and management estimates for accruals, respectively.

During the nine months ended September 30, 2005 and 2004, the distribution of securities has been a source of net cash for the Company for financing activities of \$Nil and \$1,690, respectively. In the first quarter of 2004, the Company issued common shares pursuant to stock option exercises that resulted in financing activities of \$1,690.

During the nine months ended September 30, 2005 and 2004, the Company did not have any lines of credit or debt facilities.

The unaudited Interim Consolidated Financial Statements for the three months and nine months ended September 30, 2005 have been prepared on a going concern basis notwithstanding the fact that the Company has reported net losses in its last five years of operation. There is no assurance the Company will become profitable or establish a consistent track record of profitability. The continuation of the Company as a going concern is dependent upon the attainment of profitable operations and upon the Company's continuing ability to raise additional financing as required. While management anticipates revenue from its current products and related services, there is no assurance that the Company will earn sufficient revenue to maintain its future operations. Consequently, the Company may have to raise additional funds in the future in order to maintain operations. There is 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. Certain conditions and events such as those described above may cast substantial doubt on the Company's ability to continue as a going concern. The Company believes that its existing cash resources are sufficient to fund expected capital and operating requirements for the next 12 months.

Contractual Obligations

As at September 30, 2005, the aggregate minimum future payments under operating leases and other commitments as at and for the years ended December 31 are as follows:

	As at and for the years ended December 31, (all amounts in Canadian Dollars)	
	2005	2006
Operating leases	\$ 47,725	\$ 79,541
Purchase obligations	122,378	-
Total contractual obligations	\$ 170,103	\$ 79,541

The Company has an obligation to purchase electronic components valued at \$122,378 used in the production of inventory.

Off Balance Sheet Arrangements

None exist.

Transactions With Related Parties

None exist.

Proposed Transactions

None exist.

Capital Stock

As of January 1, 2004, the Company adopted, retroactively, the fair value based approach to Stock-based Compensation and Other Stock-based Payments, under the provisions of CICA 3870, using the Black-Scholes option-pricing model. Using this fair value method for stock-based compensation, the Company recorded an additional charge to earnings of \$62,455 and \$118,703 for the three months ended September 30, 2005 and 2004, respectively, for stock options granted to employees and directors. The fair values of options granted during the three months ended September 30, 2005 were determined using an option pricing model assuming no dividends were paid, a weighted average volatility of the Company's share price of 70% (September 30, 2004 – 75%), a weighted average expected life of 3 years (September 30, 2004 – 3 years) and a weighted average annual risk free rate of 3.28% (September 30, 2004 – 3.68%). The option valuation produced by the model is \$0.06 per share (September 30, 2004 – \$0.21 per share).

As at September 30, 2005, there were 41,407,875 common shares issued and outstanding and 6,043,000 options issued and outstanding at exercise prices ranging from \$0.13 to \$1.00 per share with remaining contractual lives ranging from 0.2 to 4.8 years.

As at October 14, 2005 (the date of this Management's Discussion and Analysis), there were 41,407,875 common shares issued and outstanding and 6,043,000 options issued and outstanding at exercise prices ranging from \$0.13 to \$1.00 per share with remaining contractual lives ranging from 0.2 to 4.7 years.

Special General Meeting

On September 30, 2005, the Company filed an Advance Notice of Special General Meeting to be held on November 30, 2005, which is in anticipation of a possible internal reorganization that may or may not require shareholder approval. The Company is working with counsel to consider the desirability of such an internal reorganization and the form that it would take.

Summary

The goal of the Company is to be a market-leading provider of APC solutions for the semiconductor industry, with a primary focus on equipment health monitoring and advanced fault detection solutions. The Company has fab-wide and large-scale deployments of ModelWare in both 200mm and 300mm fabs at leading semiconductor manufacturers in Asia, Europe, and North America.

The Company believes it can achieve its revenue targets through the sales of ModelWare licenses, maintenance and support agreements, man-on-site agreements, and systems integration services. The Company also believes that for it to effectively compete with other and sometimes larger companies in the APC segment of the semiconductor industry, it must continue to invest in research and development and market development activities.

(Signed) Robert Heath

Chief Executive Officer

Vancouver, Canada
October 19, 2005

(Signed) Mark Stephens

Chief Financial Officer & Corporate Secretary

Interim Consolidated Financial Statements of

TRIANTECHNOLOGIES INC.

September 30, 2005

(Expressed in Canadian dollars)

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

	September 30, 2005	December 31, 2004
	(Unaudited)	(Audited)
Assets		
Current		
Cash and cash equivalents	\$ 2,471,689	\$ 2,813,563
Accounts receivable, net		
Trade (net of allowance for doubtful accounts:		
September 30, 2005 and December 31, 2004 - \$Nil)	662,999	2,835,661
Other	11,054	20,877
Inventory (Note 2)	188,860	148,397
Prepaid expenses and deposits	125,615	190,319
Total current assets	3,460,217	6,008,817
Property, plant and equipment, net	451,309	535,675
Total assets	\$ 3,911,526	\$ 6,544,492
Liabilities		
Current		
Accounts payable	\$ 157,346	\$ 292,694
Accrued liabilities	491,352	763,242
Deferred revenue	627,983	1,275,461
Total current liabilities	1,276,681	2,331,397
Commitments (Note 5)		
Shareholders' equity		
Capital stock (Note 3)		
Preferred shares		
Authorized: 100,000,000 without par value		
Issued and outstanding: September 30, 2005 and		
December 31, 2004 - Nil		
Common shares		
Authorized: 100,000,000 without par value		
Issued and outstanding: September 30, 2005 and		
December 31, 2004 - 41,407,875		
	36,739,395	36,739,395
Contributed surplus	3,085,932	2,909,931
Deficit	(37,190,482)	(35,436,231)
Total shareholders' equity	2,634,845	4,213,095
Total liabilities and shareholders' equity	\$ 3,911,526	\$ 6,544,492

Approved by the Board of Directors:

(Signed) Robert Heath
Robert Heath, Director

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

See accompanying Notes to the Consolidated Financial Statements.

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

	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
Revenue				
Licenses and products	\$ 607,621	\$ 1,117,062	\$ 1,689,810	\$ 2,363,980
Services and maintenance	706,874	520,882	2,021,761	1,115,633
	<u>1,314,495</u>	<u>1,637,944</u>	<u>3,711,571</u>	<u>3,479,613</u>
Cost of revenue	274,487	529,801	909,661	936,664
Gross margin	<u>1,040,008</u>	<u>1,108,143</u>	<u>2,801,910</u>	<u>2,542,949</u>
Operating expenses				
Research and development	800,052	965,635	2,309,224	2,714,387
Selling, general and administrative	699,749	1,062,044	2,139,401	2,938,311
Stock-based compensation (Note 3)	62,455	118,703	176,001	348,146
	<u>1,562,256</u>	<u>2,146,382</u>	<u>4,624,626</u>	<u>6,000,844</u>
Loss from operations	(522,248)	(1,038,239)	(1,822,716)	(3,457,895)
Interest and other (expense) income				
(Note 7 (c))	(56,518)	(113,881)	68,465	(1,670)
Net loss for the period	<u>\$ (578,766)</u>	<u>\$ (1,152,120)</u>	<u>\$ (1,754,251)</u>	<u>\$ (3,459,565)</u>
Loss per common share	<u>\$ (0.01)</u>	<u>\$ (0.03)</u>	<u>\$ (0.04)</u>	<u>\$ (0.08)</u>
Weighted average number of common shares outstanding	<u>41,407,875</u>	<u>41,407,875</u>	<u>41,407,875</u>	<u>41,406,925</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	Total
	Shares	Amount	Surplus		
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 3)	-	-	476,485	-	476,485
Net loss for the year	-	-	-	(5,010,274)	(5,010,274)
Balance at December 31, 2004	41,407,875	36,739,395	2,909,931	(35,436,231)	4,213,095
Stock-based compensation (Note 3)	-	-	176,001	-	176,001
Net loss for the period	-	-	-	(1,754,251)	(1,754,251)
Balance at September 30, 2005	<u>41,407,875</u>	<u>\$ 36,739,395</u>	<u>\$ 3,085,932</u>	<u>\$(37,190,482)</u>	<u>\$ 2,634,845</u>

See accompanying Notes to the Consolidated Financial Statements.

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

	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
Operating activities				
Net loss for the period	\$ (578,766)	\$ (1,152,120)	\$ (1,754,251)	\$ (3,459,565)
Items not affecting cash				
Amortization	40,539	46,886	117,504	133,528
Stock-based compensation (Note 3)	62,455	118,703	176,001	348,146
Changes in operating assets and liabilities (Note 4)	(244,763)	(92,343)	1,152,010	504,985
Net cash used in operating activities	(720,535)	(1,078,874)	(308,736)	(2,472,906)
Financing activity				
Common shares issued for cash, net of issue costs	-	-	-	1,690
Net cash provided by financing activity	-	-	-	1,690
Investing activity				
Acquisition of property, plant and equipment	(17,072)	(32,716)	(33,138)	(144,625)
Net cash used in investing activity	(17,072)	(32,716)	(33,138)	(144,625)
Net cash outflow	(737,607)	(1,111,590)	(341,874)	(2,615,841)
Cash and cash equivalents, beginning of period	3,209,296	5,849,793	2,813,563	7,354,044
Cash and cash equivalents, end of period	\$ 2,471,689	\$ 4,738,203	\$ 2,471,689	\$ 4,738,203
Cash and cash equivalents are comprised of:				
Cash	\$ 2,292,154	\$ 3,569,946	\$ 2,292,154	\$ 3,569,946
Cash equivalents	179,535	1,168,257	179,535	1,168,257
	\$ 2,471,689	\$ 4,738,203	\$ 2,471,689	\$ 4,738,203

See accompanying Notes to the Consolidated Financial Statements.

TRIANTECHNOLOGIES INC.
Notes to the Interim Consolidated Financial Statements
September 30, 2005
(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 September 30, 2005, 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, 2004. These financial statements should be read in conjunction with the annual consolidated financial statements and notes thereto for the fiscal year ended December 31, 2004.

These financial statements have been prepared on a going concern basis notwithstanding the fact that the Company has reported net losses in its last five years of operation. There is no assurance the Company will become profitable or establish a consistent track record of profitability. The continuation of the Company as a going concern is dependent upon the attainment of profitable operations and upon the Company's continuing ability to raise additional financing as required. While management anticipates revenue from its current products and related services, there is no assurance that the Company will earn sufficient revenue to maintain its future operations. Consequently, the Company may have to raise additional funds in the future in order to maintain operations. There is 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. Certain conditions and events such as those described above may cast substantial doubt on the Company's ability to continue as a going concern.

2. INVENTORY

As at September 30, 2005, work-in-progress inventory of \$62,755 (December 31, 2004 - \$106,397) is valued on a percentage of completion basis based on cost and finished goods inventory of \$126,105 (December 31, 2004 - \$42,000) is valued at the lower of cost and estimated net realizable value.

TRIANTECHNOLOGIES INC.
Notes to the Interim Consolidated Financial Statements
September 30, 2005
(Expressed in Canadian Dollars)
(Unaudited)

3. CAPITAL STOCK

As of January 1, 2004, the Company adopted, retroactively, the fair value based approach to Stock-based Compensation and Other Stock-based Payments, under the provisions of CICA 3870, using the Black-Scholes option-pricing model. Using this fair value method for stock-based compensation, the Company recorded an additional charge to earnings of \$62,455 and \$118,703 for the three months ended September 30, 2005 and 2004, respectively, for stock options granted to employees and directors. The fair values of options granted during the three months ended September 30, 2005 were determined using an option pricing model assuming no dividends were paid, a weighted average volatility of the Company's share price of 70% (September 30, 2004 - 75%), a weighted average expected life of 3 years (September 30, 2004 - 3 years) and a weighted average annual risk free rate of 3.28% (September 30, 2004 - 3.68%). The option valuation produced by the model is \$0.06 per share (September 30, 2004 - \$0.21 per share).

As at September 30, 2005, there were 6,043,000 options issued and outstanding at exercise prices ranging from \$0.13 to \$1.00 with remaining contractual lives ranging from 0.2 to 4.8 years.

As at October 19, 2005, there were 6,033,000 options issued and outstanding at exercise prices ranging from \$0.13 to \$1.00 with remaining contractual lives ranging from 0.2 to 4.7 years.

4. CHANGES IN OPERATING ASSETS AND LIABILITIES

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2005	2004	2005	2004
Accounts receivable				
Trade	\$ (151,550)	\$ 185,183	\$ 2,172,662	\$ 1,099,134
Other	473	45,243	9,823	3,214
Inventory	(44,903)	(49,084)	(40,463)	16,164
Prepaid expenses and deposits	(43,680)	53,970	64,704	141,950
Accounts payable	38,292	244,165	(135,348)	(501,797)
Accrued liabilities	91,942	260,621	(271,890)	(464,480)
Deferred revenue	(135,337)	(832,441)	(647,478)	210,800
	<u>\$ (244,763)</u>	<u>\$ (92,343)</u>	<u>\$ 1,152,010</u>	<u>\$ 504,985</u>

TRIAINT TECHNOLOGIES INC.
Notes to the Interim Consolidated Financial Statements
September 30, 2005
(Expressed in Canadian Dollars)
(Unaudited)

5. COMMITMENTS

As at September 30, 2005, aggregate minimum future payments under operating leases and other commitments for the years ended December 31 are as follows:

2005	\$	170,103
2006		79,541
		\$ 249,644

6. 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.

Information related to geographical areas is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
Revenue				
Asia	\$ 1,164,729	\$ 1,490,572	\$ 3,120,532	\$ 3,034,988
Europe	33,465	26,014	90,157	114,307
United States	116,301	121,358	500,882	330,318
	\$ 1,314,495	\$ 1,637,944	\$ 3,711,571	\$ 3,479,613

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.

TRIAINT TECHNOLOGIES INC.
Notes to the Interim Consolidated Financial Statements
September 30, 2005
(Expressed in Canadian Dollars)
(Unaudited)

7. FINANCIAL INSTRUMENTS

(a) Fair value

The Company has financial instruments, which include cash and cash equivalents, accounts receivable, deposits, accounts payable and accrued liabilities. The carrying value of cash and cash equivalents, accounts receivable, deposits, accounts payable and accrued liabilities approximates fair value as at September 30, 2005 and December 31, 2004.

(b) Concentration of credit risk and economic dependence

The Company currently derives revenue primarily from a limited number of customers in the semiconductor industry. As these customers are generally major multinational corporations, credit risks are considered to be minimal. Revenue for the three months ended September 30, 2005 and 2004 includes \$1,179,378 (90%) from sales to three customers and \$1,416,559 (86%) from sales to three customers, respectively. Revenue for the nine months ended September 30, 2005 and 2004 includes \$3,091,493 (83%) from sales to three customers and \$3,101,033 (89%) from sales to three customers, respectively. 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.

(c) Price risk

The Company undertakes transactions denominated in foreign currencies (mainly in United States dollars) and as such is exposed to price risk due to fluctuations in foreign exchange rates. During the three months ended September 30, 2005 and 2004 - \$1,314,495 (100%) and \$1,637,944 (100%) of the Company's revenue was denominated in United States dollars, respectively. During the nine months ended September 30, 2005 and 2004 - \$3,711,571 (100%) and \$3,479,613 (100%) of the Company's revenue was denominated in United States dollars, respectively. As at September 30, 2005 and December 31, 2004 - 99.3% (\$658,668) and 99.8% (\$2,831,330) of trade accounts receivable were denominated in United States dollars, respectively. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. Interest and other income for the three months ended September 30, 2005 and 2004 includes foreign exchange gains (losses) of \$(72,923) and \$(12,881), respectively. Interest and other income for the nine months ended September 30, 2005 and 2004 includes foreign exchange gains (losses) of \$19,136 and \$(79,756), respectively.

TRIANTECHNOLOGIES INC.
Notes to the Interim Consolidated Financial Statements
September 30, 2005
(Expressed in Canadian Dollars)
(Unaudited)

8. SPECIAL GENERAL MEETING

On September 30, 2005, the Company filed an advance notice of special general meeting to be held on November 30, 2005, which is in anticipation of a possible internal reorganization that may or may not require shareholder approval. The Company is working with counsel to consider the desirability of such an internal reorganization and the form that it would take.

TRIAINT TECHNOLOGIES INC.

Corporate Directory

As at October 19, 2005

Other Information

BOARD OF DIRECTORS

Brian Harrison ⁽³⁾
CHAIRMAN OF THE BOARD

David Baird ⁽¹⁾⁽⁴⁾

Richard Deininger ⁽²⁾

Brian Piccioni ⁽²⁾⁽⁴⁾

Doug Smeaton ⁽⁴⁾

Robert Heath
CHIEF EXECUTIVE OFFICER

Paul O'Sullivan
PRESIDENT AND CHIEF OPERATING OFFICER

- (1) CHAIRMAN OF AUDIT COMMITTEE
- (2) MEMBER OF AUDIT COMMITTEE
- (3) CHAIRMAN OF CORPORATE GOVERNANCE COMMITTEE
- (4) MEMBER OF CORPORATE GOVERNANCE COMMITTEE

OFFICERS

Brian Harrison ⁽⁵⁾
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

- (5) 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.

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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UPM and C-RAS are trademarks of Triant Technologies Inc.

REGISTERED AND RECORDS OFFICE

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SHARE LISTING

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