

Kree Tech International Corporation

Interim Consolidated Financial Statements
Third Quarter Ended January 31, 2006
(Unaudited)

Notice

The interim unaudited consolidated financial statements of Kree Tech International Corporation for the third quarter ended January 31, 2006 have not been reviewed by the Corporation's external auditors.

(Signed) _____

Simon Lepage, CA
Chief Financial Officer

Saint-Hubert, Quebec
March 29, 2006

Kree Tech International Corporation

Consolidated Balance Sheets (Unaudited)

	As at January 31, 2006	As at April 30, 2005
Assets		
Current		
Cash	\$ 941,419	\$ 834,419
Accounts receivable	850,663	829,265
Inventories	655,393	728,031
Prepaid expenses	61,830	98,258
Income taxes receivable	67,364	73,974
Future income taxes	35,534	43,477
	2,612,203	2,607,424
Property, Plant and Equipment	1,424,762	978,269
Deferred Development costs	142,955	162,917
Future Income Taxes	215,290	186,115
	\$ 4,395,210	\$ 3,934,725
Liabilities		
Current		
Bank loan	250,000	302,000
Accounts payable and accrued liabilities	457,407	505,356
Income taxes payable	55,292	19,310
Current portion of long-term debt	77,082	174,710
Current portion of obligations under a capital lease	132,923	34,489
	972,704	1,035,865
Long-Term Debt	239,577	276,302
Obligations Under a Capital Lease (note 3)	512,459	98,552
Deferred Revenues (note 3)	192,272	-
Future Income Taxes	122,592	193,482
	2,039,604	1,604,201
Shareholders' Equity		
Share Capital (note 6)	2,536,431	2,290,425
Other Capital (note 7)	183,674	299,680
Deficit	(364,499)	(259,581)
	2,355,606	2,330,524
	\$ 4,395,210	\$ 3,934,725

See accompanying notes

Approved on Behalf of the Board:

(SIGNED) GUY GIRARD _____ Director

(SIGNED) CHARLES GELBER _____ Director

Kree Tech International Corporation

Consolidated Statements of Loss and Deficit (Unaudited)

	For the Third Quarter Ended January 31,		For the Nine Month Period ended January 31,	
	2006	2005	2006	2005
Net Sales	\$ 1,391,663	\$ 995,166	\$ 4,028,099	\$ 3,493,098
Cost of Sales	1,002,373	699,401	2,825,953	2,498,964
Gross Margin	389,290	295,765	1,202,146	994,134
Expenses				
Selling	121,229	122,045	394,611	387,700
Administrative	319,755	204,546	917,539	650,062
Financing	1,618	10,188	22,080	35,797
Foreign exchange (gain) loss	22,326	(4,073)	41,498	(12,138)
	464,928	332,706	1,375,728	1,061,421
Loss Before Income Taxes	(75,638)	(36,941)	(173,582)	(67,287)
Income tax expense (recovery)				
Current	(5,328)	(37,927)	23,457	(70,975)
Future	(20,997)	5,764	(92,121)	13,523
	(26,325)	(32,163)	(68,664)	(57,452)
Net Loss for the Period	(49,313)	(4,778)	(104,918)	(9,835)
Deficit - Beginning of Period	(315,186)	(235,617)	(259,581)	(230,560)
Deficit - End of Period	\$ (364,499)	\$ (240,395)	\$ (364,499)	\$ (240,395)
Basic Loss Per Share	(0.0022)	(0.0006)	(0.0049)	(0.0013)
Diluted Loss Per Share	(0.0022)	(0.0006)	(0.0049)	(0.0013)
Basic Weighted Average Number of Shares Outstanding During the Period	21,955,957	7,454,546	21,628,602	7,454,546
Potentially Dilutive Weighted Average Number of Shares Outstanding during the Period	21,955,957	7,454,546	21,628,602	7,454,546

See accompanying notes

Kree Tech International Corporation

Consolidated Statements of Cash Flows (Unaudited)

	For the Third Quarter Ended January 31,		For the Nine Month Period ended January 31,	
	2006	2005	2006	2005
Funds Provided (Used) -				
Operating Activities				
Net loss for the period	\$ (49,313)	\$ (4,778)	\$ (104,918)	\$ (9,835)
Adjustments for				
Amortization of property, plant and equipment	35,901	25,866	81,568	74,709
Amortization of deferred development costs	6,654	6,654	19,962	19,962
Write-off of deferred development costs	-	-	-	1,792
Amortization of deferred revenues	(3,674)	-	(3,674)	-
Unrealized foreign exchange loss (gain) on long-term debt and obligations under a capital lease	(23,456)	5,949	(43,794)	(35,745)
Future income taxes	(20,997)	5,764	(92,121)	13,523
	(54,885)	39,455	(142,977)	64,406
Changes in non-cash working capital components (note 5)	(69,430)	83,270	82,310	140,162
	(124,315)	122,725	(60,667)	204,568
Investing Activities				
Purchase of property, plant and equipment	(24,164)	(2,611)	(332,115)	(42,255)
Increase in deferred costs	-	(45,886)	-	(100,884)
	(24,164)	(48,497)	(332,115)	(143,139)
Financing Activities				
Net changes in bank loan	(52,000)	(292,000)	(52,000)	(142,000)
Long-term debt	-	225,000	-	225,000
Repayments of long-term debt	(33,333)	(43,333)	(117,778)	(117,448)
Obligation under a capital lease	594,450	-	594,450	-
Repayments of obligations under a capital lease	(38,522)	(7,854)	(54,890)	(24,511)
Share issuance	-	-	130,000	-
	470,595	(118,187)	499,782	(58,959)
Net Change in Cash During the Period	322,116	(43,959)	107,000	2,470
Cash Beginning of Period	619,303	154,308	834,419	107,879
Cash End of Period	\$ 941,419	\$ 110,349	\$ 941,419	\$ 110,349

See accompanying notes

Supplemental Disclosures

Interest paid	\$ 20,010	\$ 12,554	\$ 46,641	\$ 43,699
Income taxes paid	(33,295)	(447)	(17,471)	8,005

Kree Tech International Corporation

Notes to Interim Consolidated Financial Statements January 31, 2006 (Unaudited)

1. Status and Nature of Activities

The Corporation, incorporated under the *Canada Business Corporation Act*, develops and manufactures medical adhesive tape which it sells to the medical industry across Canada and the United States.

2. Significant Accounting Policy

The preparation of the unaudited consolidated financial statements conforms with Canadian generally accepted accounting principles and with the audited consolidated financial statements for the year ended April 30, 2005, except for the following. For a detailed description of the accounting policies used by the Corporation, refer to the annual report for the year ended April 30, 2005. These interim consolidated financial statements do not include all disclosure requirements of Canadian generally accepted accounting principles applicable to the annual consolidated financial statements.

3. Obligations Under a Capital Lease

Between January 2005 and November 22, 2005, the Corporation has acquired machinery and equipment for its Florida plant for an amount of U.S.\$335,187 (CDN\$398,504). Subsequently, the Corporation has entered into a sale and leaseback transaction concerning this machinery and equipment. By virtue of this agreement, the Corporation sold this asset for a total amount of U.S.\$500,000 (CDN\$594,450), and signed a 60 month lease. This facility bears interest at a rate of 7.55%, is secured by machinery and equipment, and is repayable in monthly payments of U.S.\$9,981 (CDN\$11,459) capital and interest.

The resulting U.S.\$164,813 (CDN\$195,946) of deferred revenues is amortized under the same method and rate of the related machinery and equipment.

4. Statement of Loss

The statement of loss includes the following items:

	For the Third Quarter Ended January 31,		For the Nine Month Period ended January 31,	
	2006	2005	2006	2005
Cost of Sales				
Research and development expenses	\$ 233	\$ 56	\$ 5,634	\$ 836
Research and development tax credit	-	-	-	(38,200)
Amortization of machinery and equipment	24,580	15,113	50,857	42,684
Amortization of deferred development costs	6,654	6,654	19,962	21,754

Kree Tech International Corporation

Notes to Interim Consolidated Financial Statements January 31, 2006 (Unaudited)

4. Statement of Loss (Cont'd)

	For the Third Quarter Ended January 31,		For the Nine Month Period ended January 31,	
	2006	2005	2006	2005
Administrative Expenses				
Amortization of property, plant and equipment other than machinery and equipment	\$ 11,321	\$ 10,753	\$ 30,711	\$ 32,025
Financing Expenses				
Interest on long-term debt	13,855	4,828	26,874	21,148
Interest on bank loan	6,155	7,601	19,661	22,551

5. Changes in Non-Cash Working Capital Components

	For the Third Quarter Ended January 31,		For the Nine Month Period ended January 31,	
	2006	2005	2006	2005
Accounts receivable	\$ (122,749)	\$ 77,990	\$ (21,398)	\$ 144,866
Inventories	40,777	(76,233)	72,638	(22,979)
Prepaid expenses	(6,177)	(111,739)	36,428	(94,179)
Accounts payable and accrued liabilities	(9,907)	221,891	(47,949)	220,948
Income taxes	28,626	(28,639)	42,591	(108,494)
	\$ (69,430)	\$ 83,270	\$ 82,310	\$ 140,162

6. Shareholders' Equity

On September 9, 2005, 650,000 stock options were exercised for a total cash proceeds to the Corporation of \$130,000. The fair value of these options was \$116,006. This amount was added to the proceeds and recorded as share capital

Kree Tech International Corporation

Notes to Interim Consolidated Financial Statements January 31, 2006 (Unaudited)

6. Shareholders' Equity (Cont'd)

	Number	Amount
Issued -		
Class "A" shares		
Balance as at April 30, 2005	21,305,957	\$ 2,290,425
Exercise of stock option	650,000	246,006
	21,955,957	\$ 2,536,431

7. Stock Options

During the nine month period ended January 31, 2006, 435,000 stock options have expired. The fair value of these options was estimated at \$67,976 according to the Black-Scholes option pricing model.

In addition, 650,000 stock options with a fair value of \$116,006 were exercised.

	Number	Carrying Amount
Outstanding and exercisable as at April 30, 2005	1,646,310	\$ 299,680
Exercised	(650,000)	(116,006)
Expired	(435,000)	-
Outstanding and exercisable as at January 31, 2006	561,310	\$ 183,674