

**GINGER BEEF CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS**

AS AT JUNE 30, 2005

(Unaudited – Prepared by Management)

GINGER BEEF CORPORATION
CONSOLIDATED BALANCE SHEETS
AS AT JUNE 30, 2005
(Unaudited – Prepared by Management)

	Jun 30, 2005	Dec 31, 2004
	Unaudited	Audited
ASSETS		
CURRENT		
Cash	\$ 286,461	\$ 141,636
Accounts receivable	465,650	291,812
Grant receivable	-	38,579
Inventory	197,589	286,490
Prepaid and deposits	37,940	17,828
GST recoverable	41,335	39,733
Due from related parties	10,693	63,921
	<u>1,039,668</u>	<u>879,999</u>
PROPERTY, PLANT AND EQUIPMENT	2,108,993	2,127,635
TRADEMARKS	63,886	68,118
FUTURE TAX ASSET	143,000	227,000
GOODWILL	75,000	75,000
	<u>\$ 3,430,547</u>	<u>\$ 3,377,752</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 606,217	\$ 645,957
Current portion of long term debt	139,573	145,896
Current portion of capital lease obligations	56,274	53,263
	<u>802,064</u>	<u>845,116</u>
LONG TERM DEBT	1,102,972	1,151,072
CAPITAL LEASE OBLIGATIONS	89,296	118,207
	<u>1,994,332</u>	<u>2,114,395</u>
SHAREHOLDERS' EQUITY		
SHARE CAPITAL	1,583,833	1,531,351
CONTRIBUTED SURPLUS	37,500	12,000
DEFICIT	(185,118)	(279,994)
	<u>1,436,215</u>	<u>1,263,357</u>
	<u>\$ 3,430,547</u>	<u>\$ 3,377,752</u>

APPROVED ON BEHALF OF THE BOARD:

(Signed) S. Leung, Director

(Signed) M. Poon, Director

See selected notes to consolidated financial statements

GINGER BEEF CORPORATION
CONSOLIDATED STATEMENTS OF EARNINGS AND DEFICIT
(Unaudited – Prepared by Management)

	Three months ended June 30		Six months ended June 30	
	2005	2004	2005	2004
WHOLESALE REVENUE	\$ 1,818,153	\$ 1,239,018	\$ 3,558,801	\$ 2,349,811
COST OF GOOD SOLD	1,463,035	1,038,191	2,867,097	1,888,858
GROSS MARGINS	355,118	200,827	691,704	460,953
FRANCHISE REVENUE	8,787	8,814	17,495	17,391
OTHER REVENUE	1,029	1,680	3,079	3,699
	364,934	211,321	712,278	482,043
EXPENSES				
Amortization of intangibles	2,116	2,116	4,232	4,232
Amortization of tangibles	48,882	46,509	96,071	77,762
General and administrative	179,076	187,375	318,505	360,367
Interest on long term debt	20,920	26,934	42,111	47,505
Interest on capital lease obligations	4,208	5,973	8,772	12,447
Marketing and promotions	17,843	6,876	26,211	21,225
Stock-based compensation	-	-	37,500	-
	273,045	275,783	533,402	523,538
EARNINGS/(LOSS) BEFORE INCOME TAX	91,889	(64,462)	178,876	(41,495)
INCOME TAX	43,000	-	84,000	-
NET EARNINGS/(LOSS)	48,889	(64,462)	94,876	(41,495)
DEFICIT, BEGINNING OF PERIOD	(234,007)	(725,302)	(279,994)	(748,269)
DEFICIT, END OF PERIOD	\$ (185,118)	\$ (789,764)	\$ (185,118)	\$ (789,764)
BASIC AND FULLY DILUTED EARNINGS PER SHARE	\$ 0.003	\$ -	\$ 0.006	\$ -
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING				
BASIC	14,870,497	14,637,725	14,774,111	14,567,725
DILUTED	16,145,497	15,156,497	15,785,497	15,556,497

See selected notes to consolidated financial statements.

GINGER BEEF CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited – Prepared by Management)

	Three months ended Jun 30		Six months ended Jun 30	
	2005	2004	2005	2004
CASH PROVIDED BY OPERATING ACTIVITIES				
Net earnings/(loss)	\$ 48,889	\$ (64,462)	\$ 94,876	\$ (41,495)
Items not requiring an outlay of cash:				
Amortization	50,998	48,625	100,303	81,994
Gain on sale of property, plant and equipment	(952)	-	(952)	-
Future income tax	43,000	-	84,000	-
Stock-based compensation	(12,000)	-	25,500	-
	129,935	(15,837)	303,727	40,499
CHANGES IN NON-CASH WORKING CAPITAL				
(Increase) in accounts receivable	(101,579)	(13,572)	(173,838)	(30,995)
Decrease in grant receivable	-	-	38,579	-
Decrease in inventory	86,332	19,435	88,901	20,612
Decrease (increase) in prepaid and deposit	(30,368)	30,560	(20,112)	(40,150)
(Increase) in GST recoverable	1,779	(656)	(1,602)	(1,972)
(Decrease) increase in accounts payable and accrued liabilities	(33,296)	26,427	(39,740)	80,923
	(77,132)	62,194	(107,812)	28,418
	52,803	46,357	195,915	68,917
CASH USED IN FINANCING ACTIVITIES				
Share capital issuance	52,482	-	52,482	44,100
(Repayment) advances of long term debt	(32,500)	(36,887)	(54,423)	335,920
Capital lease (repayment) advanced	(13,128)	(17,102)	(25,900)	(33,702)
Repayment by (advanced to) related parties	-	(5,900)	53,228	(72,248)
Advances from (repayment to) shareholder	-	-	-	(85,000)
	6,854	(59,889)	25,387	189,070
CASH USED IN INVESTING ACTIVITY				
Proceeds from sale of property, plant and equipment	3,000	-	3,000	-
Additions to capital assets	(39,840)	(31,663)	(79,477)	(56,456)
	(36,840)	(31,665)	(76,477)	(56,456)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
	22,817	(45,195)	144,825	201,531
NET CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD				
	263,644	110,287	141,636	(136,439)
NET CASH AND CASH EQUIVALENTS, END OF PERIOD				
	\$ 286,461	\$ 65,092	\$ 286,461	\$ 65,092

See selected notes to consolidated financial statements.

GINGER BEEF CORPORATION
SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT JUNE 30, 2005
(Unaudited – Prepared by Management)

1. ACCOUNTING PRINCIPLES

The accompanying interim consolidated financial statements of Ginger Beef Corporation (the “Corporation”) have been prepared by management and have not been reviewed by the Corporation’s auditors. These financial statement notes may not include all disclosures required by Canadian generally accepted accounting principles. Accordingly, these interim consolidated financial statements should be read in conjunction with the notes contained in the Company’s audited December 31, 2004 consolidated financial statements. The significant accounting policies follow that of the most recent reported annual financial statements

2. LONG TERM DEBT

On March 17, 2005 the Corporation entered into a loan agreement with Farm Credit Canada (“FCC”) in the amount of \$26,675 with an interest rate of 7.5% compounded monthly. The loan has a 36 months repayment term with monthly payment of \$860.86 including interest with the first payment commencing May 1, 2005. The loan is secured by the specific equipment purchased with the loan proceeds.

3. SHARE CAPITAL

Authorized:

Unlimited number of common shares

Issued	2005		2004	
	Number of Shares	Amount	Number of Shares	Amount
Balance, January 1	14,677,725	\$ 1,531,351	14,427,725	\$ 1,479,251
Options excised for cash	-	-	250,000	52,100
Options excised for cash, April 9	192,772	52,482	-	-
Balance, March 31	14,870,497	\$ 1,583,833	14,677,725	\$ 1,531,351

On January 31, 2005, the Corporation has granted options to purchase an aggregate of 360,000 Common Shares at an excise price of \$0.34 per shares. The options were granted to three directors of the Corporation and to one employee of the Corporation. All of the options will expire on January 31, 2010.

The following options are outstanding at the end of the period:

	Number	Excise Price	Expiry Date
Options	865,000	\$ 0.21	September 13, 2005
Options	50,000	\$ 0.20	September 15, 2007
Options	360,000	\$ 0.34	January 31, 2010

GINGER BEEF CORPORATION
SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT JUNE 30, 2005
(Unaudited – Prepared by Management)

4. INCOME TAXES

Losses carried forward of \$581,900 in aggregate are available to offset future years taxable income in Canada.

2009	\$ 424,148
2010	155,251
2011	2,501

The future tax benefit of these losses is included in the future tax asset.

5. SUBSEQUENT EVENTS

Subsequent to period end, the Corporation received the approval of a loan from Farm Credit Canada in the amount of \$74000 with an interest rate of 6.75% compounded monthly. The loans has a 48 month repayment term secured by the specific equipment purchased with the loan proceeds.