

A copy of this preliminary prospectus has been filed with the securities regulatory authorities in each of the provinces of Alberta, British Columbia, Saskatchewan and Ontario but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the prospectus is obtained from the securities regulatory authorities.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**1933 Act**") or any state securities laws. Accordingly, except as permitted by the Agency Agreement (as defined below) and pursuant to an exemption from the registration requirements of the 1933 Act and state securities laws, these securities may not be offered or sold within the United States or to U.S. Persons (as such term is defined in Regulation S under the 1933 Act) and this prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States. See "Plan of Distribution".

New Issue

November 3, 2005

PRELIMINARY PROSPECTUS



SUNTEC PURE WATER TECHNOLOGIES INC.

\$3,000,000

• Units

This prospectus qualifies for distribution • units ("**Units**") of Suntec Pure Water Technologies Inc. ("**Suntec**" or the "**Corporation**"). Each Unit consists of one common share of the Corporation ("**Common Share**") and one-half of one common share purchase warrant (a "**Warrant**"), each Warrant entitling the holder thereof to acquire one Common Share at a price of \$• for a period of 18 months following the Closing Date (as defined herein). The Corporation has applied to list the common shares distributed under this prospectus forming part of the Units on the TSX Venture Exchange. Listing will be subject to Suntec fulfilling all the listing requirements of the TSX Venture Exchange.

	Price to the Public ⁽¹⁾	Agent's Fee ⁽²⁾	Net Proceeds to the Corporation ⁽³⁾
Per Unit	\$•	\$•	\$•
Total Offering	\$•	\$•	\$•

Note:

- (1) The issue price of \$• per Unit was determined by negotiations between the Corporation and the Agent (as defined below).
- (2) The Agent shall be paid a fee equal to 6.75% of the gross proceeds of the Offering (as defined herein).
- (3) Before deducting expenses of the offering of Units hereunder (the "**Offering**"), estimated to be \$120,000, which, together with the Agent's fees, will be paid from the proceeds of Offering.
- (4) The Corporation has granted to the Agent an option (the "**Agent's Option**") to acquire that number of Units as is equal to 8% of the number of Units placed pursuant to this Offering at a price of \$• per Unit for a period of 18 months following the Closing Date. This prospectus also qualifies the granting of the Agent's Option and the Units issuable upon exercise thereof.

Blackmont Capital Inc. (the "**Agent**"), conditionally offers the Units, on a commercially reasonable efforts basis, subject to prior sale, if, as and when issued and delivered by the Corporation to, and accepted by, the Agent in accordance with the conditions contained in the Agency Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Corporation by Burnet, Duckworth & Palmer LLP and on behalf of the Agent by McLeod & Company LLP. The Units, Common Shares and Warrants and Common Shares issued upon exercise thereof, unless specified otherwise, are collectively referred to herein as the "**Securities**".

An investment in the Units offered hereunder should be considered highly speculative given the nature of Suntec's business and its present stage of development. Before deciding whether to invest in the Units offered hereby, prospective investors should carefully consider the risks described below, together with all other information contained in, or incorporated by reference in, this prospectus. If any of those risks occur, Suntec's business, financial condition and/or results of operations could be materially and adversely affected. In such case, the trading price of the Common Shares

would likely decline and a holder thereof could lose all or part of his or her investment. Additional risks and uncertainties not currently known to management of Suntec may also have an adverse effect on Suntec's business. The risk factors set forth in this prospectus do not purport to be an exhaustive summary of the risks affecting Suntec.

Certificates for the Common Shares and Warrants forming the Units are expected to be available for delivery within 10 days following the closing of the Offering, which is expected to take place on or about ●, 2005.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this prospectus, and in certain documents incorporated by reference into this prospectus, constitute forward-looking statements. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Suntec believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference into, this prospectus should not be unduly relied upon. These statements speak only as of the date of this prospectus or as of the date specified in the documents incorporated by reference into this prospectus, as the case may be.

In particular, this prospectus, and the documents incorporated by reference contain forward-looking statements pertaining to the following:

- capital expenditures;
- projections of market prices and costs;
- expectations regarding the ability to raise capital; and
- treatment under governmental regulatory regimes.

Actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this prospectus:

- liabilities inherent in Suntec's operations;
- uncertainties associated with estimated market demand and sector activity levels;
- competition for, among other things, capital, acquisitions and skilled personnel;
- technical and processing problems;
- fluctuations in foreign exchange or interest rates and stock market volatility; and
- the other factors discussed under "Risk Factors".

These factors should not be construed as exhaustive. Suntec undertakes no obligation to publicly update or revise any forward-looking statements, except as required by applicable securities law.

CONVENTIONS

Unless otherwise indicated, references herein to "\$" or "dollars" are to Canadian dollars. All financial information with respect to the Corporation has been presented in Canadian dollars in accordance with generally accepted accounting principles in Canada.

REFERENCES AND GLOSSARY OF TERMS

In this prospectus, and all appendices hereto, unless the context otherwise requires, capitalized words and phrases shall have the meanings set forth below:

"**ABCA**" means the *Business Corporations Act* (Alberta), together with any or all regulations promulgated thereunder, as amended from time to time;

"**Agency Agreement**" means the agency agreement dated •, 2005 with respect to the Offering as more particularly described under the heading "Plan of Distribution";

"**Agent**" means Blackmont Capital Inc.;

"**Agent's Option**" means the option granted to the Agent under the Agency Agreement entitling the Agent to acquire that number of Units as is equal to 8% of the total number of Units sold pursuant to the Offering at a purchase price of \$• for a period of 18 months from the Closing Date;

"**Black Gold**" means Black Gold Transfer Inc., a corporation incorporated under the ABCA;

"**Business Day**" means any day other than a Sunday, Saturday or a day on which banking institutions in Calgary, Alberta are authorized or obligated by law to close;

"**CHIPS**" (Co-generative Heat and Integrated Power System) means the technology of Suntec whereby waste heat and uncombusted fuel from an internal combustion engine is efficiently captured and employed as heat energy or rotational horsepower;

"**Closing**" means the closing of the issue and sale of Units pursuant to this Offering;

"**Closing Date**" means the date and time of Closing;

"**Common Shares**" or "**Suntec Shares**" means the common shares of Suntec;

"**CPC**" means a "capital pool company" pursuant to TSX Venture Exchange Policy 2.4;

"**CPC Escrow Agreement**" means the Escrow Agreement dated January 26, 2004 among the Corporation, the Trustee and certain founding shareholders of the Corporation established in connection with completion of the Corporation's initial public offering as a CPC;

"**Exchange**" or "**TSX Venture Exchange**" means the TSX Venture Exchange Inc.;

"**Facility**" means the well fracturing water recycling facility owned and operated by Suntec located in the Cluny area of Alberta;

"**Offering**" means the public offering of the Securities described herein or any amendments hereto;

"**OEM**" means original equipment manufacturer;

"**Option Plan**" means the stock option plan of Suntec;

"**QT Escrow Agreement**" means the TSX Venture Exchange Form 5D – Surplus Escrow Agreement for Tier II issuers, pursuant to which 4,074,030 Common Shares and 3,259,223 Series B Warrants were originally deposited in connection with Suntec's Qualifying Transaction;

"**Qualifying Transaction**" means the completion of the Western Acquisition in accordance with TSX Venture Policy 2.4, which closed effective July 6, 2004;

"**Securities**" means, collectively, the Units, being comprised of the Common Shares and the Warrants;

"Series A Warrants" means a Series A Warrant of Suntec, each of which entitle the holder thereof to acquire one Common Share at an exercise price of \$0.2833 per share for a period of two years from the date of issuance;

"Series B Warrants" means the 5,333,275 Series B Warrants of Suntec issued pursuant to the Series B Warrant Indenture dated July 6, 2004 each of which entitled the holder thereof to acquire one Common Share for no additional consideration upon certain performance thresholds being achieved by the Facility, all of which Series B Warrants converted to 5,333,275 Common Shares effective March 21, 2005;

"Suntec" or the **"Corporation"** means Suntec Pure Water Technologies Inc., a corporation amalgamated under the ABCA;

"Tax Act" means the *Income Tax Act* (Canada), as amended;

"Trustee" means Valiant Trust Company;

"Unit" means one Common Share and one-half of one Warrant;

"US" or **"United States"** means the United States of America;

"Warrant" means one Common Share purchase warrant of the Corporation, entitling the holder thereof to acquire one Common Share at an exercise price of \$• for a period of 18 months from the Closing Date;

"Western" means Western Symbiotics Ltd., predecessor by amalgamation to Suntec; and

"Western Acquisition" means the acquisition by Suntec of all of the issued and outstanding securities of Western.

Words importing the singular number, where the context requires, include the plural and visa versa and words importing any gender include all genders.

All dollar amounts herein are in Canadian dollars, unless otherwise stated.

SUMMARY OF THE PROSPECTUS

The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. For an explanation of capitalized terms and abbreviations used in this prospectus, reference is made to the "References and Glossary of Terms".

The Corporation

Suntec Pure Water Technologies Inc. is in the oilfield waste water treatment business, having its head and registered office in Calgary, Alberta. Effective July 26, 2004, Suntec received final approval for its Qualifying Transaction whereby it acquired all of the issued and outstanding securities of Western thereby acquiring Western's energy co-generation system known as the Co-Generative Heat Integrated Power Systems ("CHIPS"). Effective December 31, 2004, Suntec and Western amalgamated to form one company operating under the name "Suntec Pure Water Technologies Inc." See "Suntec's Business".

Management

Suntec's directors and senior officers are listed below:

<u>Name</u>	<u>Position Held</u>
Gene Moody	President, Chief Executive Officer and Director
A. Brad Cann	Chief Financial Officer
David Erickson	Director
John W. Ferguson	Director
R. Bruce Allford	Director
John R. Garden	Director

The Offering

The Offering consists of • Units. In addition, the Corporation has granted to the Agent the Agent's Option. It is expected that the Corporation shall use the proceeds of the Offering in the manner set forth under the section of this prospectus titled "Use of Proceeds". See also "Details of the Offering" and "Plan of Distribution".

Units

Each Unit consists of one Common Share and one-half of one Warrant.

Common Shares

Holders of Common Shares are entitled to the right to vote at any meeting of shareholders, the right to receive dividends and the right to receive the remaining property of the Corporation upon dissolution. Currently, there are 20,677,824 Common Shares issued and outstanding.

Use of Proceeds

Assuming subscription for the entire Offering, the net proceeds for the Corporation from the sale of the Units hereunder are estimated to be approximately \$2,677,500, after deducting the fees and expenses of \$322,500. All of the net proceeds to the Corporation will be used in the approximate manner set forth below.

	Proceeds
Upgrade to Facility	
Acquisition of Trucks	\$300,000
Increase Water Storage Capacity	\$900,000
Sand Handling Facility	\$350,000
Expanded Potassium Chloride Facilities	\$100,000
	\$1,650,000
Yearly General and Administrative Expenses	\$360,000
Payment of Current Liabilities	\$667,500
Total	
	\$2,677,500

Summary Financial Information

Pro Forma Information After Giving Effect to the Western Acquisition The following tables sets forth certain pro forma information after giving effect to the acquisition of the Western Acquisition. See "Pro Forma Financial Statements".

Pro Forma Financial Information

	Financial Information of Suntec prior to the Western Acquisition for the period from January 1, 2004 to July 6, 2004	Financial Information of Suntec for the year ended December 31, 2004	Pro Forma Financial Information of Suntec following the Western Acquisition for the year ended December 31, 2004 ⁽¹⁾
Net Income (Loss)	(\$128,355)	(\$344,224)	(\$472,579)
Per share (basic and diluted)	(\$0.01)	(\$0.04)	(\$0.05)

Note:

- (1) See the Notes to the unaudited pro forma consolidated financial statements contained in "Pro Forma Financial Statements".

Annual and Quarterly Financial Information

The following is a summary of selected financial information for the Corporation for the periods indicated. The following is a summary only and must be read in conjunction with the financial statements for the Corporation contained in this prospectus.

	Six Months Ended June 30, 2005	Year Ended December 31, 2004 ⁽¹⁾
Net Income (Loss)	\$ (320,629)	\$ (344,224)
Net loss		
Per share (basic and diluted)	(\$0.02)	(\$0.04)
Total Assets	\$2,400,561	\$2,510,844
Working Capital (deficiency)	(\$692,375)	(\$643,742)
Shareholders' Equity	\$1,382,143	\$1,117,771

Note:

- (1) The information presented is contained in the audited financial statements of the Corporation for the year ended December 31, 2004 set forth herein and should be read in conjunction with such financial statements.

Risk Factors

An investment in Units should be considered highly speculative. Potential investors should carefully consider the information set out under "Risk Factors" and the other information in this prospectus before purchasing the Units. An investment in the Units is suitable only for purchasers who are aware of such risks and who have the ability and willingness to accept the risk of total loss of their invested capital. There is currently no market through which the Units may be sold and purchasers may not be able to resell the Units distributed under this prospectus.

SUNTEC PURE WATER TECHNOLOGIES INC.

Suntec was incorporated under the ABCA on October 30, 2003 as 1074055 Alberta Ltd. and on November 3, 2003, 1074055 Alberta Ltd. amended its Articles of Incorporation to change its name to "Suntec Capital Inc.". On May 20, 2004, Suntec Capital Inc. and Western entered into an acquisition agreement providing for the acquisition by Suntec of all of the issued and outstanding common shares and share purchase warrants of Western. The acquisition closed on July 6, 2004 and the Corporation amended its Articles of Incorporation to change its name to "Suntec Pure Water Technologies Inc." and on July 26, 2004, Suntec received final approval from the TSX Venture Exchange for the Western Acquisition as Suntec's "Qualifying Transaction" under Policy 2.4 of the Exchange. Effective January 1, 2005, Suntec and Western amalgamated under the provisions of the ABCA to form one company operating under the name "Suntec Pure Water Technologies Inc.".

Suntec's head office is located at Suite 600, 205 – 5th Avenue S.W., Calgary, AB T2P 2V6, and Suntec's registered office is located at Suite 1400, 350 – 7th Avenue S.W., Calgary, Alberta, T2P 3N9.

SUNTEC'S BUSINESS

Overview

Suntec was a CPC that was formed for the principal business of identifying and evaluating corporations, businesses and assets for acquisition. With the completion of the Qualifying Transaction, Suntec acquired all of the issued and outstanding securities of Western thereby acquiring a proprietary energy co-generation system known as the "Co-Generative Heat and Integrated Power System" or "CHIPS". See "Suntec's Business – Suntec's Technology - Overview". The business combination of Suntec and Western has been accounted for using reverse takeover accounting principles, with Western being considered the acquiror of Suntec for accounting purposes.

Suntec commenced construction of the Facility in mid-April of 2004. The Facility is an oilfield waste water treatment and power generation facility, located in the Cluny area of Alberta approximately 80 kilometres southeast of Calgary, Alberta. The Facility uses a combination of a chemical treatment process and heat produced from the CHIPS technology to recycle and heat oilfield waste water. The recycling process removes methanol, produced hydrocarbons and various other residual contaminants from the waste water, while neutralizing enzymes and other de-viscosifying agents. The recycled water (both cold and heated), together with fresh water, is then sold to oil and gas industry operators for re-use in the oil and gas drilling and development business. The waste water, as treated and recycled by Suntec, would otherwise be disposed of through the existing method of deep well injection, permanently removing the water from the hydrological cycle.

Suntec, in conjunction with Black Gold, has developed a water sales and trucking business that transports oilfield waste water to the Facility and fresh and recycled water from the Facility to customers' well sites. Specifically, waste water is trucked by Suntec from well fracturing operations to the Facility for recycling, and then recycled and fresh water is sold and trucked (by Black Gold) to oil and gas operators in Southern Alberta for use in active well fracturing operations. See "Suntec's Business – Description of Suntec's Waste Water Recycling, Electricity Production and Water Trucking Business".

The Facility incorporates a stationary electrical generating plant with a 0.4 megawatt capacity. Produced power is sold into Alberta's provincial power grid, while a CHIPS unit extracts waste heat to be used as part of the recycling process. On October 28, 2004, the Alberta Energy Utilities Board (the "AEUB") granted approval # U2004-049 approving the production by Suntec of 300 kilowatts/hour of electrical power and selling of the same into the Alberta electricity distribution grid via the Alberta Electric System Operator. On February 25, 2005, the AEUB granted Suntec final approval (#WM093) to treat and recycle oilfield waste water at which time Suntec commenced treating and recycling oilfield waste water. In the latter half of June 2005, the Facility became fully operational. By July 28, 2005, the Facility had achieved its full rated processing capacity of 100,000 litres per day.

The generator used in the electrical generating plant was purchased by Suntec from a third party pursuant to a purchase agreement effective June 15, 2004, for the purchase price of \$350,000. The Corporation financed \$325,000 of the purchase price by way of a vendor take-back loan, which loan bears interest at prime plus 2% and has an annual principal repayment requirement of \$128,000 plus outstanding interest. The first annual principal repayment is due December 1, 2005, with all remaining principal being due March 2007.

On July 21, 2005, Suntec entered into an agreement with Black Gold, based in Brooks, Alberta in respect of the supply of trucking services to Suntec (see "Suntec's Business – Strategic Relationships").

On July 21, 2005, Suntec announced that it had developed a new, chemically based, water treatment process for recycling oilfield waste water which has reduced energy input costs at the Facility by 80% to 90%. See "Suntec's Business – Suntec's Technology – Overview".

Suntec's Technology - Overview

Suntec has commercialized a proprietary energy co-generation system known as CHIPS. The CHIPS technology is a method by which waste heat (exhaust gases, coolants, lubricants) and uncombusted fuel from an internal combustion engine is efficiently captured and then employed as heat energy or rotational horsepower. The CHIPS technology is useful in any situation where an internal combustion engine exists in parallel with a requirement for heat or horsepower (such as gas processing plants and the transportation of temperature sensitive cargo).

In respect of the oilfield waste water recycling process carried out at the Facility, Suntec's original focus had been on using heat to purify the waste water, with waste heat energy captured using the CHIPS technology being the primary source of the required thermal energy. Recent increases in fuel costs dictated an alternate method be found to purify the waste water. Accordingly, Suntec has developed a proprietary chemical-based process to remove undesirable constituents from the water, which process uses less energy, requires less process time and is less expensive than the thermal treatment method. The chemical treatment method employs "off the shelf" chemicals to render the contaminants in the frac waste water inert for the purpose of using the water for well fracturing purposes.

The CHIPS technology remains important to the operation of the Facility, being used to heat out-going frac water, to provide heat for the Facility generally and to heat a rotary vaporizer in which waste water is further processed to produce a dried effluent suitable for deposit into a landfill. See "Suntec's Business - Description of Waste Water Recycling, Electricity Production and Trucking Business".

Water and Environmental Concerns Facing the Canadian Petroleum Industry

In March 2003 Alberta Environment published, "Water For Life: Alberta's Strategy for Sustainability", an initiative focusing on four main areas of concern related to Alberta's water: 1) a safe, secure drinking water supply, 2) healthy aquatic systems, 3) reliable, quality water supplies for a sustainable economy and 4) the investment in knowledge to ensure that effective water decisions are always made.¹ The oil and gas industry was recognized in this report as one of the critical stakeholders in ensuring a fair and reasonable water policy is adopted for all Albertans.

The use of significant volumes of fresh water by Alberta's oil and gas industry has been emerging as a contentious issue. The pressure on the oil and gas industry to further decrease its reliance on freshwater, especially in the semi-arid southern regions of the Province, will very likely increase. In its response to the Alberta Environment Minister regarding "Water For Life: Alberta's Strategy for Sustainability", The Canadian Association of Petroleum Producers ("CAPP") stated the industry's desire to continue to adhere to policies that are environmentally sound and benefit the Province's water situation: "CAPP members encourage conservation and have made significant progress in increasing the efficiency of operations with respect to freshwater use by adopting alternative water supplies and through treatment and recycling technology. Regulatory and policy changes, which encourage recycling technology and the use of saline water, have resulted in a significant reduction in the use of freshwater by the energy industry in agricultural areas over the past thirty years".²

It is Suntec's belief that all stakeholders (governments, industry, agriculture, municipalities) will continue to encourage the development of new technologies that will further meet Alberta's Water For Life strategy.

The use of "water flooding", wherein water is injected into depleting wells in order to maintain appropriate levels of pressure to enhance extraction rates represents an additional significant use of water by the oil and gas exploration and production industry in Alberta. Additionally, water is extensively used in the fracturing process during initial and work-over natural gas drilling. While the upstream oil & gas industry is allocated only approximately 3% of the Province's water supply, it amounts to some 162 million cubic metres. Further, the oil and gas industry's allocation of groundwater is in the range of 23%.³

¹ Source: "Supply, Quality and Use of Water in the Prairie Provinces – Alberta Edition" published by Keewatin Publications, 2003.

² Source: Letter from Canadian Association of Petroleum Producers to The Honourable Lorne Taylor, Minister of Environment, Alberta re: "Alberta Water for Life Strategy for Sustainability: Draft for Discussion March 2003".

³ Source: Canadian Association of Petroleum Producers Technical report – Use of Water by Alberta's Upstream Oil & Gas Industry, March 2002.

Waste Water Production

According to information supplied by the Petroleum Service Alliances Canada ("PESAC") and other industry experts, the oil and gas well fracturing industry in Southern Alberta creates approximately 120,000 cubic metres of waste water annually, most of which, by provincial regulation and at the expense of the industry, must be trucked off site and injected into disposal wells permanently removing it from the natural hydrological environment. This "frac" waste water contains methanol, polymers, sand, carbon dioxide, enzymes, produced hydrocarbons and other pollutants. Also according to PESAC, an additional 200,000 cubic metres of waste water is created by the drilling industry, which relies on surface disposal methods for this water, such as evaporation or soil assimilation. Accordingly, the industry is under increasing pressure to reduce water consumption and to dispose of waste water in environmentally-friendly manner.

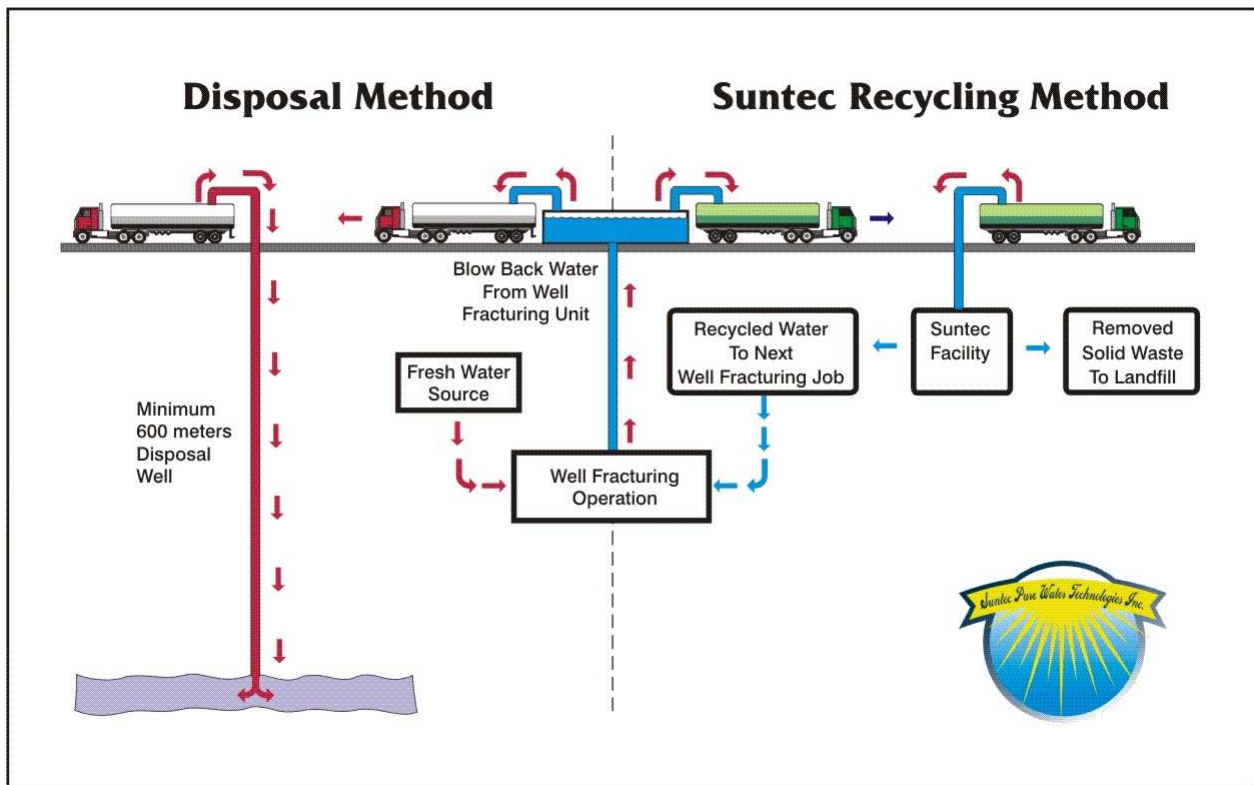
Waste water recovered in the well fracturing process is laden with contaminants including: methanol, polymer sand, carbon dioxide, enzymes, produced hydrocarbons, and others. The contaminant levels are sufficient to render the untreated waste water unusable for any purpose. As a result, the waste water is generally removed from the site and injected back into a disposal well where it is effectively removed from the ecosystem.

Not only is the disposal of oil and gas waste water costly from an environmental perspective, there is a significant economic cost to the particular oil and gas producer. The limited number of participants in the disposal of oil and gas waste water in Southern Alberta has lead to waste water disposal becoming a very expensive process for oil and gas producers.

Suntec's Focus on the Waste Water Recycling Opportunity

Given the oil and gas industry's focus on responsible water usage, Suntec developed a waste water recycling application which uses, in part, the CHIPS technology. Suntec's waste water recycling system sees waste water being processed and treated at the Facility and, in the process, the constituent contaminants being separated out. The contaminants are then extracted and disposed of at a licensed landfill. The waste water would otherwise be disposed of through the existing method of deep well injection, permanently removing the water from the hydrological cycle. Figure 1 below is a diagram that illustrates both the existing disposal method and Suntec's recycling method. The recycled water produced through Suntec's process meets the requirements of Alberta Energy/Alberta Environment for re-use in the fracturing and well drilling process.

Figure 1



Description of Suntec's Waste Water Recycling, Electricity Production and Water Trucking Business

The process by which waste water may be reconstituted originally required Suntec to elevate the water temperature to 60°C for a minimum of one hour (the "**thermal treatment method**"). The recent dramatic increases in fuel costs dictated an alternate method be found to remove the suspended solids and pollutants from the waste water which was less energy intensive. Accordingly, Suntec has developed a chemical method of removing undesirable constituents from the water (the "**chemical treatment method**"), which chemical treatment method employs "off the shelf" chemicals in a proprietary process. See Figure 2 below for a further description of the waste water recycling process carried out at the Facility.

The CHIPS technology is still used in conjunction with the overall operation of the Facility, by capturing heat energy as a by-product of the power generation process. Propane powers an engine which in turn powers a generator. Most of the electricity produced by the generator is sold into the provincial power grid offsetting the cost of the propane used to fire the engine, while the balance of the produced electricity (10-12%) is used to run the Facility. Heat energy produced in this manner by the CHIPS unit is then used to (i) heat water for the purpose of selling such heated water to producers for use down-hole in well fracturing operations, (ii) heat a rotary vaporizer, and (iii) heat the entire Facility. The use of the CHIPS technology to heat the out-going water is an important benefit to Suntec, as heated water can be sold to end users for \$11.00 per cubic meter, in comparison to \$3.00 per cubic meter for cold water. The capturing of this waste heat is achieved economically by generating power during periods of high electricity prices. The heated water is stored in insulated tanks for future use, thus allowing for the maximum revenue from both power generation and heated water sales. The rotary vaporizer is used as part of the system whereby the effluent separated from the waste water is further processed to produce a dried effluent suitable for deposit into a landfill.

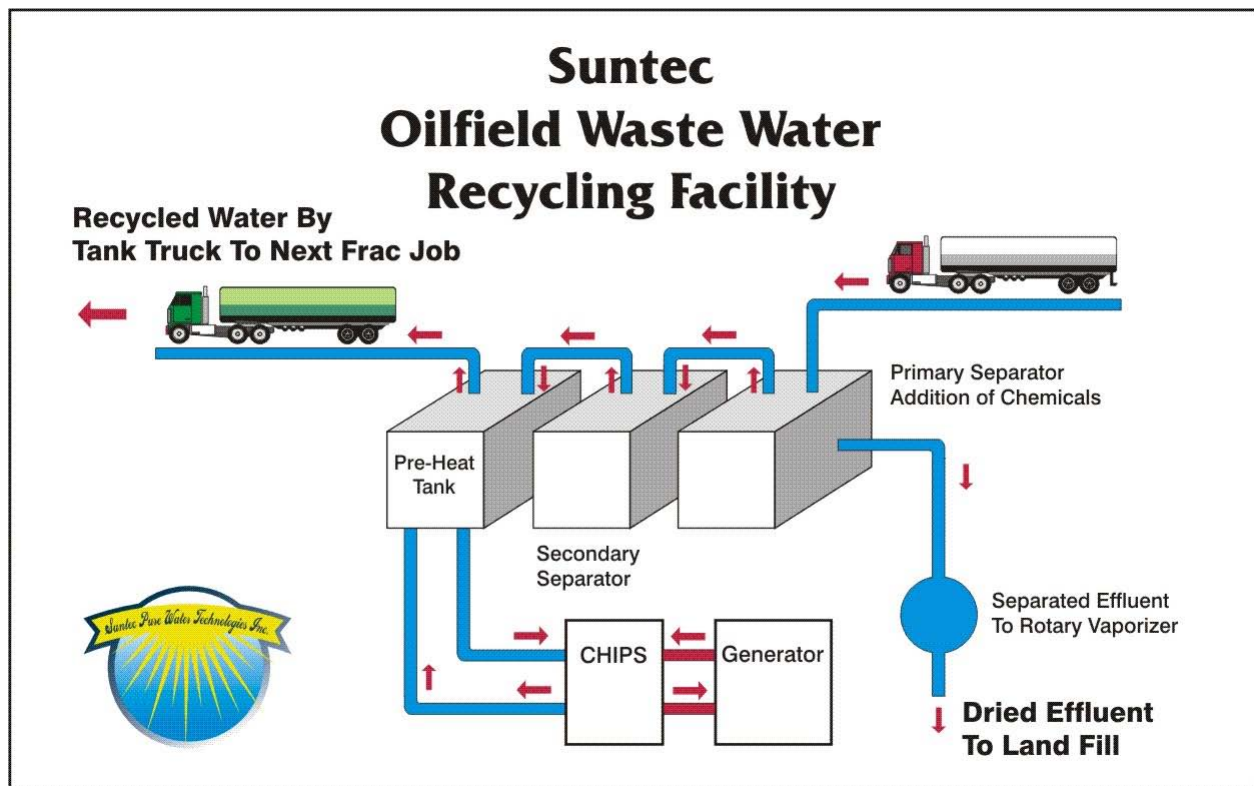
Previously the energy captured by the CHIPS unit would be used both to heat well fracturing water while simultaneously heating the rotary vaporizer and the outgoing recycled water. The time required for this was normally 12-24 hours, which meant the generator would be running during non-peak power price intervals and at a net loss in some cases. By running the generator only to heat the rotary vaporizer and out-bound water for fracturing, the generator need only be operated 8-10 hours per day. Because water heated by the thermal treatment method is stored in insulated vessels the generator may be operated selectively for the 8-10 hour interval during the times of day when power prices are at their highest and shut down during other non-profitable times.

Suntec uses fresh water to supplement its recycled water volumes, in order to meet the demand for its out-going frac water. Suntec's out-going frac water contains between 15% to 50% of fresh water, depending on Suntec's inventories of recycled water at any given time. Suntec withdraws the required fresh water from the Bow River system by way of the Western Irrigation District, as well as from ground water sources. Suntec has received all regulatory approvals required to use fresh water in this fashion.

Transportation of outbound frac water is provided to the Corporation by Black Gold, pursuant to the agreement entered into by Black Gold with Suntec. The inbound waste water is transported to the Facility by Suntec. Suntec transports and processes only the water component of the blowback from well fracturing operations while the sand component of the blowback is transported separately to a sand recycling facility owned by a large operator in the Brooks area.

Certain oil and gas exploration and development companies operating in the area demand that the water and sand from well fracturing operations be transported by the same truck to a central location, thereby eliminating the cost to the operator of a second truck. Given this market demand, Suntec plans to construct a sand handling facility, as part of the expansion of its Facility so as to capture as much of this sand/water business as possible. This sand handling facility will require Suntec to add a vacuum truck to its rolling stock inventory. Suntec intends to have the vacuum truck in place by the end of the second quarter of 2006. See "Suntec's Business – Expansion of the Facility".

Figure 2



Suntec employs a total of 4 field personnel in respect of the operation of the Facility. Specifically, Suntec employs 2 plant operators (one full-time and one part-time) and 2 truck drivers (one full time and one part time). Suntec's drivers operate the Suntec owned truck used to pick up and transport the oilfield waste water to the Facility.

Expansion of the Facility

The Corporation plans to expand the Facility to increase its capacity for recycling, production and processing oilfield waste water by up to 400% and to add supplementary services for Suntec's customers. Suntec estimates the total cost of the planned expansion to the Facility to be approximately \$1.65 million. The expansion of the Facility is subject to securing adequate financing and the receipt of regulatory approval. The proceeds of the Offering are to be applied, in part, to this expansion. See "Use of Proceeds". Suntec's plans for expanding the Facility are described below.

Acquisition of Trucks

Suntec intends to acquire or lease a vacuum truck (to pick up and haul water having a sand component) and a tractor trailer (for general waste water hauling into the Facility). Suntec estimates the cost to acquire these 2 trucks to be approximately \$300,000.

Increase Water Storage Capacity

Suntec plans to increase its storage and processing capacity for both incoming oilfield waste water and for outgoing recycled and fresh (both cold and heated) water. Suntec will need to acquire or construct additional storage and processing tanks for this purpose. Suntec estimates the cost of enlarging its water storage and processing capacity to be approximately \$900,000.

Sand Handling Facility

A sand handling component was not originally incorporated into the Facility because of budget constraints. Additionally, Suntec's primary customer has its own sand processing plant in Brooks, Alberta and consequently did not require this service of Suntec. In order to expand its market share, Suntec wishes to meet the demands of other oil and gas companies operating in the

Cluny area who demand that the water and sand from well fracturing operations be picked up and transported by a single truck to a central location (thereby eliminating the cost to the operator of a second truck). Accordingly, Suntec plans to construct a sand processing component at the Facility that will allow Suntec to separate the sand from the incoming waste water and provide for storage and disposal of the separated sand. Suntec estimates the cost of adding sand handling facilities to be approximately \$350,000 (not including the cost of the vacuum truck, as discussed above under "Expansion Plans – Acquisition of Trucks").

Expand Potassium Chloride Facilities

Potassium chloride is a naturally occurring salt which is used in oil and gas well operations as a means to prevent clays from expanding due to water absorption which acts to restrict flow from a producing formation. As such, potassium chloride concentrate is a product commonly purchased by oil and gas operators for use "down-hole" in their well completion operations. Suntec manufactures and sells potassium chloride concentrate to its customers. Currently, Suntec manually blends dry potassium chloride with water to create a potassium chloride concentrate to be sold to customers. This process is labour intensive and is limited to an output of 80 cubic metres of concentrate per day. Suntec estimates that the demand for its potassium chloride concentrate will be as high as 200 cubic metres per day and therefore plans to build facilities that have a capacity of producing up to 200 cubic metres per day of potassium chloride concentrate. Such expanded potassium chloride production facilities will include an automated blending component combined with bulk potassium chloride storage and pumping equipment. Suntec estimates the cost of expanding its potassium chloride concentrate production facilities to be approximately \$100,000.

Strategic Relationships

Effective July 21, 2005, Suntec entered into an agreement with Black Gold, based in Brooks, Alberta. Blackgold has 45 owned or leased fluid transport trucks in active service in Southern Alberta. Pursuant to the Suntec/Black Gold agreement, Black Gold transports substantially all recycled water from Suntec's Facility to Suntec's customers, while Suntec is responsible for transporting waste water into its Facility. Black Gold has agreed to provide additional trucking services to Suntec's Facility as needed. In addition, Black Gold promotes and markets Suntec's water supply and recycling services to its customers.

Sources of Revenue

Suntec earns revenue from the following sources:

Revenue Sources	% of Total Revenue
Electricity generation	5%
Waste water transportation from well fracturing operations	25%
Waste water processing and recycling	10%
Fresh and recycled water sales for well fracturing operations	5%
Heated fresh and recycled water sales for well fracturing operations	20%
Aqueous potassium chloride sales for well fracturing operations	35%

Electricity Generation

The Facility incorporates a stationary electrical generating plant with a 0.4 megawatt capacity. Produced power is sold into Alberta's provincial power grid. The generator is operated selectively each day for an 8-10 hour interval during those times when power prices are at their highest and shut down during other non-profitable times. Consequently, power is generated during periods of high electricity prices and the waste heat produced from the generator is then used to heat water to be sold to producers. This process allows for maximum revenue to be generated from both power generation and heated water sales.

Waste Water Transportation from Well Fracturing Operations

Suntec's truck picks up waste water from well fracturing operations and delivers the water to the Facility. Oil and gas producers pay Suntec for the transportation component of waste water removal at the rate of \$80 per hour.

Currently, Suntec transports and processes only the water component of the blowback from well fracturing operations while the sand component of the blowback is transported separately to a sand recycling facility owned by a large operator in the Brooks area. Suntec plans to construct a sand handling facility, as part of the expansion of its Facility, so as to capture as much of this sand/water business as possible.

Waste Water Processing and Recycling

At the Facility, Suntec carries out the recycling process whereby methanol, produced hydrocarbons and various residual contaminants are removed from the oilfield waste water, bringing the water up to industry specifications. To the extent necessary, fresh water is added from an external source to produce the water for sale to oil and gas producers. Suntec charges oil and gas producers the current rate of \$8.50 per cubic metre to recycle the waste water. While this figure is marginally below market rates paid by major producers for water disposal by injection into a disposal well (which rates range from \$9.00/m³ up to \$200.00/m³ for water/sand mixtures), it is significantly cheaper than what smaller producers have traditionally been charged for waste water disposal.

Cold Water Sales for Well Fracturing Operations

Recycled water (combined, to the extent needed with fresh water) is sold back to oil and gas producers and drilling companies for re-use in the well fracturing and drilling process. The current selling price of cold recycled water is \$3.00 per cubic metre. Black Gold transports substantially all cold water from the Facility to Suntec's customers, for which service Suntec realizes no incremental revenue.

Heated Fresh and Recycled Water Sales for Well Fracturing Operations

Heated recycled water (combined, to the extent needed with heated fresh water) is sold back to oil and gas producers and drilling companies for re-use in the well fracturing and drilling process. The current selling price of warm recycled water is \$11.00 per cubic metre. Black Gold transports substantially all warm water from the Facility to Suntec's customers, for which service Suntec realizes no incremental revenue.

Aqueous Potassium Chloride Sales for Well Fracturing Operations

Currently, Suntec produces approximately 200,000 litres of potassium chloride concentrate per month for sale to oil and gas producers. Suntec's current selling price for concentrated potassium chloride water is \$145.00 per cubic metre. Expansion plans for the Facility include the development of a liquid potassium chloride production facility having an annual capacity of up to 3.0 million litres of potassium chloride concentrate.

Intellectual Property

Patent Portfolio

Canadian Patents Pending

Suntec filed an application with the Canadian Patent Office for a patent "Method and System for Heat Recovery for an Internal Combustion Engine" (Application Serial No. 2,361,113) on November 6, 2001. This patent application remains pending.

Suntec filed an application with the Canadian Patent Office for a patent "Heat Exchanger for Liquid Vaporization" (Application Serial No. 2,468,383) on May 26, 2004. This patent application also remains pending.

U.S. Patents Pending

Suntec filed an application with the United States Patent Office for a patent "Method and System for Heat Recovery for an Internal Combustion Engine" (Application Serial No. 09/967,945) on October 2, 2001. This patent application remains pending.

Suntec filed an application with the United States Patent Office for a patent "Heat Exchanger for Liquid Vaporization" (Application Serial No. 10/853843) on May 26, 2004. This patent application also remains pending.

Products and Services

Suntec operates an oilfield waste water treatment and power generation facility, located in the Cluny area of Alberta approximately 80 kilometres southeast of Calgary, Alberta. The Facility became fully operational in June 2005. Waste water is transported by truck from well fracturing operations to the Facility. At the Facility, the waste water undergoes a chemical process to remove methanol, produced hydrocarbons and various other residual contaminants. The treated and recycled water (both cold

and heated) is then sold and trucked to oil and gas industry operators for re-use in the oil and gas drilling and development business.

The Facility incorporates a stationary electrical generating plant with a 0.4 megawatt capacity. Produced power is sold into Alberta's provincial power grid, while a CHIPS unit extracts waste heat to be used to heat the recycled water, for resale to oil and gas producers.

The Corporation plans to expand the Facility's capacity for recycling and processing oilfield waste water by up to 400%. Expansion plans include the development of a liquid potassium chloride production facility having an annual capacity of up to 3.0 million litres of potassium chloride concentrate for oilfield use. Potassium chloride is a valuable product in well fracturing operations because of its ability to inhibit water absorption by insitu clays. The expansion of the Facility is subject to securing adequate financing and the receipt of regulatory approval. The proceeds of the Offering are to be applied, in part, to this expansion (See "Use of Proceeds").

Competitors

The primary manner by which oilfield waste water is disposed of is by way of injection into a disposal well. Two large commercial entities operating in Cluny, Alberta region (Newalta Corp. and CCS Income Trust) dispose of waste water by way of the injection method, both of which entities are much larger than Suntec and are competitors to it. In addition to these companies, a number of exploration and production companies operating in SE Alberta have disposal wells of their own wherein waste water may be injected.

Suntec believes that the concept of recycling water in a cost effective manner instead of permanently disposing of it in an injection well will allow it to increase its market share significantly as the Corporation and its technology become better known to the industry.

SELECTED FINANCIAL INFORMATION

Effect of the Western Acquisition

The following table sets forth certain unaudited pro forma information after giving effect to the Western Acquisition. See also "Pro Forma Financial Statements".

	Financial Information of Suntec prior to the Western Acquisition for the period from January 1, 2004 to July 6, 2004	Financial Information of Suntec for the year ended December 31, 2004	Pro Forma Financial Information of Suntec following the Western Acquisition for the year ended December 31, 2004 ⁽¹⁾
Net Income (Loss)	(\$128,355)	(\$344,224)	(\$472,579)
Per share (basic and diluted)	(\$0.01)	(\$0.04)	(\$0.05)

Note:

(1) See the Notes to the unaudited pro forma consolidated financial statements.

Annual and Quarterly Financial Information

The following tables summarize Suntec's selected financial information as at and for the periods indicated and should be read in conjunction with the financial statements and the notes to such financial statements included elsewhere in this prospectus.

	Three Months Ended		Year Ended December 31,	
	June 30, 2005	March 31, 2005	2004 ⁽¹⁾	2003 ⁽²⁾
Revenue	\$ 18,965	\$ 3,901	\$ 5,346	\$ 2,440
Expenses	204,257	139,238	349,570	28,080
Net loss	(185,292)	(135,337)	(344,224)	(25,640)
Per share (basic and diluted)	(\$0.01)	(\$0.01)	(\$0.04)	(\$Nil)
Total assets	2,400,561	2,513,330	2,510,844	548,922
Share capital	2,149,143	2,142,133	1,150,152	632,655
Shareholders' equity	1,382,143	1,560,425	1,117,771	495,508

Notes:

- (1) The figures shown include the results of operations of Western for the year ended December 31, 2004 and the results of operations of Suntec from July 7, 2004.
- (2) The figures shown are those of Western.

	Three Months Ended December 31, 2004 ⁽¹⁾	Three Months Ended September 30, 2004 ⁽¹⁾	Three Months Ended June 30, 2004 ⁽²⁾	Three Months Ended March 31, 2004 ⁽²⁾
Revenue	\$ 2,753	\$ 2,590	\$ 3	\$ -
Net earnings (loss)	(208,196)	(103,343)	(24,253)	(8,432)
Per share (basic and diluted)	(\$0.02)	(\$0.01)	(\$Nil)	\$Nil
Per share (diluted)	(\$0.03)	(\$0.01)	(Nil)	\$Nil

Notes:

- (1) The figures shown for the three months ended September 30, 2004 and December 31, 2004 include the results of operations of Western for the periods indicated and of Suntec from July 7, 2004.
- (2) The figures shown are those of Western.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This MD&A contains certain forward-looking statements relating, but not limited to, Suntec's operations, anticipated financial performance, business prospects and strategies. Forward-looking information typically contains statements with words such as "may", "will", "should", "expects", "projects", "plans", "anticipates" or similar expressions suggesting future outcomes.

Six Months ended June 30, 2005

Highlights

During the six months ended June 30, 2005:

- In January 2005, Suntec completed a private placement of 1,700,000 Common Shares issued at \$0.34 per share, for total proceeds of \$578,000;
- In February 2005, Suntec received final approval from the AEUB permitting it to treat and recycle oilfield waste water at the Facility. This approval, together with the AEUB approval granted in 2004 permitting Suntec to generate electric power from the Facility for sale to the Alberta power grid, represent all regulatory approvals required for operation of the Facility;
- In February 2005, Suntec commenced treating and recycling oilfield waste water;
- In March 2005, the TSXV approved the conversion of 5,333,275 Series B Warrants into 5,333,275 Common Shares at no additional consideration, and all of Suntec's issued and outstanding 5,333,275 Series B Warrants (issued in July 2004

on the closing of the Qualifying Transaction) were converted, by their terms, into Common Shares, on a one for one basis; and

- Unprecedented rainfall in the Calgary and Southern Alberta region during the three months ended June 30, 2005 greatly restricted the operations of oil and gas producers with operations in these areas and the corresponding production and removal of oilfield waste water. Nevertheless, the Facility became fully operational in June 2005.

Outlook

Subsequent to June 30, 2005, Suntec made several significant announcements.

- Over the course of 2005, Suntec intends to expand the Facility's capacity for recycling and processing oilfield waste water by up to 400%. Expansion plans include the development of a liquid potassium chloride facility having minimum annual capacity of 3.0 million litres of concentrate for oilfield use.
- Secondly, Suntec entered into a strategic alliance with Black Gold, based in Brooks, Alberta. With 45 owned or leased fluid transport trucks in active service, Black Gold is a significant player in fluid transportation in southern Alberta.
- Thirdly, Suntec developed a new water treatment process for recycling oilfield waste water which has reduced energy input costs at the Facility by 80 to 90% over previous technology, with no reduction in Suntec's ability to provide that satisfies oil and gas industry standards.

Financial Summary

	June 30, 2005	December 31, 2004	Increase/ Decrease
	(\$)	(\$)	(\$)
Assets	2,400,561	2,510,844	(110,283)
Liabilities	1,018,418	1,393,073	(374,655)
Shareholders' Equity	1,382,143	1,117,771	264,372

	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004 ⁽¹⁾	Increase/ Decrease
	(\$)	(\$)	(\$)
Revenue	22,865	3	22,862
Expenses	343,494	32,688	310,806
Net Loss	320,629	32,685	287,944
Loss per share, basic and diluted	0.02	0.01	0.01

Note:

(1) The figures shown are those of Western.

Revenue

Revenue for the three months ended June 30, 2005 totalled \$18,965 (2004 - \$3). Revenue for the six months ended June 30, 2005 totalled \$22,865. Suntec earned modest revenue from both power generation and oilfield waste water treatment. Unprecedented rainfall during the three months ended June 30, 2005 greatly restricted oil and gas producers and corresponding production and removal of oilfield waste water.

Expenses

Rental

Rental for the three and six months ended June 30, 2005 increased to \$46,738 (2004 - \$Nil) and \$83,618 (2004 - \$2,279), respectively. In 2005, Suntec rented land, buildings and certain equipment from a director and officer of Suntec.

Salaries and Wages

Salaries and wages for the three and six months ended June 30, 2005 increased to \$13,525 (2004 - \$9,314) and \$23,600 (2004 - \$9,314), respectively.

Depreciation and Amortization

Depreciation and amortization for the three and six months ended June 30, 2005 increased to \$33,167 (2004 - \$233) and \$58,734 (2004 - \$233), respectively. Depreciation of the plan and equipment and amortization of the deferred development expenses commenced in February 2005, with the commencement of oilfield waste water treatment and power generation. Depreciation of Suntec's generator and tank trailer commenced in 2004.

Professional and Consulting Fees

Professional and consulting fees for the three and six months ended June 30, 2005 increased to \$42,336 (2004 - \$Nil) and \$57,594 (2004 - \$5,000), respectively. Suntec entered into a consulting agreement with its President and Chief Executive Officer, effective January 1, 2004, which specifies a consulting fee of \$40,000 per annum.

Operating Expenses

Operating expenses for the three and six months ended June 30, 2005 increased to \$39,065 (2004 - \$Nil) and \$74,394 (2004 - \$Nil), respectively. The increase is attributable to the commencement of commercial operations.

General and Administrative

General and administrative costs for the three and six months ended June 30, 2005 increased to \$20,700 (2004 - \$962) and \$28,198 (2004 - \$2,015), respectively. The increase is attributable to the commencement of commercial operations.

Interest on Long-term Debt

Interest on long-term debt for the three and six months ended June 30, 2005 was \$8,726 (2004 - \$13,747) and \$17,356 (2004 - \$13,747) and related to the indebtedness incurred by Suntec. Interest on long-term debt for the three months ended June 30, 2004 included interest accrued from the date of receipt of proceeds.

Net Loss

Suntec's net loss and loss per share, basic and diluted, for the three and six months ended June 30, 2005 were \$185,292 (\$0.01 per share) and \$320,629 (\$0.02 per share), respectively, compared to \$24,253 (\$Nil per share) and \$32,685 (\$0.01 per share) in 2004.

Financial Condition and Liquidity

As at June 30, 2005, Suntec had \$42,016 (December 31, 2004 - \$250,438) of cash and its working capital deficit was \$692,375.

Capital Expenditures

During the three months ended June 30, 2005, Suntec expended \$78,358 (2004 - \$86,674) on plant and equipment and \$Nil (2004 - \$19,624) on deferred development costs related to the CHIPS.

During the six months ended June 30, 2005, Suntec expended \$100,016 (2004 - \$145,354) on plant and equipment and \$125,687 (2004 - \$54,659) on deferred development costs related to the CHIPS.

Financing Activities

Suntec is in the early stage of development and has financed its activities through the sale of equity and the issuance of debt. These sources are anticipated to be sufficient for Suntec's cash requirements.

On January 7, 2005, Suntec completed a private placement, whereby it issued 1,700,000 Common Shares at \$0.34 per share for gross proceeds of \$578,000.

Subsequent to June 30, 2005, Suntec completed a private placement, whereby it issued 240,000 Common Shares at \$0.375 per share for gross proceeds of \$90,000.

Contractual Obligations

Payments due by period:

	Total	<1 Year	1-3 Years	4-5 Years	After 5 Years
Long-term debt	\$ 638,471	\$ 416,471	\$ 222,000	\$ -	\$ -
Operating leases	1,279,750	141,450	198,300	60,000	880,000
Total	<u>1,918,221</u>	<u>557,921</u>	<u>420,300</u>	<u>60,000</u>	<u>880,000</u>

Off-Balance Sheet Arrangements and Contractual Liabilities

Suntec has no off-balance sheet arrangements or contractual liabilities.

Transactions with Related Parties

During the three months ended June 30, 2005, Suntec paid consulting fees of \$10,000 (2004 - \$Nil) and rental on land, building and certain equipment of \$33,300 (2004 - \$Nil) to a director and officer. During the six months ended June 30, 2005, Suntec paid consulting fees of \$20,000 (2004 - \$Nil) and rental on land, building and certain equipment of \$66,600 (2004 - \$Nil) to a director and officer.

During 2004, Suntec entered into an agreement to lease land and buildings from an officer and director for \$60,000 per year for a term of twenty years, commencing February 1, 2004. Suntec is also committed to lease certain equipment from an officer and director for \$73,200 per year for a term of two years, commencing September 1, 2004.

Quarterly Financial Results

	2005			
	First Quarter	Second Quarter		
Revenue	\$ 3,901	\$ 18,965		
Net loss	(135,337)	(185,292)		
Loss per share, basic and diluted	(0.01)	(0.01)		

	2004			
	First Quarter ⁽²⁾	Second Quarter ⁽²⁾	Third Quarter ⁽¹⁾	Fourth Quarter ⁽¹⁾
Revenue	\$ -	\$ 3	\$ 2,590	\$ 2,753
Net loss	(8,432)	(24,253)	(103,343)	(208,196)
Loss per share, basic and diluted	Nil	Nil	(0.01)	(0.03)

Notes:

- (1) The figures shown for the three months ended September 30, 2004 and December 31, 2004 include the results of operations of Western for the periods indicated and of Suntec from July 7, 2004.
- (2) The figures shown are those of Western.

The consolidated financial statements are issued under the name of Suntec, but are considered to be a continuation of the financial statements of Western, the acquirer for accounting purposes. Prior to Suntec's acquisition of Western on July 6, 2004, Western was a private corporation and did not compile quarterly financial results; such results are not readily available and have, therefore, not been disclosed herein. Furthermore, Suntec has not earned significant revenues and does not have a history of earnings. Management believes period to period comparisons of operating results should not be relied upon as an indication of future performance.

Share Information

On June 30, 2005, Suntec had 20,394,534 Common Shares issued and outstanding.

Critical Accounting Policies and Estimates

Suntec's significant accounting policies are found in note 2 of the consolidated financial statements for the year ended December 31, 2004 and the three and six months ended June 30, 2005. The preparation of financial statements and related disclosures in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and contingencies. Management bases its estimate on assumptions that are believed to be reasonable under the circumstances. Under different assumptions or conditions, the actual results may differ, potentially materially, from those previously estimated. Many of the conditions impacting these assumptions and estimates are outside of its control. These estimates and assumptions are evaluated on a periodic basis.

Risk and Risk Management

Suntec's business is subject to various risks and uncertainties that occur in the normal course of business that could adversely affect its results of operations. These risks include general economic risks, operating risks, competitive risks, environmental risks and development risks, amongst others.

The risks and uncertainties facing Suntec's operations are described in detail in its MD&A for the year ended December 31, 2004.

Year Ended December 31, 2004

Highlights

Suntec achieved several significant successes in 2004:

- Suntec completed the Qualifying Transaction;
- Suntec entered into a Master Service and Supply Agreement (the "MSSA") with an oil and natural gas producer to supply oilfield waste water treatment services; and
- The AEUB granted Suntec final approval permitting Suntec to generate electrical power, and Suntec completed construction of the Facility.

Outlook

Alberta's energy fundamentals remain positive as energy demand continues to be healthy. Oil and natural gas production in Alberta is expected to remain robust. The principal stakeholders - governments, industry, agriculture and municipalities - appear committed to encouraging development of new technologies that will support the responsible use and conservation of Alberta's water resources. These factors combined should produce considerable demand for Suntec's services, resulting in a favourable outlook for Suntec.

Future Objectives

Suntec intends to construct additional oilfield waste water treatment and power generation facilities. Suntec also intends to research, and possibly develop, additional commercial applications of the CHIPS technology.

Co-Generative Heat and Integrated Power System ("CHIPS")

Commencing in 2000, Western engaged in research and development of the proprietary energy co-generation system known as the "Co-generative Heat and Integrated Power System", or "CHIPS". CHIPS technology is a method by which waste heat and uncombusted fuel from a combustion engine is efficiently captured and then employed as heat energy or rotational horsepower. CHIPS technology works by capturing the waste heat (exhaust gases, coolants, lubricants) and unburned fuel from the combustion process.

Suntec has commercialized the CHIPS technology in an oilfield waste water treatment application by way of incorporating the CHIPS technology into the Facility. Specifically, the Facility uses waste heat from the electricity generating process to eliminate energy input costs in the water treatment and recycling process.

Regulatory Approvals

On February 24, 2004, the AEUB granted Suntec final approval (No. U2004-049) permitting Suntec to generate electric power from the Facility for sale into the Alberta grid.

Approval for the construction and operation of the Facility was granted by Wheatland County and the Western Irrigation District. The AEUB also approved the Facility as a power generation facility. Subsequent to December 31, 2004, the AEUB approved Suntec's application for the Facility as an oilfield waste water handling facility. No other regulatory approvals are outstanding.

Oilfield Waste Water Treatment

Suntec is in the process of developing an oilfield waste water trucking and sales business. Specifically, waste water will be transported by truck from well fracturing operations to the Facility where the recycling process will remove methanol, produced hydrocarbons and various other residual contaminants. The treated and recycled water will be sold and trucked to oil and gas industry operators for re-use in the oil and gas drilling and development process. The waste water, as treated and recycled by Suntec, would otherwise be disposed of through the existing method of deep well injection, removing the water from the hydrological cycle.

The Facility is located in the Cluny area of Alberta, approximately 80 kilometres southwest of Calgary, Alberta.

Suntec commenced construction of the Facility in mid-April 2004 and substantially completed construction in mid-December 2004.

Master Service and Supply Agreement

Suntec entered into the MSSA, effective June 15, 2004, with an oil and natural gas producer with extensive operations in Southern Alberta, to supply oilfield waste water treatment services. The MSSA expires December 31, 2005, is renewable for further one-year terms and is terminable by either party on 30 days notice.

Power Generation

The Facility incorporates a stationary electrical generating plant with a 0.4 megawatt capacity. Produced power is to be sold into Alberta's provincial grid, while a CHIPS unit will extract waste heat to be used in the oilfield waste water treatment process.

Western Acquisition / Qualifying Transaction / Reverse Takeover

On May 20, 2004, Suntec entered into an acquisition agreement with Western pursuant to which Suntec agreed to acquire all the issued and outstanding common shares ("**Western Shares**") and common share purchase warrants of Western ("**Western Warrants**"). On July 6, 2004, Suntec received shareholder approval for and completed the Western Acquisition. On July 26,

2004, Suntec received final approval from the TSXV for the Western Acquisition as Suntec's "Qualifying Transaction" under Policy 2.4 of the TSXV.

Pursuant to the Western Acquisition, Suntec acquired 1,362 Western Shares (98%) and 17.325 Western Warrants (100%). The remaining 24 Western Shares (2%) were acquired pursuant to the compulsory acquisition provisions of the ABCA. In aggregate, in order to acquire the outstanding Western Shares and Western Warrants, Suntec issued 11,999,998 units of Suntec ("**Suntec Units**"), at a deemed price of \$0.2833 per unit (\$3,400,000 in aggregate), and 150,000 Series A Warrants to purchase Common Shares. Each Suntec Unit consists of 0.55555 of a Suntec Share and 0.44444 of a Series B Warrant to purchase Suntec Shares. Each whole Series B Warrant is exercisable into one Common Share, for no additional consideration, but were not exercisable until Suntec met certain operational milestones. Each Series A Warrant entitles the holder thereof to acquire one Common Share at a price of \$0.2833 per common share for a period of two years from the date of grant.

In aggregate, Suntec issued 6,666,593 Common Shares, 5,333,275 Series B Warrants and 150,000 Series A Warrants to the former holders of Western securities. Concurrent with the closing of the Western Acquisition, 4,074,030 Common Shares and 3,259,223 Series B Warrants became subject to the Tier 2 Surplus Security Escrow Agreement of the TSXV and 115,438 Common Shares and 92,351 Series B Warrants were held by Suntec in trust as required under the compulsory acquisition provisions of the ABCA representing the consideration payable to the one shareholder of Western who did not tender its Western Shares pursuant to the Offer.

The Western Acquisition was a "Reverse Takeover". The term "Reverse Takeover" includes a transaction pursuant to which an issuer enters into an arrangement, amalgamation, merger or reorganization with another issuer whereby the ratio of securities which are distributed to the two sets of securityholders results in the securityholders of the other issuer barring control of the entity arising from the transaction.

Financial Summary

	2004	2003	Increase/ (Decrease)
	(\$)	(\$)	(\$)
Assets	2,510,844	548,922	1,961,922
Liabilities	1,393,073	53,414	1,339,659
Shareholders' Equity	1,117,771	495,508	622,263
Revenue	5,346	2,440	2,906
Expenses	(349,570)	(28,080)	321,490
Net loss	(344,224)	(25,640)	318,584
Loss per share, basic and diluted	(\$0.04)	(\$Nil)	(\$0.04)

Financial Statement Analysis

Since Suntec issued enough voting shares as consideration so that control of the combined company passed to the securityholders of Western, the business combination has been accounted for using reverse takeover accounting principles. In accordance with Emerging Issues Committee Abstract 10 ("**EIC-10**") of the Canadian Institute of Chartered Accountants, Western is the acquirer of Suntec for accounting purposes. A reverse takeover transaction including a non-public enterprise (Western) and a non-operating public enterprise (Suntec) with nominal non-monetary assets is a capital transaction, rather than a business combination. Therefore, this transaction is similar to the issuance of shares by Western for consideration equal to the net monetary assets of Suntec.

The consolidated financial statements are issued under the name of Suntec, but are considered to be a continuation of the financial statements of Western. Western's assets and liabilities are included in the consolidated financial statements at their historical carrying values. Comparative figures shown are those of Western. The results of operations of Suntec are included in the financial statements from July 7, 2004.

Consolidated Statements of Loss and Deficit - 2004 and 2003

Revenues

Revenues totalled \$5,346 (2003 - \$2,440). Suntec earned nominal revenue from power generation during the testing stage of the Facility.

Expenses

General and Administrative

General and administrative costs increased \$91,579 to \$109,640 (2003 - \$18,061). The increase is attributable primarily to:

Rent – in 2004, Suntec rented land, buildings and certain equipment from a director and officer of Suntec; and

Fuel – in 2004, fuel was consumed in connection with the testing stage of the Facility.

Professional and Consulting Fees

Professional and consulting fees increased \$93,356 to \$103,056 (2003 - \$9,700). The increase is attributable primarily to the following:

Suntec entered into a Consulting Agreement with Suntec's President and Chief Executive Officer, effective January 1, 2004, which specifies a Consulting Fee of \$40,000 per annum; and

Suntec incurred professional fees in connection with the Qualifying Transaction, being the Western Acquisition.

Salaries and Wages

Salaries and wages increased \$60,850 to \$60,850 (2003 - \$Nil). The increase is attributable to the hiring of three employees during the year.

Stock-based Compensation

220,000 Common Share purchase options were granted to directors and officers of Suntec and vested during the year.

Interest on Long-term Debt

Interest on long-term debt was \$21,115 (2003 - \$Nil). As described herein, Suntec incurred \$250,000 and \$350,000 of indebtedness on March 24, 2004 and June 15, 2004, respectively.

Depreciation and Amortization

Depreciation and amortization was \$19,909 (2003 - \$319). During the year, Suntec depreciated a generator and a tank trailer. Depreciation of the plant and equipment and amortization of the deferred development expenses will commence in 2005 with the commencement of oilfield waste water treatment and power generation.

Net Loss

Suntec's net loss and loss per share, basic and diluted, for the year were (\$344,224) and (\$0.04) per share, respectively, compared to (\$25,640) and (\$Nil) per share in 2003.

Consolidated Balance Sheets

Suntec is in the early stage of commercial operations and has devoted substantially all of its efforts to raising capital, completing research and development and constructing the Facility.

Suntec commenced construction of the Facility in mid-April 2004; substantial completion of construction occurred in mid-December 2004. Suntec also continued the development of the CHIPS technology in 2004. The costs of the Facility have been capitalized and development costs have been deferred.

Suntec raised \$1.0 million pursuant to an initial public offering by way of CPC, and borrowed \$250,000 pursuant to a promissory note and \$350,000 pursuant to a vendor take-back loan. See "Financing Activities".

Suntec's Balance Sheets are described further herein.

Quarterly Financial Results

	2004			
	First Quarter ⁽²⁾	Second Quarter ⁽²⁾	Third Quarter ⁽¹⁾	Fourth Quarter ⁽¹⁾
Revenue	\$Nil	\$ 3	\$ 2,590	\$ 2,753
Net loss	(8,432)	(24,253)	(103,343)	(208,196)
Loss per share, basic and diluted	Nil	Nil	(\$0.01)	(\$0.03)

Notes:

- (1) The figures shown for the three months ended September 30, 2004 and December 31, 2004 include the results of operations of Western for the periods indicated and of Suntec from July 7, 2004.
- (2) The figures shown are those of Western.

The consolidated financial statements are issued under the name of Suntec, but are considered to be a continuation of the financial statements of Western, the acquirer for accounting purposes. Figures shown for the three months ended September 30, 2004 and December 31, 2004 include the results of operations of Suntec from July 7, 2004. Prior to the Western Acquisition on July 6, 2004, Western was a private corporation and did not compile quarterly financial results; such results are not readily available and have, therefore, not been disclosed herein.

Furthermore, Suntec has not earned significant revenues and does not have a history of earnings. Management believes period-to-period comparisons of operating results should not be relied upon as an indication of future performance.

Financial Condition and Liquidity

As at December 31, 2004, Suntec had \$250,438 (2003 - \$4,662) of cash and cash equivalents; Suntec's working capital deficiency was \$95,142 (excluding deposits on share subscriptions).

Capital Expenditures

During 2004, Suntec expended \$1,262,262 (2003 - \$Nil) on plant and equipment, including \$877,060 on the Facility and \$350,000 on a generator. During the year, Suntec expended \$306,690 (2003 - \$33,284) on deferred development costs related to the CHIPS technology.

Financing Activities

Suntec has financed its operations through the sale of Common Shares and through the issuance of debt.

On February 6, 2004, Suntec completed an initial public offering by way of CPC, whereby it issued 4,000,000 Common Shares at \$0.25 per share for gross proceeds of \$1,000,000.

On January 7, 2005, Suntec completed a private placement, whereby it issued 1,700,000 Common Shares at \$0.34 per share for gross proceeds of \$578,000.

Suntec borrowed \$250,000 pursuant to a promissory note dated March 24, 2004. The promissory note bears interest at prime plus 1%; principal repayments of \$20,834 per month commence on June 1, 2005 with the full amount due on June 1, 2006.

Suntec entered into an agreement to purchase a generator, effective June 15, 2004. The purchase was financed by means of a \$350,000 vendor take-back loan. The loan bears interest at prime plus 2%, with an annual minimum principal repayment of \$128,000. Any remaining principal will be due in March 2007.

Suntec's working capital and proceeds from the aforementioned private placement are anticipated to be sufficient to meet its cash requirements.

Contractual Obligations

Payments due by period:

	Total	<1 Year	1-3 Years	4-5 Years	After 5 Years
Long-term debt	\$ 600,000	\$ 273,838	\$ 326,162	\$ -	\$ -
Operating leases	441,375	149,700	231,675	60,000	-
Total	<u>1,041,375</u>	<u>423,538</u>	<u>557,837</u>	<u>60,000</u>	<u>-</u>

Off-Balance Sheet Arrangements and Contractual Liabilities

Suntec has no off-balance sheet arrangements and contractual liabilities.

Transactions with Related Parties

Promoters, officers, directors, insiders or control persons control Western and Suntec. Therefore, the Western Acquisition constituted a transaction where the same parties controlled the vendor and target company. The Western Acquisition constituted a non-arm's length acquisition, as Suntec and Western are related parties.

During the year, Suntec paid consulting fees of \$40,000 (year ended December 31, 2003 - \$Nil) and rental on land, building and certain equipment of \$62,900 (year ended December 31, 2003 - \$Nil) to a director and officer. These amounts are recorded at the exchange amount, being the estimated fair value as agreed between the related parties.

During the year, Suntec entered into an agreement to lease land and buildings from an officer and director for \$60,000 per year for a term of twenty years, commencing February 1, 2004. Suntec is also committed to lease certain equipment from an officer and director for \$73,200 per year for a term of two years, commencing September 1, 2004.

A director of Suntec is a partner of a law firm that was paid \$107,834 for legal services during the year (year ended December 31, 2003 - \$Nil). The fees charged were based on standard rates and time spent on Suntec's matters. At December 31, 2004, there was \$106,875 (December 31, 2003 - \$9,984) owing to this law firm in relation to legal services.

The ownership of all patents associated with intellectual property has been assigned to Suntec by the inventor, a shareholder, director and officer of Suntec, for a nominal amount.

Events Subsequent to December 31, 2004

Effective January 1, 2005, Suntec and Western, a wholly-owned subsidiary, amalgamated.

On January 7, 2005, Suntec completed a private placement, whereby it issued 1,700,000 Common Shares at \$0.34 per share for gross proceeds of \$578,000.

On February 25, 2005, Suntec received final approval from the AEUB. This approval, together with the AEUB approval granted in 2004 permitting Suntec to generate electric power from the facility for sale to into the Alberta grid, represent all regulatory approvals required by Suntec for commercial operation of the Facility. Suntec commenced treating and recycling oilfield waste water in February 2005.

On March 17, 2005, the TSXV approved the exercise of 5,333,275 Series B Warrants into 5,333,275 Common Shares at no additional consideration.

Share Information

On December 31, 2004, Suntec had 13,333,259 voting common shares issued and outstanding.

Critical Accounting Policies and Estimates

Suntec's significant accounting policies are found in note 2 of the consolidated financial statements for the year ended December 31, 2004. The preparation of financial statements and related disclosures in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and contingencies. Management bases its estimate on assumptions that are believed to be reasonable under the circumstances. Under different assumptions or conditions, the actual results may differ, potentially materially, from those previously estimated. Many of the conditions impacting these assumptions and estimates are outside of Suntec's control. These estimates and assumptions are evaluated on a periodic basis. Management believes the following critical accounting policies involve the more significant judgements and estimates used in the preparation of Suntec's consolidated financial statements.

Basis of Accounting

Since Suntec issued enough voting shares as consideration pursuant to the Western Acquisition that control of the combined company passed to the securityholders of Western, the business combination has been accounted for using reverse takeover accounting principles. In accordance with EIC-10 of the Canadian Institute of Chartered Accountants, Western is the acquirer of the Suntec for accounting purposes. A reverse takeover transaction including a non-public enterprise (Western) and a non-operating public enterprise (Suntec) with nominal non-monetary assets is a capital transaction, rather than a business combination. Therefore, this transaction is similar to the issuance of shares by Western for consideration equal to the net monetary assets of Suntec.

The consolidated financial statements have been issued under the name of Suntec, but are considered to be a continuation of the financial statements of Western. Western's assets and liabilities are included in the consolidated financial statements at their historical carrying values. Comparative figures shown are those of Western. The results of operations of Suntec are included in the consolidated financial statements from July 7, 2004.

GAAP Hierarchy and General Standards of Financial Statement Presentation

Suntec has adopted CICA Handbook Section 1100, "Generally Accepted Accounting Principles" and Section 1400 "General Standards of Financial Statement Presentation" which provide guidance including what constitutes Canadian GAAP and its sources, and provides guidance on sources to consult when selecting accounting policies and determining appropriate disclosures when the primary sources of Canadian GAAP are silent.

Recent Accounting Pronouncements

Asset Retirement Provisions

Suntec adopted CICA Handbook Section 3110, "Asset Retirement Obligations". The Section supersedes the requirements of CICA Handbook Section 3061, "Property, Plant and Equipment" concerning future removal and site restoration. The Section establishes standards for the recognition, measurement and disclosure of liabilities for statutory, contractual or legal obligations, normally when incurred, associated with the retirement of property, plant and equipment when those obligations result from the acquisition, construction, development or normal operation of the assets. Retirement includes the sale, abandonment, recycling or other disposal of an asset but not its temporary idling. The obligations are measured initially at fair value (using the present value of future cash flows discounted at a credit-adjusted risk-free rate of interest) in the period in which it is incurred. Upon initial recognition of a liability for an asset retirement obligation, a corresponding asset retirement cost is added to the carrying value amount of the related asset. Following the initial recognition of an asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for revisions to the amount or timing of the underlying cash flows needed to settle the obligation. The cost is amortized into income subsequently on the same basis as the related asset.

Risk and Risk Management

Suntec's business is subject to various risks and uncertainties that occur in the normal course of business that could adversely affect its earnings and cash flow. The following is a discussion of key risks and uncertainties facing Suntec's business. However, it should not be assumed that this discussion is exhaustive or that the strategies adopted to mitigate these risks will be effective.

General Economic Risk

The Canadian oil and natural gas industry is subject to a vast array of economic and political influences and, as a result, is cyclical. A significant downturn in the Canadian economy or the Canadian oil and natural gas industry may adversely impact Suntec.

Operational Risk

Suntec is in the early stage of commercial operations and has devoted substantially all of its efforts to raising capital, completing research and development, and constructing and commencing operations at the Facility. Suntec is dependent upon obtaining the necessary financing to fund ongoing activities, achieving successful sales of its products and services and the establishment of profitable operations.

Suntec has not earned significant revenues and does not have a history of earnings. Management believes period-to-period comparisons of operating results should not be relied upon as an indication of future performance.

Operational risk includes the risk that a direct or indirect loss may result from inadequate or failed technology, from a human process or from external events. The impact of this loss may be financial loss, loss of reputation or legal and regulatory proceedings.

Power generation and waste water treatment involves operational hazards that could cause personal injury, environmental contamination, or damage and destruction of Suntec's assets. These incidents could also interrupt production.

Competitive and Technological Risk

Suntec operates in a competitive industry and competes with entities utilizing alternative techniques and technologies, many of which competitors have greater financial resources than Suntec. Suntec is entering the commercial deployment stage with its technology. Suntec's future success depends heavily on the technology it has developed; the success of this technology is never certain. Additional competitors and technologies may also enter the industry, resulting in increased competition.

Environmental Risk

Suntec is subject to various Canadian federal, provincial and municipal laws relating to environmental matters. These laws could obligate Suntec to incur costs of removal and remediation of certain hazardous substances or wastes released or deposited at its water treatment facility or at other locations. The failure to remove or remediate such substances, if any, could adversely affect Suntec's ability to operate, and could potentially also result in claims and other proceedings against Suntec. Management is not aware of any material non-compliance with environmental laws at its water treatment facility. Management is also not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with its water treatment facility or any material pending or threatened claims relating to environmental conditions at its water treatment facility.

Management has adopted strategies to mitigate these risks. Suntec has formal policies and procedures to review and monitor environmental exposure. Suntec has made, and will continue to make, the necessary capital expenditures for compliance with environmental laws and regulations. Environmental law can change rapidly and may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have a material adverse effect on Suntec's business, financial condition or results of operations.

Development Risk

Suntec may undertake continued development which, by its nature, entails risks including the timing and cost of completion.

Management Risk

Management risk is the risk of loss due to the loss of key management. Suntec relies heavily upon its President and Chief Executive Officer's considerable knowledge related to the CHIPS technology.

Credit Risk

Credit risk is the risk of loss due to failure of a contracted customer to fulfill the obligation of required payment. Suntec does not have significant exposure to any individual customer.

Interest Risk

Interest risk is the combined risk that Suntec would experience a loss as a result of its exposure to a higher interest rate environment (Interest Rate Risk) and the possibility that at the term end of the debt Suntec would be unable to renew the maturing debt either with the existing lender or another lender (Renewal Risk).

Business Risks and Uncertainties

See "Risk Factors" for additional information on the risks and uncertainties to which the Corporation is subject.

CAPITALIZATION

The following table outlines Suntec's capitalization as at the dates noted.

	Authorized	Outstanding as at December 31, 2004	Outstanding as at June 30, 2005 prior to the Offering	Outstanding as at June 30, 2005 following the Offering ⁽¹⁾
Debt				
Long Term Debt	N/A	621,115	638,471	638,471
Share Capital				
Common Shares	unlimited	\$1,150,152 (13,333,259)	\$2,149,143 (20,394,534)	\$● (●)
Warrants	N/A	Nil	\$Nil	\$●
Series A Warrants ⁽²⁾	N/A	Nil	\$Nil (150,000)	\$Nil (150,000)

Notes:

(1) Does not include the exercise of the Agent's Option.

(2) The Series A Warrants were issued as part of the Western Acquisition.

DESCRIPTION OF SHARE CAPITAL

The following is a summary of the rights, privileges, restrictions and conditions attaching to the Common Shares and the Preferred Shares of the Corporation. No Preferred Shares are presently issued and outstanding.

Common Shares

The Corporation has an unlimited number of Common Shares authorized. There are currently 20,677,824 Common Shares issued and outstanding. All Common Shares when issued pursuant to this Offering and upon conversion of Warrants shall be issued as fully paid and non-assessable. The holders of Common Shares are entitled to dividends if, as and when declared by the board of directors to one vote per share at any meeting of the shareholders of the Corporation and, upon liquidation, to receive all assets of the Corporation as are distributable to the holders of shares.

Preferred Shares

Suntec is authorized to issue an unlimited number of preferred shares issuable in series, each series consisting of such number of shares and having such rights, privileges, restrictions and conditions as may be determined by the board of directors of Suntec prior to the issuance thereof. With respect to the payment of dividends and the distribution of assets in the event of liquidation,

dissolution or winding-up of Suntec, whether voluntary or involuntary, the preferred shares are entitled to preference over the Common Shares and any other shares ranking junior to the preferred shares from time to time and may also be given such other preferences over the Common Shares and any other shares ranking junior to the preferred shares as may be determined at the time of creation of such series. At the date hereof, no series of preferred shares has been created.

PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement, the Agent was appointed as Suntec's exclusive agent to offer for sale the Units, on a commercially reasonable efforts basis, subject to the terms and conditions of the Agency Agreement. Each Unit consists of one Common Share and one-half of one Warrant. The price of the Units was determined through negotiations between the Corporation and the Agent. The obligations of the Agent under the Agency Agreement may be terminated at any time at the Agent's discretion on the basis of the Agent's assessment of the state of the financial markets and the occurrence of certain stated events.

This prospectus is being filed in the Provinces of Alberta, British Columbia, Saskatchewan and Ontario to qualify the distribution of • Units. This prospectus qualifies for distribution the Units issued pursuant to the Offering and the Agent's Option.

The Securities offered hereby have not been and will not be registered under the *United States Securities Act of 1933*, as amended, (the "**1933 Act**") or any state securities laws, and accordingly may not be offered or sold within the United States or to U.S. persons (as such term is defined in Regulation S under the 1933 Act) except in transactions exempt from the registration requirements of the 1933 Act and applicable state securities laws. The Agency Agreement permits the Agent to offer Units for sale pursuant to the Agency Agreement to certain qualified institutional buyers and accredited investors in the United States, provided such offers and sales are made in accordance with Rule 144A under the 1933 Act or another exemption from the registration requirements of the 1933 Act. Moreover, the Agency Agreement provides that the Agent will offer and sell the Common Shares outside the United States only in accordance with Regulation S under the 1933 Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of Common Shares offered under this prospectus within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act.

Investors are advised to consult with their own tax advisors in respect of the tax consequences of an investment in the Securities.

USE OF PROCEEDS

Upon completion of the Offering, the net proceeds for the Corporation from the sale of the Units hereunder are estimated to be approximately \$2,677,500, after deducting the fees and expenses of \$322,500. All of the net proceeds to the Corporation will be used in the approximate manner set below.

	Proceeds
Upgrade to Facility	
Acquisition of Trucks	\$300,000
Increase Water Storage Capacity	\$900,000
Sand Handling Facility	\$350,000
Expanded Potassium Chloride Facilities	\$100,000
	<u>\$1,650,000</u>
Yearly General and Administrative Expenses	\$360,000
Payment of Current Liabilities	\$667,500
Total	<u><u>\$2,677,500</u></u>

The budgets of the Corporation are regularly reviewed in light of the success of the expenditures and other opportunities which may become available to the Corporation. While the Corporation intends to spend the funds available to it as stated in this prospectus, there may be circumstances where, for sound business reasons, the reallocation of funds may be necessary.

DIVIDEND RECORD AND POLICY

The Corporation has not declared or paid any dividends on the Common Shares since its incorporation. Any decision to pay dividends on the Common Shares will be made by the Board of Directors of the Corporation on the basis of Suntec's earnings, financial requirements and other conditions existing at such future time.

PRIOR SALES

During the previous 12 months, the Corporation has issued an aggregate of • Common Shares for aggregate proceeds of \$•. The specifics of the issuances are set forth below:

Date	Number of Common Shares	Issue price per Common Share	Aggregate Issue Price	Consideration Received
January 7, 2005	1,700,000	\$ 0.34	\$ 578,000	Cash
March 17, 2005	5,333,275	0.078	413,990	Securities ⁽¹⁾
March 17, 2005	28,000	0.25	7,000	Services ⁽²⁾
June 30, 2005	240,000	0.375	90,000	Cash
November 3, 2005	43,290	0.2833	12,264	Securities ⁽³⁾
November •, 2005	•	0.375	•	Cash ⁽⁴⁾
November •, 2005	•	•	•	Cash ⁽⁵⁾
November •, 2005	•	•	•	Services ⁽⁶⁾

Notes:

- (1) Issued on conversion of the Series B Warrants.
- (2) Issuable upon exercise of the Agent's Option.
- (3) Issued in connection with the acquisition of 5 shares of Western under the Western Acquisition
- (4) Issuable pursuant to the Offering.
- (5) Issuable upon exercise of the Warrants forming part of the Units.
- (6) Issuable upon exercise of the Warrants attaching to the Agent's Option.

Price Range and Trading Volume of the Common Shares

The outstanding Common Shares are currently traded on the TSX Venture Exchange under the trading symbol "SUT". The following table sets forth the price range and trading volume of the Common Shares as reported by the TSX Venture Exchange for the periods indicated.

Period ⁽¹⁾	High	Low	Volume ⁽¹⁾
2004			
First Quarter	0.450	0.390	530,500
Second Quarter	0.410	0.310	551,000
Third Quarter	0.500	0.330	209,400
Fourth Quarter	0.400	0.300	218,100
2005			
First Quarter	0.500	0.250	1,158,695
April	0.400	0.300	101,500
May	0.380	0.250	67,250
June	0.300	0.200	32,200
July	0.440	0.250	131,770
August	0.400	0.380	61,000
September	0.375	0.300	27,000
October	0.330	0.310	70,000
November (to November •)	•	•	•

Note:

- (1) The Common Shares commenced trading on the TSX Venture Exchange on March 24, 2004 under the name "Suntec Capital Inc." and the trading symbol "SUI". Pursuant to the Qualifying Transaction, the Common Shares began trading on the TSX Venture Exchange under the name "Suntec Pure Water Technologies Inc." and the trading symbol "SUT" on July 26, 2004.

PERSONNEL

Suntec's President and Chief Executive Officer devotes 100% of his time to Suntec's business. Suntec's Chief Financial Officer devotes approximately 30% of his time to Suntec. In addition to its President and Chief Executive Officer and its Chief Financial Officer, Suntec employs a total of 4 field personnel in respect of the operation of the Facility. Specifically, Suntec employs 2 plant operators (one full-time and one part-time) and 2 truck drivers (one full time and one part time).

Suntec and Gene Moody, the President and Chief Executive Officer of the Corporation, are parties to a Non-Competition Agreement pursuant to which Mr. Moody, upon the cessation of his employment Suntec, for any reason, is not permitted to conduct any activities that are in competition with Suntec's business, for a period of 2 years, anywhere in Canada or the United States. In addition, all of Suntec's field employees and contractors have been made subject to confidentiality agreements whereby such parties are required to keep all matters related to Suntec's business of which they are aware strictly confidential.

PRINCIPAL SHAREHOLDERS

To the best of the knowledge of the Corporation, no person owns, directly or indirectly, or exercises control or direction over, securities carrying more than 10% of the voting rights attached to the Common Shares, before and after giving effect to the Offering, other than those set forth below.

Shareholder	Designation of Class	Type of Ownership	Number of Shares	% of Class	% of Class after giving effect to the Offering ⁽²⁾
Gene Moody Calgary, Alberta	Common Shares	Direct, indirect and beneficially	6,836,500 ⁽¹⁾	33%	•%

Notes:

- (1) Does not include 252,606 Common Shares issuable upon exercise of outstanding options held by Mr. Moody.
(2) Without giving effect to the exercise of the Agent's Option or the Warrants.

ESCROWED SECURITIES

QT Escrow Agreement

Pursuant to the QT Escrow Agreement, as at October 31, 2005, the following securities of Suntec are currently being held in escrow:

Designation of Class held in Escrow	Number of Securities held in Escrow ⁽¹⁾	Percentage of Class
Common Shares	6,649,927	32.1%

Note:

(1) Valiant Trust Company acts as trustee under the QT Escrow Agreement.

Ten (10%) percent of the Common Shares originally subject to the QT Escrow Agreement (being 7,333,253 shares) were released from escrow as to 5% on each of the 6 and 12 month anniversaries of the date of closing of the Qualifying Transaction, being July 6, 2004. The remaining 90% are subject to release from escrow as to 5% on each of the 18 and 24 month anniversaries of the closing date of the Qualifying Transaction and as to 10% every 6 months thereafter. All Common Shares are scheduled to be released from the QT Escrow Agreement 72 months from July 6, 2004. The escrow release schedule is subject to acceleration in accordance with National Policy 46-201 and the policies of the TSX Venture Exchange in the event the Corporation subsequently meets certain listing requirements.

CPC Escrow Agreement

Pursuant to the CPC Escrow Agreement, as at October 31, 2005, the following securities of Suntec are currently being held in Escrow:

Designation of Class held in Escrow	Number of Securities held in Escrow ⁽¹⁾	Percentage of Class
Common Shares	1,600,002	7.7%

Note:

(1) Valiant Trust Company acts as trustee under the CPC Escrow Agreement.

Under the CPC Escrow Agreement, ten (10%) percent of the Common Shares originally subject to the CPC Escrow Agreement (being 2,666,666 shares) were released from escrow upon the closing of the Corporation's Qualifying Transaction, being July 6, 2004. An additional 15% of the Common Shares were released from escrow on each of the 6 and 12 month anniversaries of the closing date of the Qualifying Transaction. The remaining 60% are subject to release from escrow in 15% tranches on each of the 18, 24, 30 and 36 month anniversaries of the closing date of the Qualifying Transaction. The escrow release schedule is subject to acceleration in accordance with National Policy 46-201 and the policies of the TSX Venture Exchange in the event the Corporation subsequently meets certain listing requirements.

DIRECTORS AND OFFICERS

The names and provinces and countries of residence of the persons either nominated for or presently holding office as directors, or senior officers, the number of Common Shares beneficially owned, directly or indirectly, or over which each exercises control or direction, the period served as a director and the principal occupation during the last five years of each are as follows:

Name and Residence	Position with Suntec	Director/Officer Since	Common Shares Beneficially Owned	Principal Occupation For Last Five Years
Gene Moody Calgary, Alberta	President, Chief Executive Officer and a Director	November 24, 2003	6,836,500	President and Chief Executive Officer of the Corporation; prior thereto, he was President of Western Symbiotics Limited, a private company involved in the drilling services and technology business since June 2000.
A. Brad Cann Calgary, Alberta	Chief Financial Officer	September 29, 2004	40,000	Mr. Cann is a Chartered Accountant and the Corporate Controller of Royal Host Real Estate Investment Trust. Brad joined Royal Host in January 2004 and assumed his current position in February 2005. Brad has also been the President of A. B. Cann Financial Holdings Limited since its inception in November 2001. Prior to holding such offices, Mr. Cann was the Chief Financial Officer of a private energy services firm and a Chartered Accountant with Kenway Mack Slusharchuk Stewart LLP Chartered Accountants.
Dave H. Erickson Calgary, Alberta	Director	November 24, 2003	1,092,720 ⁽²⁾	Senior Vice President and a Director of Raven Energy Ltd. since May 1999.
John W. Ferguson Calgary, Alberta	Director	November 24, 2003	751,514	Mr. Ferguson has been the Vice-President of Finance and Chief financial Officer and Corporate Secretary of Rider Resources Inc. since February 19, 2003. Prior thereto, Mr. Ferguson was the Vice-President, Finance, Chief Financial Officer and a Director of Meota Resources Ltd., from January 2000 to October 2002.
R. Bruce Allford Calgary, Alberta	Director	November 24, 2003	598,720	Partner with the Calgary law firm of Burnet, Duckworth & Palmer LLP.
John R. Garden Calgary, Alberta	Director	February 20, 2004	75,000	Mr. Garden has been a principal of Deadeye Engineering Inc., a private company providing drilling and completions services to the oil industry, since 1993.

Notes:

- (1) The members of the Corporation's audit committee are, as at the date hereof, Messrs. Dave Erikson, John Ferguson and John A. Garden.
- (2) Mr. Erickson's spouse and Terrale Energy Inc., a company 100% owned and controlled by Mr. Erickson and his spouse, own 136,000 and 528,930 of these shares, respectively. Erickson Resources Ltd., a company 100% owned and controlled by Mr. Erickson, owns 207,790 of these shares.

The information as to Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, is based upon the information furnished to Suntec by the respective nominees. As at the date hereof, the directors and officers of the Corporation, and their associates and affiliates, as a group own or control, directly or indirectly, 9,428,900 Common Shares or 46% of the issued and outstanding Common Shares.

***Gene Moody — President and Chief Executive Officer and a Director
Calgary, Alberta***

Mr. Moody, President, Chief Executive Officer and a director of the Corporation, is a long time member of the Calgary oil and gas community. Mr. Moody is 52 years of age and attended Mount Royal College from 1972 to 1973. Mr. Moody also attended the University of Calgary from 1973 to 1975 and is currently one of approximately 10 liaisons between the oil and gas industry and the University of Calgary Engineering Faculty through the Engineering Associates program. Since his first summer job working for Big Indian Drilling in 1971, Mr. Moody has acquired extensive industry knowledge and has, since 1976, specialized in the drilling fluid business. Mr. Moody has held progressively more senior positions with Mudco Services Limited, International Drilling Fluids and Hartford Environmental Services Limited. Mr. Moody was the founder of Underbalanced Drilling Systems Ltd. ("**Underbalanced**") a public company which commercialized drilling services technology invented and patented by Mr. Moody. Mr. Moody was the Chief Executive Officer of Underbalanced from January 1993 to August 1999. Underbalanced was acquired by Precision Drilling Corporation in 1999.

***A. Brad Cann — Chief Financial Officer
Calgary, Alberta***

Mr. Cann is a Chartered Accountant and the Corporate Controller of Royal Host Real Estate Investment Trust. Brad joined Royal Host in January 2004 and assumed his current position in February 2005. Brad has also been the President of A.B.Cann Financial Holdings Limited (a private holding company) since its inception in November 2001. Prior to holding such offices, Mr. Cann was the Chief Financial Officer of a private energy services firm and a Chartered Accountant with Kenway Mack Slusharchuk Stewart LLP, Chartered Accountants. Mr. Cann is 31 years of age and obtained his Bachelor of Commerce degree from the University of Saskatchewan in 1995. He earned his professional designation from the Institute of Chartered Accountants of Alberta as a Chartered Accountant (C.A.) in 1998.

***Dave Erickson — Director
Calgary, Alberta***

Mr. Erickson, a director of the Corporation, is a professional geologist who graduated from the University of Calgary with a BSc in 1972, and has been working in the oil and gas industry since that time. From December 1988 to April 1998, Mr. Erickson was employed with Petromet Resources Limited where he held the position of Senior Vice-President. Presently, Mr. Erickson is the Vice-President, Operations and a director of Raven Energy Ltd., and has held such offices since May 1999. Mr. Erickson is 55 years of age and obtained his Bachelor of Science in Geology from the University of Calgary in 1972. Mr. Erickson obtained his professional designation as a Professional Geologist (P.Geol.) from the Association of Professional Engineers, Geologists and Geophysicists of Alberta in 1974.

***John W. Ferguson – Director
Calgary, Alberta***

Mr. Ferguson, a director of the Corporation, has been the Vice President, Finance, Chief Financial Officer and Corporate Secretary of Rider Resources Inc. since February 19, 2003. Prior thereto, Mr. Ferguson was the Vice President, Finance, Chief Financial Officer and a director Meota Resources Ltd. from January 2000 to October 2002. He also served as the Vice President and Chief Financial Officer of Poco Petroleums Ltd. from October 1992 to November 1999. Mr. Ferguson is 47 years of age and obtained his Bachelor of Commerce degree in 1981. In 1985, Mr. Ferguson obtained his professional designation from the Institute of Chartered Accountants as a Chartered Accountant (C.A.).

***Bruce Allford — Director
Calgary, Alberta***

Mr. Allford, a director of the Corporation, is a partner with the Calgary law firm, Burnet, Duckworth & Palmer LLP. Mr. Allford was called to the Alberta Bar in 1991 and has been practicing law in the areas of corporate securities and natural resources law since that time. Mr. Allford is a director or corporate secretary of several public and private companies in the oil and gas

exploration, production and services businesses. Mr. Allford is 41 years of age and obtained his Bachelor of Commerce degree from the University of Alberta in 1986. Mr. Allford received his Bachelor of Laws (LLB) degree from the University of Alberta in 1990.

***John R. Garden — Director
Calgary, Alberta***

Mr. Garden was appointed a director of the Corporation effective February 20, 2004. Mr. Garden has over 25 years experience in drilling, completing and stimulating production from oil and gas wells. Mr. Garden is a principal in Deadeye Engineering Inc., a private company providing drilling and completions services to the oil industry. He has been an executive officer and a director of several private oil and gas exploration and production companies. Mr. Garden is also the President and a director of Festino Venture Corp. a CPC that is a reporting issuer in the Province of Alberta. Mr. Garden is a member of a number of professional associations, including the Association of Professional Engineers, Geologists and Geophysicists of Alberta, the Association of Professional Engineers and Geologists of Saskatchewan and the International Coil Tubing Association. Mr. Garden is 55 years of age and obtained his Bachelor of Science in Chemical Engineering from the University of Calgary in 1993.

Corporate Cease Trade Orders or Bankruptcies

Other than as set forth below, no director, officer, Insider or promoter of the Corporation, or any shareholder holding sufficient securities of the Corporation to affect materially the control of the Corporation, has within the last 10 years, been a director, officer, Insider or promoter of any reporting issuer that, while such person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied the company access to any statutory exemption for a period of more than 30 consecutive days or was declared a bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver-manager or trustee appointed to hold the assets of that person, except as follows:

- (a) Mr. Allford was (and remains) a director and the Corporate Secretary of Indo Pacific Resources Ltd. (a non-operating, internationally based mining exploration company) at the time this company became the subject of a cease trade order issued (in July, 2000) by the Alberta and British Columbia Securities Commissions by reason of that company's failure to file financial statements, which cease trade orders remain in effect. Indo Pacific Resources Ltd. was delisted from the CDNX in July, 2000;
- (b) Mr. Ferguson was a director of Merit Energy Ltd. at the time this company sought and received creditor protection under the *Companies Creditors Arrangement Act* (Canada) ("CCAA"), subsequent to which the company was the subject of receivership proceedings. Mr. Ferguson resigned as a director of Merit Energy Ltd. prior to such receivership proceedings;
- (c) Mr. Allford was the Corporate Secretary of Merit Energy Ltd. and Nevada Bob's Golf Inc. Both of these companies sought and received creditor protection under the CCAA, subsequent to which both companies were the subject of receivership proceedings. Mr. Allford resigned as Corporate Secretary of both companies prior to creditor protection being sought; and
- (d) Mr. Garden is currently a director of Sunshine Capital Corporation, a reporting issuer that has been delisted. Effective December 6, 2003, this company became subject to a cease trade order issued by the Alberta and British Columbia Securities Commission by reason of that company's failure to file financial statements, which cease trade orders remain in effect. Sunshine was delisted on December 30, 2003, for failure to complete a qualifying transaction within 18 months of listing.

Penalties or Sanctions

No director, officer, Insider or promoter of the Corporation, or any shareholder holding sufficient securities of the Corporation to affect materially the control of the Corporation, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by any securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body or self-regulatory authority that would be likely to be considered important to a reasonable investor making an investment decision.

Personal Bankruptcies

No director, officer, Insider or promoter of the Corporation, or any shareholder holding sufficient securities of the Corporation to affect materially the control of the Corporation, or a personal holding company of any such persons, has, within the 10 years preceding the date of this prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold their assets.

Conflicts of Interest

There are potential conflicts of interest to which the directors, officers, Insiders and promoters of the Corporation may be subject in connection with the operations of the Corporation. All of the directors, officers, Insiders and promoters are engaged in and will continue to be engaged in corporations or businesses which may be in competition with the Corporation. Accordingly, situations may arise where the directors, officers, Insiders and promoters will be in direct competition with the Corporation. Conflicts, if any, will be subject to the procedures and remedies as provided under the *Business Corporations Act* (Alberta).

COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS

Summary Compensation Table

The following table provides a summary of the compensation earned during the last fiscal year ended December 31, 2004 and 2003 by the Chief Executive Officer and Chief Financial Officer of the Corporation, and each of the Corporation's most highly compensated executive officers, whose total salary and bonus exceed \$150,000 per year, for serving as executive officers at the end of the most recently completed financial year, and any additional individuals who have been included except for the fact that such individuals were not serving as an officer of the Corporation at the end of the most recently completed financial year (the "Named Executive Officers"). The Corporation presently has two Named Executive Officers, namely Mr. Gene Moody, the President and Chief Executive Officer and Mr. A. Brad Cann, the Corporation's Vice President, Finance and Chief Financial Officer. The following table sets out all compensation to, earned or paid to the Named Executive Officers for the last applicable fiscal years of the Corporation:

Name and Principal Position	Period Ended December 31	Compensation ⁽¹⁾			Long-Term Compensation			All other Compensation (Cdn\$)
		Salary (Cdn\$)	Bonus (Cdn\$)	Other Annual Compensation (Cdn\$)	Securities under options/SARs Granted	Restricted Shares or Restricted Share Units (Cdn\$)	LTIP Payouts (Cdn\$)	
Gene Moody President and Chief Executive Officer	2004 2003 ⁽²⁾	40,000 NIL	NIL NIL	NIL 40,000 ⁽⁴⁾	252,606 NIL	NIL NIL	NIL NIL	NIL NIL
Brad Cann Vice President, Finance and Chief Financial Officer	2004 ⁽³⁾	9,200	NIL	NIL	50,000	NIL	NIL	NIL

Notes:

- (1) Perquisites and other personal benefits did not exceed the lesser of \$50,000 and 10% of the total annual salary and bonus.
- (2) Suntec was incorporated on October 30, 2003 and had no material operations in 2003.
- (3) Mr. Cann was appointed Chief Financial Officer of Suntec effective September 22, 2004. Mr. John Ferguson was the Chief Financial Officer of the Corporation from inception until September 22, 2004 and received no compensation from the Corporation in that capacity.
- (4) Mr. Moody received \$40,000 from Western as a management fee in fiscal 2003.

Incentive Stock Options

Directors, officers and employees are eligible to participate in the Corporation's stock option plan ("**Option Plan**"). Awards of stock options are made from time to time to participants at varying levels which are generally consistent with the individual's level of responsibility within the Corporation. Under the Option Plan, the Corporation has reserved for issuance a total of a "rolling" 10% of the issued and outstanding Common Shares and non-voting common shares of the Corporation. The criteria

used to determine eligibility for granting of options, the number of Commons Shares covered by each option, the term of each option and the vesting of each option is at the discretion of the board of directors and the exercise price is determined by the directors based on the market price of the shares on the date of the grant. The exercise price may not be less than the discounted market price prescribed by the policies of the TSX Venture Exchange. The term of an option may not be for more than five years from the date on which it is granted. All options are non-transferable. The maximum number of Common Shares reserved for issuance to any one individual on the exercise of options held by that one individual may not exceed five per cent (5%) of the issued and outstanding Common Shares. The officers, directors, employees and consultants of the Company hold 886,666 options as of the date hereof.

Options Granted During the Year Ended December 31, 2004

The following table sets forth, with respect to the Named Executive Officers, the number of Common Shares under options granted in the year ended December 31, 2004, percentage of the total options granted to all employees, officers and directors in the year ended December 31, 2004, the exercise price of such options, the market price of the Common Shares on the date of the grant and the expiry date of such options.

Name	Securities Under Options Granted (#)	% of Total Options Granted to Employees in Financial Year	Exercise or Base Price (\$/Security)	Market Value of Securities Underlying Options on the Date of Grant (\$/Security)	Expiration Date
Gene Moody	252,606	83.5%	\$0.25	\$0.25	February 6, 2009
Brad Cann	50,000	16.5%	\$0.33	\$0.33	September 29, 2009

Termination of Employment, Change in Responsibilities and Employment Contracts

The Chief Executive Officer and the Chief Financial Officer have each entered into employment agreements with the Corporation, which agreements are dated September 1, 2005 and September 22, 2004, respectively.

The Chief Executive Officer's ("CEO") employment agreement states that in the event that his employment is terminated for a reason that does not constitute just cause without notice of termination, or if the CEO elects to terminate employment with the Corporation within six (6) months of a Change of Control (as defined in the employment agreement), the Corporation shall pay the CEO, within twenty (20) business days of the CEO's last day actively at work (the "**Termination Date**"): (a) all salary earned, but not yet paid, up to the Termination Date; (b) all vacation pay and expenses due and owing as of the Termination Date; and (c) a retiring allowance (less required withholdings) equal to the sum of (i) twenty-four (24) months' of the CEO's base salary as of the Termination Date; and (ii) fifteen (15%) percent of the amount calculated in (i) to compensate the CEO for loss of employee benefits.

The Chief Financial Officer's employment contract does not contain any provisions related to severance pay or payments on a change of control of the Corporation.

Compensation of Directors

During the year ended December 31, 2004, none of the directors of the Corporation were paid in their capacities as such. However, the directors are reimbursed for miscellaneous out-of-pocket expenses in carrying out their duties as directors. In addition, certain directors of the Corporation have been granted options.

Indebtedness of Directors and Executive Officers

None of the directors and officers of the Corporation, nor any of their associates or affiliates is now or has been indebted to the Corporation since incorporation, other than for routine indebtedness, nor is, or at any time since the beginning of the most recently completed financial year of the Corporation has, any indebtedness of any such person been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation.

Interests of Informed Persons in Material Transactions

There are no material interests, direct or indirect, of directors and senior officers of Suntec, nominees for director, informed person(s) (as defined in National Instrument 51-102) or any shareholder who beneficially owns more than 10% of the Common Shares of Suntec, or any known associate or affiliate of such persons in any transactions since the commencement of Suntec's last

completed financial year (being the year ended December 31, 2004) or in any proposed transaction which has materially affected or would materially affect the Corporation.

RISK FACTORS

The following are certain risk factors relating to the Corporation which prospective investors should carefully consider before deciding whether to purchase Common Shares. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this prospectus. Additional risks and uncertainties described below are not the only risks and uncertainties the Corporation faces. Additional risks and uncertainties not currently known to the Corporation or that the Corporation currently deems immaterial also may impair Suntec's business operations. If any of the following risks actually occur, the Corporation's business, results of operations and financial condition, could suffer.

No Assurance of Future Success or Profitability

Suntec only recently completed constructing the Facility and has not generated significant revenue. Accordingly, Suntec's business operations are and will be subject to all of the risks inherent in growing such a business enterprise.

Uncertainty of Development of Additional Facilities

It is planned that Suntec's CHIPS and other technology will be continuously under development and there can be no assurances that expected improvements in the technology will be realized. If Suntec is unable to continuously improve upon its existing technology, Suntec will be less able to generate future revenue and may not recover the losses it would have incurred in the development process.

Dependence on Proprietary Technology

Suntec's success is heavily dependent upon its proprietary technology, including the chemical treatment process by which it purifies oilfield waste water, which process is not, in Suntec's opinion, patentable. The patent position of energy technology components is generally uncertain and involves complex legal and factual questions. Although Suntec believes it possesses certain proprietary rights in its intellectual property, Suntec does not know whether any of its patent applications will result in the issuance of patents. Suntec has filed patent applications for 4 different patents, two in each of Canada and in the United States. See "Suntec's Business – Patent Portfolio". With respect to its existing and any future patents that are issued, Suntec does not know whether such patents will ensure protection against competitors with similar technology, or whether such patents will be successfully challenged or circumvented. There can be no assurance that Suntec's patents, present or future, would be held to be valid by a court of competent jurisdiction.

Market Acceptance of Services

As with any new technology-based services, there is a substantial risk that the market may not accept Suntec's existing or future services. Market acceptance of Suntec's waste water recycling and trucking services depends, in large part, upon its ability to demonstrate the performance, cost-effectiveness and other benefits of such products over competing services, as well as upon the success of Suntec's marketing and sales strategies and efforts. Suntec may not be able to, or in future may not be able to continue to, market its products and services successfully, and cannot assure that any of its current or future products will be accepted in the marketplace.

Need for Additional Capital

Suntec may have insufficient capital to respond to unanticipated technological developments or competitive pressures or to take advantage of unanticipated opportunities, such as special marketing opportunities, necessary customer-specific research and development investigations, acquisitions of complementary businesses or assets or working capital requirements for commercialization or expansion. As a result, Suntec may need to raise additional funds through equity or debt financings.

There can be no assurance that such additional financings will be available on terms acceptable to Suntec or at all. Further, any such financings may be upon terms that are dilutive or potentially dilutive to Suntec's shareholders and debt financing, if available, may involve restrictive covenants. The terms of Suntec's existing or future credit arrangements may restrict, in certain circumstances, Suntec's ability to incur indebtedness. If additional funds are raised through the issuance of equity securities, the

percentage ownership of the shareholders of Suntec will be reduced, shareholders may experience additional dilution in net book value per share, or such equity securities may have rights, preferences or privileges senior to those of the holders of the Common Shares.

If alternative sources of financing are required, but are insufficient or unavailable, Suntec will be required to modify its growth and operating plans in accordance with the extent of available funding, which could have a material adverse effect on Suntec's business, financial condition and results of operations.

Dependence Upon Key Personnel

Suntec's success depends upon the continued efforts of its senior management team and upon key research and development, technical, marketing and sales personnel and in particular, Mr. Gene Moody. Such employees may voluntarily terminate their employment with Suntec at any time. In particular, the success of Suntec will be highly dependant upon the efforts of Mr. Gene Moody, the loss of whose services would have a material adverse effect on the success and development of Suntec. Suntec's success also depends upon its ability to attract, train and retain additional highly qualified management, technical, marketing and sales personnel. The process of hiring employees with the combination of skills and attributes required to carry out Suntec's strategy is extremely competitive and time-consuming. There can be no assurance that Suntec will be able to retain or to successfully identify, attract, hire and train additional qualified personnel. The loss of the services of key personnel, or the inability to attract additional qualified personnel, could have a material adverse effect on Suntec's business, financial condition and results of operations. Suntec does not anticipate having key man insurance in place in respect of any of its senior officers or personnel.

Adequacy of Insurance Protection

Suntec carries insurance that it considers adequate having regard to the nature of the risks and costs of coverage. Suntec may not, however, be able to obtain insurance against certain risks or for certain equipment or other resources located from time to time in certain areas of the world. Suntec is not fully insured against all possible risks, nor are all such risks insurable. Although Suntec maintains insurance coverage, such coverage may not be adequate to cover all possible future claims.

Growth and Potential Fluctuations in Quarterly Results

Suntec's future success depends on a number of factors, many of which are beyond Suntec's control. Accordingly, Suntec's operating results, cash flows and liquidity may fluctuate significantly from quarter to quarter in the future.

As a result of Suntec's early stage of development, it cannot accurately forecast operating expenses based upon historical results. Accordingly, in managing its ongoing operations, Suntec proposes to budget its expense levels in advance based in part upon projections of future revenues. Revenues will depend heavily on Suntec's success in providing services to certain oil and gas exploration and production companies who are expected to provide Suntec substantial ongoing business. If actual revenues prove to be less than projected, Suntec may be unable to reduce expenses proportionately, and operating results, cash flows and liquidity would likely be adversely affected.

Competition

There can be no assurance that Suntec will be able to successfully compete against established or future competitors or that competitive pressures faced by Suntec in future will not materially adversely affect its business, financial condition and results of operations. Suntec's prospects are dependent upon the successful marketing of the Facility and the services offered in connection therewith and Suntec's ability to meet evolving customer requirements. There can be no assurance that Suntec will be successful in the marketing and sales of its services, or in the expansion of its business through the construction of similar facilities.

The primary manner by which oilfield waste water is disposed of is by way of injection into a disposal well. Two large commercial entities operating in Cluny, Alberta region (Newalta Corp. and CCS Income Trust) dispose of waste water by way of the injection method, both of which entities are much larger than Suntec and are competitors to it. In addition to these companies, a number of exploration and production companies operating in SE Alberta have disposal wells of their own wherein waste water may be injected.

Suntec's markets are highly competitive. There is a possibility of new entrants to various segments of the market. Increased competition and sales of competitive services to the Facility and related water trucking business could have an adverse effect

upon Suntec's business and future profitability. Many of Suntec's current and potential competitors include a number of larger companies, which are presently better known than Suntec, and which have or could have access to greater financial, research and development, marketing, technical and other resources than Suntec. There can be no assurance that Suntec will be able to compete successfully with existing or new competitors.

The prospect of increased competition in future in Suntec's chosen markets raises the possibility of future price discounting by market competitors. While Suntec has planned for sales price declines based upon increasing volumes as part of its business model, there can be no assurance that Suntec would in future be able to match competitor price discounting without incurring ongoing operating losses. Competition could also result in increased sales and marketing expenses and in increased customer attrition, all of which could materially adversely affect Suntec's business, financial condition and results of operation. There can be no assurance that Suntec will be able to offset the effects of any such increased costs or reductions in Suntec's prices through an increase in the number of its customers, higher revenues from enhanced services, cost reductions or otherwise, or that Suntec will ever have the resources to compete successfully.

Environmental Regulations

Suntec is subject to a variety of environmental regulations. Any failure by Suntec to comply with present or future regulations may subject it to future liabilities or the suspension of research and product development which could have a material adverse effect on Suntec's business. Currently, such regulations have not restricted Suntec's ability to carry on its business or required Suntec to incur material expenditures.

Management of Growth

Management of Suntec is anticipating that Suntec will experience growth which will place increasing demand on Suntec's management resources. There is no guarantee that Suntec will manage growth effectively, nor can any assurance be given that Suntec will not experience quality problems and/or customer service problems in the future as a result of, among other things, the diversion of management's resources, construction delays, the integration and training of personnel and increases in production at the Facility and future facilities. The inability of Suntec to meet its performance, quality and customer service commitments in a timely manner (as a result of expansion or otherwise) could result in a loss of revenues and could damage the reputation of Suntec in the marketplace.

Dilution

If additional financing is raised by the issuance of shares from the treasury of Suntec, control of Suntec may change and shareholders may suffer additional dilution.

Market for Securities

There can be no assurance that an active trading market in Suntec's securities will be established and sustained. The market price for Suntec's securities could be subject to wide fluctuations. Investors may not be able to resell their shares at or above their purchase price due to a number of factors, including: actual and/or unanticipated variations in Suntec's operating results, announcements regarding technological developments affecting Suntec and/or its competitors, new products or contracts, developments with respect to patents, copyrights or proprietary rights, regulatory changes, changes in recommendations or financial estimates by securities analysts, departures of key personnel, conditions and trends affecting the energy technology industry or the transportation or power market sectors Suntec serves, adoption of new accounting standards affecting Suntec's industry, the operating and stock price performance of other comparable companies, general market conditions, the general state of the economy and other factors.

The stock market has in past experienced, and may in future continue to experience, price and volume fluctuations that particularly affect the market prices of shares in technology companies, and that are often unrelated or disproportionate to the operating performance of such companies. In the past year the trading prices of many technology companies' stocks have been at, or near, both historical highs and lows and have reflected price to earnings ratios that are substantially above historical levels. In the future, broad market price fluctuations as well as general economic, political and market conditions, among other things, may adversely affect the market price of Suntec's shares.

Conflicts of Interest

Certain of the proposed directors and officers of Suntec are engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies and, as a result of these and other activities, such proposed directors and officers of Suntec may become subject to conflicts of interest. The ABCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided under the ABCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the ABCA.

Litigation

The Corporation may be involved in disputes with other parties in the future, which may result in litigation. If the Corporation is unable to resolve these disputes favourably, its business may be materially and adversely affected.

Limited Customer Base

The Corporation derives the majority of its sales revenue from a single client, which is a large, independent oil and gas exploration and production company operating extensively in South Eastern Alberta. The Corporation has entered into a Master Service and Supply Agreement (referred to under "Management's Discussion and Analysis – Year Ended December 31, 2004") with this customer. The loss of this customer's business would be severely detrimental to the Corporation's business. The Corporation intends on expanding its Facility to be able to provide services to a larger number of customers in order to lessen its dependence on this single customer.

Risks Relating to the Offering

Share Price Volatility

A number of factors could influence the volatility in the trading price of the Common Shares, including changes in the economy or in the financial markets, industry-related developments, and the impact of changes in the Corporation's daily operations. The Corporation's quarterly revenues and profits may vary because of expenses it incurs related to future acquisitions, expanding into new markets, changes in the mix of its business or operations, or fluctuations in the demand for its services. Each of these factors could lead to increased volatility in the market price of the Common Shares. In addition, variations in earnings estimates by securities analysts and the market prices of the securities of the Corporation's competitors may also lead to fluctuations in the trading price of the Common Shares.

Dilution

Investors who purchase Common Shares will experience immediate dilution. In addition, Common Shares issued upon the exercise of outstanding stock options will lead to further dilution for purchasers under this Offering. Additional Common Shares may also be issued in connection with future acquisitions or financings, which would contribute to the further dilution of the Common Shares.

Discretion in the Application of Proceeds from the Offering

The proposed allocation of the net proceeds of the Offering represents the Corporation's best estimate of the expected use of the funds. Management and the board of directors may allocate the funds in significantly different proportions depending on their assessment of Suntec's needs subsequent to the Offering.

INDUSTRY CONDITIONS

Alberta's industry fundamentals remain positive as energy demand continues to be healthy. Oil and natural gas production in Alberta is expected to remain robust. The principal stakeholders – governments, industry, agriculture and municipalities – appear committed to encouraging development of new technologies that will support the responsible use and conservation of Alberta's water resources. These factors combined should produce considerable demand for the Corporation's services, resulting in a favourable outlook for the Corporation.

General

The success of Suntec's business is tied, in large part, to the general health of the oil and natural gas industry in Canada and internationally. Furthermore, the industry in which Suntec operates is subject to controls and regulations imposed by various levels of government. Accordingly, in addition to the various federal, provincial, municipal and foreign laws which Suntec would adhere to in its ongoing operations, the business will also be sensitive to the general industry conditions relating to the oil and natural gas industry, including land tenure, exploration, development, production, refining, transportation and marketing imposed by legislation enacted by various levels of government and, with respect to pricing and taxation of oil and natural gas, by agreements among the governments of Canada and Alberta.

Provincial Requirements

In Alberta, operations are primarily regulated by the Alberta Energy and Utilities Board. Operations are subject to the *Environmental Protection and Enhancement Act* (Alberta) (the "**APEA**") and the *Oil and Gas Conservation Act* (Alberta) (the "**OGCA**") and the regulations thereunder, including the Waste Control Regulation and Activities Designation Regulation. The APEA and OGCA impose stricter environmental standards, require more stringent compliance, reporting and monitoring obligations and significantly increase penalties. In addition, such legislation requires that facility sites be abandoned and reclaimed to the satisfaction of provincial authorities. The appliance of legislation can require significant expenditures and a breach of such requirements may result in the imposition of material fines and penalties.

Suntec is committed to meeting its responsibilities to protect the environment and anticipates making increased expenditures of both a capital and an expense nature as a result of the increasingly stringent laws relating to the protection of the environment and will be taking such steps as required to ensure compliance with the APEA. Suntec believes that it is in material compliance with applicable environmental laws and regulations. Suntec also believes that it is reasonably likely that the trend towards stricter standards in environmental legislation and regulation will continue.

Other regulatory bodies that have influence over certain functions of Suntec's operations are Alberta Workplace Health and Safety under the Occupational Health and Safety Act and Alberta Transportation under the Dangerous Goods Transportation and Handling Act. In Alberta, there are active inspection and enforcement programs in place with each regulator. All of the jurisdictions have various enforcement methods ranging from administrative letters and penalties to ministerial orders and in some jurisdictions, criminal prosecution.

International Conditions

There is significant uncertainty as to the future prospects for global oil and natural gas commodity prices. As oil-producing companies are affected by international conditions, Suntec's business may also be affected. International political risk, including the possibility of terrorism in Iraq and Saudi Arabia and the political uncertainty in Russia as well as the countries constituting members of OPEC continuing to restrict supply have resulting in increased product pricing.

Kyoto Accord

In December 2002, the Parliament of Canada voted to ratify the United Nations Kyoto Treaty on Climate Change and the Government of Canada stated its intention to implement broad economic and regulatory measures to bring about compliance with Canada's commitment to reduce emissions of so-called greenhouse gases. The Kyoto Protocol became a legally binding international accord on February 16, 2005. This has introduced a measure of uncertainty for oil and gas operators, which may impact the business of Suntec as there is a direct correlation among drilling activity, production, and utilization rates for the services of Suntec.

Well Completions

The number of well completions expected in the future will tie into the future demand for the services supplied by Suntec. The Western Canadian Sedimentary Basin ("**WCSB**") is a maturing basin, which includes portions of the Provinces of British Columbia, Alberta and Saskatchewan, as well as portions of the Northwest Territories. The WCSB is one of the largest oil and gas exploration and producing regions in North America, with the majority of oil and natural gas production in Canada originating from this area. The WCSB is a maturing basin with estimates of annual decline rates for natural gas in the absence of additional production from new drilling of approximately 23% per year according to the National Energy Board. This decline rate coupled with the fact that the average production rates per well of oil and natural gas have been declining in western Canada

for the past decade as a result of an increase in drilling activity over the same period in order to maintain current production levels. In addition, there has been an increase in activity involving existing wells to preserve their productivity and to improve recovery rates.

The current commodity price environment has improved the underlying economics of many oil and gas prospects sufficiently to justify exploration and development in previously uneconomic areas. The ability to drill both deeper/higher cost well and shallow/lower productivity rate wells at profitable levels has added to the current and anticipated higher activity levels in the WCSB.

The following two trends in development have contributed to the improved outlook for drilling that will impact positively the demand for Suntec's services:

- (i) the emergence of coal bed methane ("CBM") is a viable source of gas due to the low average productivity rates of CBM wells, large number of wells are required to economically develop a field and therefore increasing the market that Suntec may access; and
- (ii) a shift to more remote areas in an attempt to capture new reserves.

Commodity Prices

The expected increase in drilling activity is primarily due to the prevalent strong oil and gas prices which exist. Fundamental supply and demand factors have been partially responsible for the strong oil and gas prices experienced over the last five years. With an increase in commodity prices, the exploration and production companies operating in the WCSB intend to increase spending on drilling as the improved cash-flow streams are channelled into increased amounts of available capital for oil and gas exploration and development. The prices of both crude oil and natural gas have remained above historical levels for several years with the general industry consensus that the prices are likely to decrease to historical levels in the near future.

Trends

The oil and gas industry has been subject to volatility in recent years because the significant changes in the demand for, supply, and pricing of natural gas and oil. The primary contributing factors associated with these price increases include the convergence of supply and demand for natural gas and oil brought about by secular global economic growth and the increasing difficulty, expanse and lead times involved in adding to domestic and North America's suppliers. The factors that sustained the increase in the prices of natural gas and oil starting in late 2002 have carried on through 2004 and into early 2005, and have resulted in historical high drilling and completion activity throughout the Canadian basin.

High forecast commodity prices and historical low interest rates for 2005 have increased the projected cash-flow forecast of producing companies which will in turn lead to increased capital spending budgets. The segments of the oil and gas services industry in which Suntec will operate are heavily reliant on the level of drilling activity and production in that respective region. There is a direct correlation among drilling activity, production, and utilization rates for the services of Suntec. These trends are expected to increase the demand for Suntec's services. However, any prolonged, substantial reduction in commodity prices will likely affect the activity levels of the exploration and production companies and the demand for Suntec's services. A significant, prolonged decline in commodity prices could have a material adverse affect on Suntec's financial condition, result of operations and cash-flows. See "Risk Factors".

Seasonality

In Canada, the level of activity in the oilfield services industry is influenced by seasonal weather patterns. On a monthly basis, Suntec's operations may fluctuate with the levels of drilling and oil and gas production.

Competition

Suntec provides oilfield wastewater management services primarily to the field operation locations of oil and gas exploration and production companies that are located in the Cluny, Alberta region and surrounding areas thereabout. The industry in which Suntec operates is highly competitive. In order to be successful, Suntec must provide services that meet specific needs of its clients at competitive prices. The principal competitive factors in the markets in which Suntec operates are service quality and availability, reliability and performance, technical knowledge and experience and reputation for safety and price.

CONFLICTS OF INTEREST

Certain of the Corporation's directors are associated with other companies or entities, which may give rise to conflicts of interest. In accordance with the *Business Corporations Act* (Alberta), directors who have a material interest in any person who is a party to a material contract or proposed material contract with the Corporation is required, subject to certain exceptions, to disclose that interest and abstain from voting on any resolution to approve that contract. In addition, the directors are required to act honestly and in good faith with a view to the Corporation's best interests.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only material contracts entered into by the Corporation since its incorporation which can reasonably be regarded as presently material are the following:

1. the Agency Agreement referred to under "Plan of Distribution";
2. Warrant Indenture dated ●, 2005 respecting the issuance of the Warrants;
3. Master Service and Supply Agreement referred to under "Management's Discussion and Analysis – Year Ended December 31, 2004";
4. Agreement with Black Gold dated November 2, 2005 referred to under "Suntec's Business - Strategic Relationships";
5. generator purchase agreement referred to under "Suntec's Business – Overview";
6. QT Escrow Agreement; and
7. CPC Escrow Agreement.

Copies of the material contracts may be inspected at Suntec's head office at 600, 205 - 5th Avenue S.W., Calgary, Alberta, T2P 3H7, during normal business hours.

LEGAL PROCEEDINGS

To the knowledge of the Corporation's management, the Corporation is not a party to, nor are any of its properties subject to, any material legal proceedings.

PROMOTERS

Mr. Gene Moody may be considered to be a promoter of the Corporation in that he took the initiative in founding and organizing the Corporation. Mr. Moody and his associates and affiliates currently hold 6,836,500 Common Shares, representing approximately 33% of those outstanding (see "Principal Shareholders") and after completion of the Offering will hold 6,836,500 Common Shares representing ●% of the outstanding Common Shares, without giving effect to the Agent's Option or the exercise of the Warrants.

INTEREST OF MANAGEMENT IN MATERIAL TRANSACTIONS

No director, executive officer, or principal holder of securities as described under "Principal Shareholders" or any associate or affiliate of any of them has, or has had, any material interest in any transaction prior to the date hereof or any proposed transaction that has materially affected or will materially affect the Corporation or its affiliates, except as disclosed elsewhere in this prospectus, and as set forth below.

The following individuals received securities of Suntec as consideration for securities of Western exchanged pursuant to the Qualifying Transaction:

Name and Office	Common Shares of Western	Common Shares of Suntec	Series B Warrants ⁽¹⁾
Gene Moody	678	3,261,147	2,608,918

President and Chief Executive Officer

Dave Erickson Director	81	389,606 ⁽²⁾	311,685
John Ferguson Director	56	269,357	215,486
Bruce Allford Director	32	153,918	123,135

Notes:

- (1) The Series B Warrants of Suntec converted to Common Shares on a one-for-one basis effective March 31, 2005.
- (2) Mr. Erickson's spouse and Terrale Energy Inc., a company 100% owned and controlled by Mr. Erickson and his spouse, own 136,000 and 136,666 of these shares, respectively. Erickson Resources Ltd., a company 100% owned and controlled by Mr. Erickson, owns 207,790 of these shares.

AUDITORS, REGISTRAR AND TRANSFER AGENT

The Corporation's auditors are Deloitte & Touche LLP, Chartered Accountants, 3000 Scotia Centre, 700 - 2nd Street S.W., Calgary Alberta, T2P 0S7.

The transfer agent and registrar for the Common Shares is Valiant Trust Company at its principal offices in Calgary, Alberta.

INTEREST OF EXPERTS

Certain legal matters relating to the offering will be passed upon by Burnet, Duckworth & Palmer LLP on behalf of the Corporation, and by McLeod & Company LLP on behalf of the Agent. As at the date hereof, the partners and associates of Burnet, Duckworth & Palmer LLP, as a group, own, directly or indirectly, less than 3% of the Common Shares and the partners and associates of McLeod & Company LLP, as a group, own, directly or indirectly, less than 1% of the Common Shares.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province of residence. **The purchaser should refer to any applicable provisions of the securities legislation of the province in which the purchaser resides for the particulars of these rights or consult with a legal advisor.**

AUDITORS' CONSENT

We have read the prospectus of Suntec Pure Water Technologies Inc. (the "Company") dated [●], 2005 relating to the qualifications for distribution of units of the Company. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned prospectus of our report to the directors of the Company on the consolidated balance sheets of the Company as at December 31, 2004 and 2003 and the consolidated statements of loss and deficit, and cash flows for each of the years in the two-year period ended December 31, 2004. Our report is dated April 29, 2005 (except as to note 16 which is as of [●], 2005).

We also consent to the use in the above-mentioned prospectus of our report to the directors of Western Symbiotics Limited on the balance sheet of the Company as at December 31, 2003 and the statements of loss and deficit and cash flows for the year ended December 31, 2003. Our report is dated March 19, 2004.

We also consent to the use in the above-mentioned prospectus of our report to the directors of Suntec Capital Inc. on the balance sheet as at December 31, 2003 and the statements of loss and deficit and cash flows for the period from date of incorporation on October 30, 2003 to December 31, 2003. Our report is dated May 14, 2004.

Calgary, Canada
[●], 2005

Chartered Accountants

PRO-FORMA FINANCIAL STATEMENTS

Deloitte & Touche LLP
3000 Scotia Centre
700 Second Street S.W.
Calgary AB T2P 0S7
Canada

Tel: (403) 267-1700
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www.deloitte.ca

Compilation Report On Unaudited Pro Forma Consolidated Statement of Loss

To the Directors of Suntec Pure Water Technologies Inc.:

We have read the accompanying unaudited pro forma consolidated statement of loss of Suntec Pure Water Technologies Inc. (the "Company") for the year ended December 31, 2004 and have performed the following procedures:

1. Compared the figures in the column captioned "Suntec Pure Water" to the audited statement of loss of the Company for the year ended December 31, 2004, and found them to be in agreement.
2. The unaudited pro forma statement of loss of the Company also includes a column captioned "Suntec Capital" containing the results of Suntec Capital Inc. for the period from January 1, 2004 to July 6, 2004 (the "unaudited financial information". We have compared each of the figures in the unaudited financial information to a schedule prepared by management of the Company (the "schedule") and found them to be in agreement. We then compared each of the figures in the schedule to the accounting records of the Company and found them to be in agreement.
3. Made enquiries of certain officials of the Company who have responsibility for financial and accounting matters whether the unaudited pro forma consolidated statement of loss complies as to form in all material respects with the regulatory requirements of the various Securities Commissions and similar regulatory authorities in Canada.
4. The officials stated that the unaudited pro forma consolidated statement of loss complies as to form in all material respects with the regulatory requirements of the various Securities Commissions and similar regulatory authorities in Canada.
5. Read the notes to the unaudited pro forma consolidated statement of loss.
6. Recalculated the aggregate of the amounts in the columns captioned "Suntec Pure Water" and "Suntec Capital" for the year ended December 31, 2004, and found the amounts in the column captioned "Pro Forma Consolidated" to be arithmetically correct.

A pro forma financial statement is based on management assumptions and adjustments which are inherently subjective. The foregoing procedures are substantially less than either an audit or a review, the objective of which is the expression of assurance with respect to management's assumptions, the pro forma adjustments, and the application of the adjustments to the historical financial information. Accordingly, we express no such assurance. The foregoing procedures would not necessarily reveal matters of significance to the pro forma financial statements, and we therefore make no representation about the sufficiency of the procedures for the purposes of a reader of such statement.

Calgary, Alberta
[], 2005

Chartered Accountants

Suntec Pure Water Technologies Inc.
Pro Forma Consolidated Statement of Loss
For the Year Ended December 31, 2004
(Unaudited)

	Suntec Pure Water \$	Suntec Capital \$	Pro Forma Consolidated \$
REVENUE			
Electricity generation	3,563	-	3,563
Interest income	1,783	2,391	4,174
	5,346	2,391	7,737
EXPENSES			
General and administrative	109,640	23,882	133,522
Professional and consulting fees	103,056	26,864	129,920
Salaries and wages	60,850	-	60,850
Stock-based compensation	35,000	80,000	115,000
Interest on long-term debt	21,115	-	21,115
Depreciation and amortization	19,909	-	19,909
	349,570	130,746	480,316
LOSS BEFORE INCOME TAXES	(344,224)	(128,355)	(472,579)
PROVISION OF INCOME TAXES	-	-	-
NET LOSS	(344,224)	(128,355)	(472,579)

Suntec Pure Water Technologies Inc.

Notes to the Pro Forma Consolidated Statement of Loss For the Year Ended December 31, 2004 (Unaudited)

1. Basis of Presentation

The accompanying unaudited pro forma consolidated statement of loss for the year ended December 31, 2004 of Suntec Pure Water Technologies Inc. ("Suntec Pure Water") has been prepared to give effect to the acquisition by Suntec Capital Inc. ("Suntec Capital") of all the issued and outstanding common shares and common share purchase warrants of Western Symbiotics Ltd. ("Western") in accordance with the acquisition agreement dated May 20, 2004 (the "Western Acquisition"). The Western Acquisition was completed on July 6, 2004.

The unaudited pro forma consolidated statement of loss of Suntec Pure has been prepared by management in accordance with Canadian generally accepted accounting principles from information derived from the audited consolidated statement of loss of Suntec Pure for the year ended December 31, 2004 and the unaudited statement of loss of Suntec for the period January 1, 2004 to July 6, 2004, which is the period before the Western acquisition, together with other information available to the companies. In the opinion of the management of Suntec Pure, no pro forma adjustments are necessary to ensure a fair presentation of the pro forma consolidated statement of loss.

The unaudited pro forma consolidated statement of loss gives effect to the Western Acquisition, as if this occurred on January 1, 2004.

The unaudited pro forma consolidated statement of loss should be read in conjunction with the financial statements of Suntec Pure Water, included elsewhere in the prospectus.

The unaudited pro forma consolidated statement of loss is presented for illustrative purposes only and is not necessarily indicative of the results of operation which would have resulted had the transaction described below been completed on January 1, 2004, or of Suntec Pure Water's future results of operations.

2. Pro Forma Consolidated Balance Sheet

An unaudited pro forma consolidated balance sheet has not been prepared as Western is the deemed acquirer of Suntec Capital for accounting purposes and therefore, the audited balance sheet of Suntec Pure Water as at December 31, 2004 is after the Western Acquisition. Accordingly, no pro forma consolidated balance sheet as at December 31, 2004 is deemed necessary.

3. Pro Forma Loss Per Share

The pro forma basic loss per share for the year ended December 31, 2004 is \$0.05 based on weighted average number of outstanding common shares of 9,541,516. The pro forma diluted loss per share for the year ended December 31, 2004 is \$0.05 based on the weighted average number of outstanding common shares of 12,535,324.

SUNTEC FINANCIAL STATEMENTS

Interim Consolidated Financial Statements of

**SUNTEC PURE WATER
TECHNOLOGIES INC.**

As at June 30, 2005

SUNTEC PURE WATER TECHNOLOGIES INC.
Consolidated Balance Sheets
(Unaudited)

	June 30, 2005 \$	December 31, 2004 \$
ASSETS		
CURRENT		
Cash	42,016	250,438
Accounts receivable	5,584	3,812
Accrued revenue	11,024	-
Goods and Services Tax receivable	29,306	147,789
Inventory	11,515	13,500
Deposits and prepaid expenses	4,698	7,630
	<u>104,143</u>	<u>423,169</u>
Cash held in trust (Note 3)	41,774	-
Plant and equipment, net (Note 4)	1,321,906	1,264,326
Deferred development costs, net (Note 5)	932,738	823,349
	<u>2,400,561</u>	<u>2,510,844</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	379,947	223,358
Deposits on share subscriptions (Note 7)	-	548,600
Current portion of long-term debt (Note 6)	416,471	294,953
	<u>796,518</u>	<u>1,066,911</u>
Long-term debt, net of current portion (Note 6)	222,000	326,162
	<u>1,018,418</u>	<u>1,393,073</u>
Contingencies (Note 1)		
SHAREHOLDERS' EQUITY		
Common shares (Note 7)	2,149,143	1,150,152
Warrants (Note 7)	-	413,990
Contributed surplus	35,000	35,000
Deficit	(802,000)	(481,371)
	<u>1,382,143</u>	<u>1,117,771</u>
	<u>2,400,561</u>	<u>2,510,844</u>

The accompanying notes are an integral part of these consolidated interim financial statements.

SUNTEC PURE WATER TECHNOLOGIES INC.
Consolidated Statements of Loss and Deficit
For the three months and six months ended June 30, 2005 and 2004
(Unaudited)

	Three months ended June 30, 2005	Three months ended June 30, 2004	Six months ended June 30, 2005	Six months ended June 30, 2004
	\$	\$	\$	\$
REVENUE				
Oilfield waste water treatment	14,885	-	15,407	-
Electricity generation	3,601	-	6,958	-
Interest income	479	3	500	3
	18,965	3	22,865	3
EXPENSES				
Rental	46,738	-	83,618	2,279
Operating expenses	39,065	-	74,394	-
Depreciation and amortization	33,167	233	58,734	333
Professional and consulting fees	42,336	-	57,594	5,000
General and administrative	20,700	962	28,198	2,015
Salaries and wages	13,525	9,314	23,600	9,314
Interest on long-term debt	8,726	13,747	17,356	13,747
	204,257	24,256	343,494	32,688
NET LOSS	(185,292)	(24,253)	(320,629)	(32,685)
DEFICIT, BEGINNING OF PERIOD	(616,708)	(145,579)	(481,371)	(137,147)
DEFICIT, END OF PERIOD	(802,000)	(169,832)	(802,000)	(169,832)
Loss per share, basic and diluted (Note 8)	(\$0.01)	(\$Nil)	(\$0.02)	(\$0.01)
Weighted average number of common shares outstanding, basic	20,394,534	6,666,666	17,997,867	5,871,086
Weighted average number of common shares outstanding, diluted	20,603,464	7,035,633	18,335,072	6,147,542

The accompanying notes are an integral part of these consolidated interim financial statements.

SUNTEC PURE WATER TECHNOLOGIES INC.
Consolidated Statements of Cash Flows
For the three and six months ended June 30, 2005 and 2004
(Unaudited)

	Three months Ended June 30, 2005 \$	Three months Ended June 30, 2004 \$	Six months Ended June 30, 2005 \$	Six months Ended June 30, 2004 \$
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:				
OPERATING				
Net loss	(185,292)	(24,253)	(320,629)	(32,685)
Items not involving cash:				
Depreciation and amortization	33,167	233	58,734	333
Changes in non-cash working capital				
Accounts receivable	(3,149)	1,375	(1,772)	-
Accrued revenue	(11,024)	-	(11,024)	-
Goods and Services Tax receivable	55,691	(10,243)	118,483	(16,474)
Inventory	(80)	-	1,985	-
Deposits and prepaid expenses	2,932	-	2,932	3,654
Accounts payable and accrued liabilities	56,794	(43,513)	156,589	(11,528)
Accrued interest on long-term debt	8,726	13,747	17,356	13,757
	<u>(42,235)</u>	<u>(62,654)</u>	<u>22,654</u>	<u>(42,953)</u>
FINANCING				
Proceeds from issuance of shares	-	-	29,400	-
Proceeds from exercise of options	7,001	-	7,001	-
Proceeds from long-term debt	-	-	-	250,000
	<u>7,001</u>	<u>-</u>	<u>36,401</u>	<u>250,000</u>
INVESTING				
Deferred development costs incurred	-	(19,624)	(125,687)	(54,659)
Purchase of plant and equipment	(78,358)	(86,674)	(100,016)	(145,354)
Cash held in trust	(251)	-	(41,774)	-
	<u>(78,609)</u>	<u>(106,298)</u>	<u>(267,477)</u>	<u>(200,013)</u>
NET (DECREASE) INCREASE IN CASH	(113,843)	(168,952)	(208,422)	7,034
CASH, BEGINNING OF PERIOD	155,859	180,648	250,438	4,662
CASH, END OF PERIOD	42,016	11,696	42,016	11,696
SUPPLEMENTARY INFORMATION				
Interest received	479	3	500	3
Interest paid	-	-	-	-
Income taxes paid	-	-	-	-

The accompanying notes are an integral part of these consolidated interim financial statements.

1. INCORPORATION AND NATURE OF OPERATIONS

Suntec Pure Water Technologies Inc. ("Suntec" or the "Corporation") (formerly Suntec Capital Inc.) was incorporated pursuant to the provisions of the *Business Corporations Act* (Alberta) on October 30, 2003. The Articles of Incorporation were amended by a Certificate of Amendment dated November 24, 2003 to delete the private company provisions and the restrictions on the transfer of the common shares. The Articles of Incorporation of the Corporation were further amended by a Certificate of Amendment dated July 6, 2004 to amend the name of the Corporation to "Suntec Pure Water Technologies Inc."

The Corporation does not have a history of earnings and has a working capital deficiency of \$682,479, as at June 30, 2005.

The Corporation's future operations are dependent on obtaining the necessary financing to fund ongoing activities, the continued support of its creditors, achieving successful sales of the Corporation's products and services and the establishment of profitable operations. At June 30, 2005, the Corporation and its technology are in the early stages of commercial operations. If any of these factors are not achieved, adjustments would be necessary to the carrying values of assets and liabilities, and these adjustments may be material.

On February 25, 2005, the Corporation received final approval for its oilfield waste water treatment and recycling facility from the Alberta Energy and Utilities Board.

2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited consolidated financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). In the opinion of management, the unaudited consolidated financial statements contain all adjustments of a normal and recurring nature necessary to present fairly the Corporation's financial position as at June 30, 2005 and the results of its operations and its cash flows for the three and six months ended June 30, 2005 and 2004. Management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited consolidated financial statements, and revenues and expenses during the reporting period. Management reviews these estimates on an ongoing basis. Changes in facts and circumstances may result in revised estimates, and actual results may differ from these estimates. The results of operations and cash flows for the six months ended June 30, 2005 are not necessarily indicative of the results of operations or cash flows to be expected for the year ending December 31, 2005. The notes to these interim consolidated financial statements do not conform in all respects to the note disclosure requirements of generally accepted accounting principles for annual financial statements. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements as at and for the year ended December 31, 2004.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation

On May 20, 2004, the Corporation entered into an acquisition agreement with Western Symbiotics Ltd. ("Western") pursuant to which the Corporation agreed to acquire all the issued and outstanding common shares and common share purchase warrants of Western (the "Western Acquisition"). The Western Acquisition was completed on July 6, 2004.

These consolidated interim financial statements are issued under the name of the Corporation, but are considered to be a continuation of Western. Western's assets and liabilities are included in these consolidated financial statements at their historical carrying values. Comparative figures shown are those of Western.

Basis of Consolidation

The 2004 consolidated interim financial statements include the accounts of the Corporation and its wholly-owned subsidiary, Western. All intercompany balances and transactions have been eliminated on consolidation. Effective December 31, 2004, Suntec and Western, its wholly-owned subsidiary, were amalgamated.

Revenue Recognition

Revenue from the sale of electricity is recognized upon generation and delivery to the Alberta Electric System Operator. Revenue from oilfield waste water treatment is recognized upon delivery of the service. Accrued revenue represents services rendered but not invoiced.

Inventory

Inventory is recorded at the lower of cost and net realizable value and is determined on a first-in, first-out basis.

Plant and Equipment

Plant and equipment are recorded at cost and are depreciated over the estimated useful life of the assets using the declining-balance method at the following annual rates:

Oilfield waste water treatment and power generation facility	5%
Generators	10%
Trailers	10%
Furniture and equipment	20%
Computer equipment	30%

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Plant and Equipment (continued)

The oilfield waste water treatment and power generation facility commenced commercial operations in, and the Corporation recorded depreciation commencing in, February 2005.

Deferred Development Costs

Deferred development costs include costs incurred in developing internal combustion heat extraction technology. Development costs are expenses as incurred, unless they meet the criteria for deferral and amortization under Canadian generally accepted accounting principles. Those costs that are deferred are amortized against future benefits to be realized. Investment tax credits, cash refundable by the Canadian government, have been applied for and will reduce research and development expenditures in the year of receipt.

The Corporation ceased deferring development costs upon commencement of operations of the oilfield waste water treatment and power generation facility in February 2005.

The ability to recover the carrying value of deferred development costs is based on estimates, which by their nature, are subject to measurement uncertainty and the effect on the consolidated interim financial statements of changes in such estimates in future periods could be significant.

Income Taxes

The Corporation uses the liability method of accounting for income taxes. Under this method, income tax assets and liabilities are recorded based on temporary differences, the differences between the carrying amount of an asset or liability on the balance sheet and its tax basis.

The Corporation has non-capital loss carryforwards. Realization of future income tax assets is dependent on generating sufficient taxable income. Future income tax assets have not been recognized due to uncertainty of realization.

Per Share Amounts

Basic per share amounts are calculated using the weighted average number of shares outstanding during the period. Diluted per share amounts are calculated based on the treasury stock method, which assumes that any proceeds obtained on exercise of options would be used to purchase common shares at the average market price during the period. The weighted average number of shares outstanding is then adjusted by the net change.

Comparative Figures

Certain comparative figures have been reclassified to conform with current financial statement presentation. In addition, certain operating expenses have been reclassified within the June 30, 2005 consolidated statement of loss.

SUNTEC PURE WATER TECHNOLOGIES INC.
Notes to the Consolidated Interim Financial Statements
For the three and six months ended June 30, 2005 and 2004
(Unaudited)

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3. CASH HELD IN TRUST

Cash held in trust is comprised of funds held in trust for the Corporation with the Alberta Energy and Utilities Board.

4. PLANT AND EQUIPMENT

	June 30, 2005		December 31, 2004
	Cost	Accumulated Depreciation	Net Book Value
	\$	\$	\$
Oilfield waste water treatment and power generation facility	966,881	14,720	952,161
Generators	350,916	32,430	318,486
Trailers	65,362	14,103	51,259
Furniture and equipment	1,800	1,800	-
Computer equipment	899	899	-
	1,385,858	63,952	1,321,906

5. DEFERRED DEVELOPMENT COSTS

	June 30, 2005		December 31, 2004
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Design, patents, supplies and equipment	805,703	13,818	791,885
Management fees	143,333	2,480	140,853
	949,036	16,298	932,738

As at June 30, 2005, design, patents, supplies and equipment is net of \$132,299 (December 31, 2004 - \$132,299) of Investment Tax Credits received.

SUNTEC PURE WATER TECHNOLOGIES INC.
Notes to the Consolidated Interim Financial Statements
For the three and six months ended June 30, 2005 and 2004
(Unaudited)

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6. LONG-TERM DEBT

	June 30, 2005 \$	December 31, 2004 \$
Vendor take-back loan	350,000	350,000
Promissory note	250,000	250,000
Accrued interest	38,471	21,115
	638,471	621,115
Less current portion	416,471	294,953
	222,000	326,162

Principal repayments required for the years ending June 30:

	\$
2006	378,000
2007	222,000
	600,000

The Corporation entered into an agreement to purchase a generator, effective June 15, 2004. The purchase was financed by means of a vendor take-back loan. The loan bears interest at prime plus 2%, with an annual principal repayment requirement of \$128,000 plus outstanding interest. Any remaining principal will be due March 2007. During the three months ended June 30, 2005, the first annual principal repayment was postponed to December 1, 2005. The lender has not demanded repayment at this time.

The promissory note bears interest at prime plus 1% and is secured by a general security agreement covering all present and after acquired property of Western. Principal repayments of \$20,834 per month were to commence on June 1, 2005, with the full amount due on June 1, 2006. Principal repayments are to commence on a mutually agreed upon date, and accordingly, the promissory note has been included in current portion of long-term debt. The lender has not demanded payment at this time.

During the three and six months ended June 30, 2005, no cash interest was paid by the Corporation.

SUNTEC PURE WATER TECHNOLOGIES INC.
Notes to the Consolidated Interim Financial Statements
For the three and six months ended June 30, 2005 and 2004
(Unaudited)

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7. SHARE CAPITAL

(a) Authorized:

Unlimited number of voting common shares without nominal or par value
Preferred shares, issuable in Series
Series A and Series B Warrants

(b) Issued:

	Number of Shares	Amount \$
Common Shares		
January 1, 2003 and December 31, 2003	6,666,666	632,655
Issued pursuant to reverse takeover	6,666,593	1,009,034
Less share issue costs	-	(77,547)
Value assigned to warrants	-	(413,990)
Balance, December 31, 2004	13,333,259	1,150,152
Issued pursuant to private placement	1,700,000	578,000
Issued pursuant to conversion of warrants	5,333,275	413,990
Issued pursuant to exercise of agent's options	28,000	7,001
Balance, June 30, 2005	20,394,534	2,149,143

On February 6, 2004, the Corporation completed its initial public offering and issued 4,000,000 common shares at a price of \$0.25 per share for aggregate gross proceeds of \$1,000,000. Of these common shares, issued 2,666,666 were placed in escrow and will be released in accordance with the policies of the TSX Venture Exchange Inc. ("TSXV"). As at June 30, 2005, 2,000,001 common shares were held in escrow.

On July 6, 2004, the Corporation issued 6,666,593 common shares pursuant to the Western Acquisition. Of these common shares, 4,124,029 were placed in escrow and will be released in accordance with the policies of the TSXV. As at June 30, 2005, 3,920,328 common shares were held in escrow.

During the three months ended December 31, 2004, the Corporation received deposits on share subscriptions of \$548,600. The remaining gross proceeds of \$29,400 were received before closing of the private placement. On January 7, 2005, 1,700,000 common shares were issued at a price of \$0.34 per share for aggregate gross proceeds of \$578,000 pursuant to this private placement.

As at June 30, 2005, 1,408,666 common shares are reserved for future share issuances.

7. SHARE CAPITAL (continued)

(c) Warrants:

On July 6, 2004, pursuant to the Western Acquisition, the Corporation issued 5,333,275 Series B Warrants. On March 17, 2005, the TSXV approved the conversion of 5,333,275 Series B Warrants into 5,333,275 common shares for no additional consideration pursuant to the terms of the Series B Warrants. On March 21, 2005, the Series B Warrants were converted into 5,333,275 common shares. Of these common shares, 3,259,223 were placed in escrow and will be released in accordance with the policies of the TSXV. As at June 30, 2005, 3,096,262 common shares were held in escrow.

On July 6, 2004, the Corporation issued 150,000 Series A Warrants pursuant to the Western Acquisition.

(d) Stock Options:

Pursuant to an Agency Agreement between the Corporation and First Associates Investments Inc. ("FAII") dated January 26, 2004, related to the Corporation carrying out an initial public offering, FAII was granted an option to purchase 400,000 common shares at a price of \$0.25 per share. The option will expire on August 6, 2005.

The Corporation has adopted an incentive stock option program (the "Stock Option Program") for the benefit of directors, officers, employees and other key personnel of the Corporation whereby a maximum of 10% of the issues and outstanding common shares of the Corporation are reserved for issuance pursuant to the exercise of stock options to be granted to directors, officers, employees and other key personnel of the Corporation. The Stock Option Program provides that the terms of the options and option price shall be fixed by the Directors subject to the price restrictions and other requirements imposed by the TSXV. The exercise price of stock options granted under the Stock Option Program must be paid in full upon exercise of the option. The option period cannot extend beyond five years.

On February 6, 2004, the Corporation granted 666,666 stock options to directors and officers of the Corporation to acquire common shares at an exercise price of \$0.25 per share, expiring on February 6, 2009 and vesting on the date of the grant.

On September 29, 2004, the Corporation granted 220,000 stock options to a director and an officer of the Corporation to acquire common shares at an exercise price of \$0.33 per share, expiring on September 29, 2009 and vesting on the date of the grant.

During the six months ended June 30, 2005, 28,000 stock options were exercised; no stock options expired.

SUNTEC PURE WATER TECHNOLOGIES INC.
Notes to the Consolidated Interim Financial Statements
For the three and six months ended June 30, 2005 and 2004
(Unaudited)

8

7. SHARE CAPITAL (continued)

Stock Options	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years
Outstanding at December 31, 2002 and 2003	-	-	-
Granted in 2004	1,066,666	\$0.25	3.78
Exercised in 2005	(28,000)	\$0.25	
	1,038,666	\$0.25	3.78
Granted in 2004	220,000	\$0.33	4.25
Outstanding at June 30, 2005	1,258,666	\$0.26	3.86

8. PER SHARE AMOUNTS

Basic per share calculations for the three and six months ended June 30, 2005 were based on the weighted average number of shares outstanding for the period. The basic and diluted per share are the same as a result of the anti-dilutive effect of the net loss for the three and six months ended June 30, 2005 and June 30, 2004. If the potential dilution of the outstanding Series A Warrants, Series B Warrants and stock options were included, the weighted average number of shares outstanding for the year are as follows:

	Three months ended June 30, 2005	Three months ended June 30, 2004
Weighted average number of shares	20,394,534	6,666,666
Incremental shares if Series A warrants exercised	11,354	-
Incremental shares if stock options exercised	197,576	368,967
	20,603,464	7,035,633
	Six months ended June 30, 2005	Six months ended June 30, 2004
Weighted average number of shares	17,997,867	5,871,086
Incremental shares if Series A warrants exercised	30,733	-
Incremental shares if stock options exercised	306,472	276,456
	18,335,072	6,147,542

9. RELATED PARTY TRANSACTIONS

During the three months ended June 30, 2005, the Corporation paid consulting fees of \$10,000 (2004 - \$Nil) to an officer and director. During the three months ended June 30, 2005, the Corporation paid management fees of \$Nil (2004 - \$10,000) to an officer and director, which are included in deferred development costs. During the six months ended June 30, 2005, the Corporation paid consulting fees of \$20,000 (2004 - \$Nil) to an officer and director. During the six months ended June 30, 2005, the Corporation paid management fees of \$Nil (2004 - \$20,000) to an officer and director for the development of the internal combustion heat extraction technology, which are capitalized as deferred development costs. These amounts are recorded at the exchange amount, being the estimated fair value as agreed between the related parties. At June 30, 2005, \$60,000 (December 31, 2004 - \$40,000) was owing to an officer and director in relation to consulting fees provided.

During the three months ended June 30, 2005, the Corporation paid rentals for land, buildings and equipment of \$33,300 (2004 - \$Nil) to an officer and director. During the six months ended June 30, 2005, the Corporation paid rentals of \$66,600 (2004 - \$Nil) to an officer and director.

10. OPERATING LEASES

The Corporation is committed to lease land and buildings from an officer and director for \$60,000 per year for a term of twenty years, commencing February 1, 2004. The Corporation is also committed to lease certain equipment from an officer and director for \$73,200 per year for a term of two years, commencing September 1, 2004.

The Corporation is committed to a two-year office premises lease, commencing January 1, 2004. The minimum lease payment is \$16,500 plus operating costs.

The following is a five-year schedule of future minimum lease payments under these leases:

Years ending June 30,	\$
2006	141,450
2007	78,300
2008	60,000
2009	60,000
2010	60,000

11. COMMITMENTS

The Corporation is committed to provide oilfield waste water treatment services at specified rates to a Canadian-based integrated oil and gas company pursuant to a Master Service and Supply Agreement ("MSSA"). The MSSA has a term of one year, commencing June 15, 2004, and is subject to renewal for additional terms of one year. The term of the MSSA has been extended to December 31, 2005.

12. SUBSEQUENT EVENTS

Subsequent to June 30, 2005, 240,000 common shares were issued to certain subscribers, including directors and an officer of the Corporation, at a price of \$0.375 per share for aggregate gross proceeds of \$90,000 pursuant to a private placement.

Subsequent to June 30, 2004, the Corporation entered into an engagement letter with Blackmont Capital Inc. to assist the Corporation with a prospectus offering to raise up to \$3,000,000.

On [], 2005, the Corporation filed a prospectus for the sale of units for gross proceeds of up to \$3,000,000.

Consolidated Financial Statements of

**SUNTEC PURE WATER
TECHNOLOGIES INC.
(formerly Suntec Capital Inc.)**

As at December 31, 2004

Auditors' Report

To the Directors of
Suntec Pure Water Technologies Inc.:

We have audited the consolidated balance sheets of **Suntec Pure Water Technologies Inc. (formerly Suntec Capital Inc.)** as at December 31, 2004 and 2003 and the consolidated statements of loss and deficit, and cash flows, for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta
April 29, 2005, except for Note 16, which
is as of [], 2005

Chartered Accountants

SUNTEC PURE WATER TECHNOLOGIES INC.
(formerly Suntec Capital Inc.)

Consolidated Balance Sheets
December 31

	2004 \$	2003 \$
ASSETS		
CURRENT		
Cash	250,438	4,662
Accounts receivable	3,812	-
Goods and Services Tax receivable	147,789	17,294
Inventory (Note 3)	13,500	-
Prepaid expenses	7,630	3,654
	<u>423,169</u>	<u>25,610</u>
Plant and equipment, net (Note 4)	1,264,326	1,092
Deferred development costs (Note 5)	823,349	522,220
	<u>2,510,844</u>	<u>548,922</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	223,358	53,414
Deposits on share subscriptions (Note 6)	548,600	-
Current portion of long-term debt (Note 7)	294,953	-
	<u>1,066,911</u>	<u>53,414</u>
Long-term debt, net of current portion (Note 7)	326,162	-
	<u>1,393,073</u>	<u>53,414</u>
Contingencies (Note 1)		
SHAREHOLDERS' EQUITY		
Common shares (Note 8)	1,150,152	632,655
Warrants (Note 8)	413,990	-
Contributed surplus	35,000	-
Deficit	(481,371)	(137,147)
	<u>1,117,771</u>	<u>495,508</u>
	<u>2,510,844</u>	<u>548,922</u>

APPROVED BY THE BOARD

(signed) "Gene Moody" _____ **Director**

(signed) "John Ferguson" _____ **Director**

The accompanying notes are an integral part of these financial statements.

SUNTEC PURE WATER TECHNOLOGIES INC.
(formerly Suntec Capital Inc.)

Consolidated Statements of Loss and Deficit
For the years ended December 31

	2004 \$	2003 \$
REVENUE		
Electricity generation	3,563	-
Interest income	1,783	2,440
	<u>5,346</u>	<u>2,440</u>
EXPENSES		
General and administrative	109,640	18,061
Professional and consulting fees	103,056	9,700
Salaries and wages	60,850	-
Stock-based compensation	35,000	-
Interest on long-term debt	21,115	-
Depreciation and amortization	19,909	319
	<u>349,570</u>	<u>28,080</u>
LOSS BEFORE INCOME TAXES	(344,224)	(25,640)
PROVISION FOR INCOME TAXES (Note 9)	-	-
NET LOSS	(344,224)	(25,640)
DEFICIT, BEGINNING OF YEAR	(137,147)	(111,507)
DEFICIT, END OF YEAR	<u>(481,371)</u>	<u>(137,147)</u>
Loss per share, basic and diluted (Note 10)	(\$0.04)	\$-
Weighted average number of common shares outstanding, Basic	9,541,516	6,666,666
Weighted average number of common shares outstanding, Diluted	12,535,324	6,666,666

The accompanying notes are an integral part of these financial statements.

SUNTEC PURE WATER TECHNOLOGIES INC.
(formerly Suntec Capital Inc.)

Consolidated Statements of Cash Flows
For the years ended December 31

	2004 \$	2003 \$
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net loss	(344,224)	(25,640)
Items not involving cash:		
Stock-based compensation	35,000	-
Depreciation and amortization	19,909	319
Changes in non-cash working capital		
Accounts receivable	(3,812)	-
Goods and Services Tax receivable	(125,638)	(6,587)
Inventory	(13,500)	-
Prepaid expenses	1,979	(2,279)
Accounts payable and accrued liabilities	71,023	40,987
	<u>(359,263)</u>	<u>6,800</u>
FINANCING		
Proceeds from long-term debt	600,000	-
Deposits on share subscriptions	548,600	-
Share issuance costs	(77,547)	-
	<u>1,071,053</u>	<u>-</u>
INVESTING		
Purchase of plant and equipment	(1,262,262)	-
Deferred development costs incurred	(306,690)	(33,284)
Net cash acquired on reverse takeover (Note 11)	1,102,938	-
	<u>(466,014)</u>	<u>(33,284)</u>
NET INCREASE (DECREASE) IN CASH	245,776	(26,484)
CASH, BEGINNING OF YEAR	4,662	31,146
CASH, END OF YEAR	250,438	4,662
SUPPLEMENTARY INFORMATION		
Interest received	1,783	2,440

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2004 and 2003

1. INCORPORATION AND NATURE OF OPERATIONS

Suntec Pure Water Technologies Inc. ("Suntec" or the "Corporation") (formerly Suntec Capital Inc.) was incorporated pursuant to the provisions of the *Business Corporations Act* (Alberta) on October 30, 2003. The Articles of Incorporation were amended by a Certificate of Amendment dated November 24, 2003 to delete the private company provisions and the restrictions on the transfer of the common shares. The Articles of Incorporation of the Corporation were further amended by a Certificate of Amendment dated July 6, 2004 to amend the name of the Corporation to "Suntec Pure Water Technologies Inc."

The Corporation does not have a history of earnings.

The Corporation's future operations are dependent on obtaining the necessary financing to fund ongoing activities (see Note 6), achieving successful sales of the Corporation's products and services and the establishment of profitable operations. At December 31, 2004, the Corporation and its technology are in the early stages of commercial operations. If any of these factors are not achieved, adjustments would be necessary to the carrying values of assets and liabilities, and these adjustments may be material.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and revenues and expenses during the reporting period. Management reviews these estimates on an ongoing basis. Changes in facts and circumstances may result in revised estimates and actual results may differ from these estimates.

Basis of Presentation

On May 20, 2004, the Corporation entered into an acquisition agreement with Western pursuant to which the Corporation agreed to acquire all the issued and outstanding common shares and common share purchase warrants of Western (the "Western Acquisition"). The Western Acquisition was completed on July 6, 2004. See Note 11 "Acquisition".

Notes to the Consolidated Financial Statements
For the years ended December 31, 2004 and 2003

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Since the Corporation issued enough voting shares as consideration so that control of the combined company passed to the equityholders of Western, the business combination has been accounted for using reverse takeover accounting principles. In accordance with Emerging Issues Committee Abstract 10 (EIC-10) of the Canadian Institute of Chartered Accountants, Western is the acquirer of the Corporation for accounting purposes. A reverse takeover transaction including a non-public enterprise (Western) and a non-operating public enterprise (the Corporation) with nominal non-monetary assets is a capital transaction, rather than a business combination. Therefore, this transaction is similar to the issuance of shares by Western for consideration equal to the net monetary assets of the Corporation.

As at July 6, 2004, the Corporation had net assets of \$1,009,034. All the assets and the liabilities of the Corporation at date of acquisition approximated their fair values. The Corporation is deemed to be acquired by Western for consideration of \$1,009,034, being the carrying value of the net assets and the fair value ascribed to the net assets of the Corporation.

These consolidated financial statements are issued under the name of the Corporation, but are considered to be a continuation of Western. Western's assets and liabilities are included in these consolidated financial statements at their historical carrying values. Comparative figures shown are those of Western. The results of operations of the Corporation are included in these consolidated financial statements from July 7, 2004.

Basis of Consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiary, Western. All intercompany balances and transactions have been eliminated on consolidation.

Revenue Recognition

Revenue from the sale of electricity is recognized upon generation and delivery to the Alberta Electric System Operator. Revenue from oilfield waste water treatment is recognized upon delivery of the service.

Inventory

Inventory is recorded at the lower of cost and net realizable value and is determined on a first-in, first-out basis.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2004 and 2003

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Plant and Equipment

Plant and equipment are recorded at cost and are depreciated over the estimated useful life of the assets using the declining-balance method at the following annual rates:

Generators	10%
Trailers	10%
Furniture and equipment	20%
Computer equipment	30%

The oilfield waste water treatment and power generation facility did not commence commercial operations during the year ended December 31, 2004 and accordingly, depreciation was not recorded in the net loss for the year.

Deferred Development Costs

Deferred development costs include costs incurred in developing internal combustion heat extraction technology. Development costs are expenses as incurred, unless they meet the criteria for deferral and amortization under Canadian generally accepted accounting principles. Those costs that are deferred are amortized against future benefits to be realized. Investment tax credits, cash refundable by the Canadian government, have been applied for and will reduce research and development expenditures in the year of receipt.

The ability to recover the carrying value of deferred development costs is based on estimates, which by their nature, are subject to measurement uncertainty and the effect on the consolidated financial statements of changes in such estimates in future periods could be significant.

Asset Retirement Obligations

In December 2003, the CICA issued CICA Handbook Section 3110, "Asset Retirement Obligations" which requires liability recognition for future retirement obligations associated with capital assets. These obligations are initially recognized at fair value, which is the discounted future value of the liability. This fair value is capitalized as part of the cost of the related capital asset and amortized over its useful life. The liability is increased until the retirement obligation is expected to settle and the amount of accretion is charged to earnings in the period. The Corporation adopted this standard in 2004. The Corporation has determined that there is no asset retirement obligation as at December 31, 2004.

Income Taxes

The Corporation uses the liability method of accounting for income taxes. Under this method, income tax assets and liabilities are recorded based on temporary differences, the differences between the carrying amount of an asset or liability on the balance sheet and its tax basis.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2004 and 2003

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Stock-Based Compensation

On January 1, 2004, the Corporation adopted the recommendations of the CICA Handbook Section 3870, "Stock-Based Compensation and Other Stock-Based Payments". The Corporation uses the fair market value method for valuing stock options granted by it. The fair value is measured at the grant date, using the Black-Scholes option-pricing model, and charged to income over the vesting period with a corresponding increase in contributed surplus. Consideration paid on exercise of options is credited to share capital.

Impairment of Long-Lived Assets

In September 2002, the Canadian Institute of Chartered Accountants ("CICA") issued CICA Handbook Section 3063 "Impairment of Long-Lived Assets" effective for fiscal years beginning on or after April 1, 2003. This new standard requires the recognition, measurement and disclosure of the impairment of long-lived assets and applies to long-lived assets held for use. An impairment loss is recognized when the carrying amount of a long-lived asset is not recoverable and exceeds its fair value. The Corporation prospectively adopted this standard on January 1, 2004. The adoption of this standard did not have a material impact on the Corporation's financial statements and no write down was required for the year ended December 31, 2004.

Per Share Amounts

Basic per share amounts are calculated using the weighted average number of shares outstanding during the period. Diluted per share amounts are calculated based on the treasury stock method, which assumes that any proceeds obtained on exercise of options would be used to purchase common shares at the average market price during the period. The weighted average number of shares outstanding is then adjusted by the net change.

Comparative Figures

Certain comparative figures have been reclassified to conform with current financial statement presentation.

3. INVENTORY

	2004	2003
	\$	\$
Propane	13,500	-

Notes to the Consolidated Financial Statements
For the years ended December 31, 2004 and 2003

4. PLANT AND EQUIPMENT

	2004		2003
	Cost	Accumulated Depreciation	Net Book Value
	\$	\$	\$
Oilfield waste water treatment and power generation facility	877,060	-	-
Generators	350,000	17,100	-
Trailers	56,083	2,337	-
Furniture and equipment	1,800	1,546	262
Computer equipment	899	533	830
	1,285,842	21,516	1,092

5. DEFERRED DEVELOPMENT COSTS

	2004		
	Balance, Beginning	Additional Expenditures	Balance, Ending
	\$	\$	\$
Design, patents, supplies and equipment	470,775	341,540	812,315
Management fees (Note 12)	143,333	-	143,333
Investment Tax Credits received	(91,888)	(40,411)	(132,299)
	522,220	301,129	823,349

	2003		
	Balance, Beginning	Additional Expenditures	Balance, Ending
	\$	\$	\$
Design, patents, supplies and equipment	391,381	79,394	470,775
Management fees (Note 12)	103,333	40,000	143,333
Investment Tax Credits received	(5,778)	(86,110)	(91,888)
	488,936	33,284	522,220

6. DEPOSITS ON SHARE SUBSCRIPTIONS

The Corporation received cash deposits on share subscriptions in connection with a private placement which closed on January 7, 2005 (see Note 16).

Notes to the Consolidated Financial Statements
For the years ended December 31, 2004 and 2003

7. LONG-TERM DEBT

	2004 \$	2003 \$
Vendor take-back loan	350,000	-
Promissory note	271,115	-
	621,115	-
Less current portion	294,953	-
	326,162	-

Principal repayments required for the years ending December 31:

	\$
2005	273,838
2006	232,162
2007	94,000
	600,000

The promissory note bears interest at prime plus 1% and is secured by a general security agreement covering all present and after acquired property of Western. Principal repayments of \$20,834 per month commence on June 1, 2005 with the full amount due on June 1, 2006.

The Corporation entered into an agreement to purchase a generator, effective June 15, 2004. The purchase was financed by means of a vendor take-back loan. The loan bears interest at prime plus 2%, with an annual payment requirement of \$128,000 plus outstanding interest. Any remaining principal will be due March 2007.

	2004 \$	2003 \$
Supplementary information:		
Cash interest paid	-	-

Notes to the Consolidated Financial Statements
For the years ended December 31, 2004 and 2003

8. SHARE CAPITAL

(a) Authorized:

Unlimited number of voting common shares without nominal or par value
Preferred shares, issuable in Series
Series A and Series B Warrants

(b) Issued:

	Number of Shares	Amount \$
Common Shares		
January 1, 2003 and December 31, 2003	6,666,666	632,655
Issued pursuant to reverse takeover	6,666,593	1,009,034
Less share issue costs	-	(77,547)
Value assigned to warrants	-	(413,990)
Balance, December 31, 2004	13,333,259	1,150,152

On February 6, 2004, the Corporation completed its initial public offering and issued 4,000,000 common shares at a price of \$0.25 per share for aggregate gross proceeds of \$1,000,000. Of these common shares issued 2,666,666 were placed in escrow and will be released in accordance with the policies of the TSX Venture Exchange Inc. ("TSXV"). As at December 31, 2004, 2,400,000 common shares were held in escrow.

On July 6, 2004, the Corporation issued 6,666,593 common shares pursuant to the Western Acquisition (see Note 11 "Acquisition"). 4,074,029 common shares were placed in escrow and will be released in accordance with the policies of the TSXV. As at December 31, 2004, 4,074,029 common shares were held in escrow.

As at December 31, 2004, 6,769,941 common shares are reserved for future share issuances.

(c) Warrants:

On July 6, 2004, pursuant to the Western Acquisition (see Note 11 "Acquisition"), the Corporation issued 5,333,275 Series B Warrants pursuant to the Western Acquisition (see Note 11 "Acquisition"). See Note 16 "Events Subsequent to December 31, 2004".

On July 6, 2004, the Corporation issued 150,000 Series A Warrants pursuant to the Western Acquisition (see Note 11 "Acquisition").

The Western warrants were ascribed a value of \$413,990 on acquisition.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2004 and 2003

8. SHARE CAPITAL (continued)

(d) Stock Options:

Pursuant to an Agency Agreement between the Corporation and First Associates Investments Inc. ("FAII") dated January 26, 2004, related to the Corporation carrying out an initial public offering, FAII was granted an option to purchase 400,000 common shares at a price of \$0.25 per share. The option will expire on August 6, 2005.

The Corporation has adopted an incentive stock option program (the "Stock Option Program") for the benefit of directors, officers, employees and other key personnel of the Corporation whereby a maximum of 10% of the issues and outstanding common shares of the Corporation are reserved for issuance pursuant to the exercise of stock options to be granted to directors, officers, employees and other key personnel of the Corporation.

The Stock Option Plan provides that the terms of the options and option price shall be fixed by the Directors subject to the price restrictions and other requirements imposed by the TSXV. The exercise price of stock options granted under the Stock Option Program must be paid in full upon exercise of the option. The option period cannot extend beyond five years.

On February 6, 2004, the Corporation granted 666,666 stock options to directors and officers of the Corporation to acquire common shares at an exercise price of \$0.25 per share, expiring on February 6, 2009 and vesting on the date of the grant.

On September 29, 2004, the Corporation granted 220,000 stock options to a director and an officer of the Corporation to acquire common shares at an exercise price of \$0.33 per share, expiring on September 29, 2009 and vesting on the date of the grant.

Accordingly, a stock-based compensation expense of \$35,000 (2003 - \$Nil) has been recognized for the year ended December 31, 2004. Fair value of each option granted was estimated on date of grant using the Black-Scholes option-pricing model using the following assumptions:

Average fair value of stock options granted (per option)	\$0.13
Expected life of stock options (years)	5
Expected volatility (average)	50.0%
Risk free rate of return (average)	3.8%
Expected dividend yield	0.0%

During the year ended December 31, 2004, no stock options were exercised nor expired.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2004 and 2003

8. SHARE CAPITAL (continued)

(d) Stock Options: (continued)

Stock Options	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years
Outstanding at December 31, 2002 and 2003	-	-	-
Granted	1,066,666	\$0.25	4.1
Granted	220,000	\$0.33	4.7
Outstanding at December 31, 2004	1,286,666	\$0.27	4.2

9. INCOME TAXES

The provision for income taxes differs from the combined Canadian federal and provincial statutory rates as follows:

	2004 \$
Loss before income taxes	(344,244)
Statutory income tax rate	35%
Expected income tax recovery	(120,485)
Stock-based compensation	12,250
Losses for which no benefits are being recognized	108,235
Provision for income taxes	-

Notes to the Consolidated Financial Statements
For the years ended December 31, 2004 and 2003

9. INCOME TAXES (continued)

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Corporation's future tax liabilities and assets are as follows:

	2004 \$	2003 \$
Future income tax liabilities:		
Deferred development costs and plant and equipment	(78,700)	-
Future income tax assets:		
Non-capital loss carry forwards	281,700	111,400
Differences in timing of deductibility of expenses	100,200	13,700
Valuation allowance	(303,200)	(125,100)
	-	-

Realization of future income tax assets is dependent on generating sufficient taxable income during the period in which the temporary differences are deductible. Future income tax assets have not been recognized on the Corporation's balance sheet due to uncertainty of realization.

The Corporation has non-capital loss carry forwards of approximately \$838,000. The potential income tax benefits of these losses have not been recorded in the financial statements. These losses expire as follows:

	\$
2007	38,000
2008	111,000
2009	94,000
2010	88,000
2011	507,000
	838,000

Notes to the Consolidated Financial Statements
For the years ended December 31, 2004 and 2003

10. PER SHARE AMOUNTS

Basic per share calculations for the year ended December 31, 2004 were based on the weighted average number of shares outstanding for the year. The basic and diluted per share are the same as a result of the anti-dilutive effect of the net loss for the years ended December 31, 2004 and 2003. If the potential dilution of the outstanding Series A Warrants, Series B Warrants and stock options were included, the weighted average number of shares outstanding for the year are as follows:

	2004	2003
Weighted average number of shares	9,541,516	6,666,593
Incremental shares if Series A warrants exercised	20,126	-
Incremental shares if Series B warrants exercised	2,615,497	-
Incremental shares if stock options	358,185	-
	12,535,324	6,666,593

11. ACQUISITION

On May 20, 2004, the Corporation entered into an acquisition agreement with Western Symbiotics Ltd. ("Western") pursuant to which the Corporation agreed to acquire all the issued and outstanding common shares ("Western Shares") and common share purchase warrants of Western ("Western Warrants") (the "Western Acquisition"). The Western Acquisition was completed on July 6, 2004.

Pursuant to the Western Acquisition, the Corporation acquired 1,362 (98%) Western Shares and 17.325 (100%) Western Warrants. The remaining 24 (2%) Western Shares were acquired pursuant to the compulsory acquisition provisions of the *Business Corporations Act* (Alberta). In aggregate, in order to acquire the outstanding Western Shares and Western Warrants, the Corporation issued 11,999,998 units of the Corporation ("Suntec Units"), at a deemed price of \$0.2833 per unit (\$3,400,000 in aggregate), and 150,000 Series A Warrants ("Series A Warrants") to purchase common shares of the Corporation ("Suntec Shares"). Each Suntec Unit consisted of 0.55555 of a Suntec Share and 0.44444 of a Series B Warrant to purchase Suntec Shares ("Series B Warrant"). Each Series B Warrant is exercisable into one Suntec Share, for no additional consideration, but shall not be exercisable until Suntec has met certain operational milestones designed to prove up the commercial viability of the business of Suntec, as set forth in further detail in the Corporation's management proxy circular dated June 9, 2004. Each Series A Warrant entitles the holder thereof to acquire one Suntec Share at a price of \$0.2833 per common share for a period of two years from the date of grant.

In aggregate, the Corporation issued 6,666,593 Suntec Shares, 5,333,275 Series B Warrants and 150,000 Series A Warrants pursuant to the Western Acquisition.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2004 and 2003

11. ACQUISITION (continued)

Concurrent with the closing of the Western Acquisition, 4,074,030 Suntec Shares and 3,259,223 Series B Warrants became subject to the Tier 2 Surplus Security Escrow Agreement of the TSXV and 115,438 Suntec Shares and 92,351 Series B Warrants were placed in trust by the Corporation as required under the compulsory acquisition provisions of the *Business Corporations Act* (Alberta) representing the consideration payable to the one shareholder of Western who did not tender its Western Shares pursuant to the Western Acquisition.

The purchase price equation is as follows:

	\$
Cost of acquisition:	
Common shares and warrants	<u>1,009,034</u>
Allocated:	
Current assets (including cash of \$1,102,938)	1,113,749
Deferred development costs	15,320
Current liabilities	<u>(120,035)</u>
	<u>1,009,034</u>

12. RELATED PARTY TRANSACTIONS

Promoters, officers, directors, insiders or control persons control Western and Suntec. Therefore, the Western Acquisition constituted a transaction where the same parties controlled the purchaser and target company. The Western Acquisition constituted a non-arm's length acquisition, as Suntec and Western are related parties.

During the year, the Corporation paid consulting fees of \$40,000 (2003 - \$nil) to an officer and director. During the year, the Corporation paid management fees of \$nil (2003 - \$40,000) to an officer and director for the development of the internal combustion heat extraction technology, which are capitalized as deferred development costs. These amounts are recorded at the exchange amount, being the estimated fair value as agreed between the related parties. At December 31, 2004, \$40,000 (2003 - \$7,133) was owing in relation to consulting fees provided.

A director of the Corporation is a partner of a law firm that was paid \$107,834 for legal services during the year (2003 - \$nil). The fees charged were based on standard rates and time spent on the Corporation's matters. At December 31, 2004, there was \$106,875 (2003 - \$9,984) owing to this law firm in relation to legal services.

During the year, the Corporation entered into a lease agreement with an officer and director, see Note 13.

During the year, the ownership of all patents associated with intellectual property has been assigned to the Corporation by the inventor, who is a director and officer of the Corporation, for a nominal amount.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2004 and 2003

13. OPERATING LEASES

The Corporation is committed to lease land and buildings from an officer and director for \$60,000 per year for a term of twenty years, commencing February 1, 2004. The Corporation is also committed to lease certain equipment from an officer and director for \$73,200 per year for a term of two years, commencing September 1, 2004.

The Corporation is committed to a two-year office premises lease, commencing January 1, 2004. The minimum lease payment is \$16,500 plus operating costs.

The following is a five-year schedule of future minimum lease payments under these leases:

Years ended December 31,	\$
2005	149,700
2006	111,675
2007	60,000
2008	60,000
2009	60,000

14. COMMITMENTS

The Corporation is committed to provide oilfield waste water treatment services at specified rates to a Canadian-based integrated oil and gas company pursuant to a Master Service and Supply Agreement ("MSSA"). The MSSA has a term of one year, commencing June 15, 2004, and is subject to renewal for additional terms of one year.

15. FAIR VALUES

Current assets and liabilities approximate their carrying values at December 31, 2004, due to their short-term nature. The carrying values of the Corporation's debt obligations subject to rates of interest also approximate fair values. In management's opinion, the fair values of the Corporation's debt obligations do not differ significantly from their carrying values.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2004 and 2003

16. EVENTS SUBSEQUENT TO DECEMBER 31, 2004

Effective January 1, 2005, Suntec and Western, its wholly-owned subsidiary, amalgamated.

On January 7, 2005, 1,700,000 common shares were issued at a price of \$0.34 per share for aggregate gross proceeds of \$578,000 pursuant to a private placement.

On February 25, 2005, the Corporation received final approval (No. WM093) for its oilfield waste water treatment and recycling facility from the Alberta Energy Utilities Board.

On March 17, 2005, the TSXV approved the exercise of 5,333,275 Series B Warrants into 5,333,275 common shares for no additional consideration pursuant to the terms of the Series B Warrants.

Subsequent to December 31, 2004, the Corporation entered into an engagement letter with Blackmont Capital Inc. to assist the Corporation with a prospectus offering to raise up to \$3,000,000.

On [], 2005, the Corporation filed a prospectus for the sale of units for gross proceeds up to \$3,000,000.

SUNTEC CAPITAL INC. FINANCIAL STATEMENTS

Financial Statements of

SUNTEC CAPITAL INC.

December 31, 2003

Auditors' Report

To the Directors of
Suntec Capital Inc.:

We have audited the balance sheet of **Suntec Capital Inc.** as at December 31, 2003 and the statements of loss and deficit and cash flows for the period from date of incorporation on October 30, 2003 to December 31, 2003. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements presents fairly, in all material respects, the financial position of the Corporation as at December 31, 2003 and the results of its operations and its cash flows for the period from date of incorporation on October 30, 2003 to December 31, 2003 in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta
May 14, 2004

Chartered Accountants

SUNTEC CAPITAL INC.

Statement of Loss and Deficit
Period from Date of Incorporation on
October 30, 2003 to December 31, 2003

	<u>\$</u>
REVENUE	<u>114</u>
EXPENSES	
Bank charges and interest	25
Professional fees	<u>8,000</u>
	<u>8,025</u>
NET LOSS AND DEFICIT, END OF PERIOD	<u><u>(7,911)</u></u>

The accompanying notes are an integral part of these financial statements.

SUNTEC CAPITAL INC.

Balance Sheet December 31, 2003

	<u>\$</u>
ASSETS	
CURRENT	
Cash	292,389
Goods and Services Tax receivable	<u>350</u>
	292,739
Deferred financing costs	<u>40,683</u>
	<u>333,422</u>
LIABILITY	
CURRENT	
Accounts payable and accrued liabilities	<u>8,000</u>
COMMITMENT (Note 4)	
SHAREHOLDERS' EQUITY	
Share capital (Note 3)	333,333
Deficit	<u>(7,911)</u>
	<u>325,422</u>
	<u>333,422</u>

APPROVED BY THE BOARD

"Gene Moody" Director

"Bruce Allford" Director

The accompanying notes are an integral part of these financial statements.

SUNTEC CAPITAL INC.

Statement of Cash Flows

Period from Date of Incorporation on
October 30, 2003 to December 31, 2003

	\$
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:	
OPERATING	
Net loss	(7,911)
Changes in non-cash working capital	
Goods and Services Tax receivable	(350)
Accounts payable and accrued liabilities	8,000
	<u>(261)</u>
FINANCING	
Proceeds from share issuance	<u>333,333</u>
INVESTING	
Deferred financing costs	<u>(40,683)</u>
NET INCREASE CASH, END OF PERIOD	<u><u>292,389</u></u>
SUPPLEMENTARY INFORMATION	
Interest received	<u><u>114</u></u>

The accompanying notes are an integral part of these financial statements.

SUNTEC CAPITAL INC.

Notes to the Financial Statements

Period from Date of Incorporation on
October 30, 2003 to December 31, 2003

1. INCORPORATION AND NATURE OF OPERATIONS

Suntec Capital Inc. (the "Corporation") was incorporated pursuant to the provisions of the *Business Corporations Act* (Alberta) on October 30, 2003. The articles of the Corporation were amended by a Certificate of Amendment dated November 24, 2003 to delete the private company provisions and the restrictions on the transfer of the common shares of the Corporation.

The Corporation is involved in securing equity financing, with which it intends to identify and evaluate opportunities for the acquisition of an interest in assets or businesses, and once identified and evaluated, to negotiate an acquisition thereof or participation therein subject to receipt of shareholder and regulatory approval.

The Corporation has been incorporated recently and does not have a history of earnings. As at December 31, 2003, the Corporation had not identified any assets or businesses for acquisition, or participation in, and it had not entered into agreements with any parties respecting the same. On March 17, 2004, the Corporation entered into a letter of intent to acquire Western Symbiotics Ltd. and it proposes that this will be its Qualifying Transaction, as defined and required by the TSX Venture Exchange Inc. ("TSX") (See Note 5). There is no assurance the Corporation will complete a Qualifying Transaction, within the time prescribed. Moreover, this potential acquisition may not meet the requirements as a "Qualifying Transaction". Additional funds may be required to finance any acquisition or participation to which the Corporation may ultimately commit. Any acquisition or participation completed by the Corporation may not prove successful.

2. ACCOUNTING POLICY

Deferred financing costs

Costs incurred related to the sale of securities are deferred until the offering is closed, at which time, these costs are offset against the proceeds received.

3. SHARE CAPITAL

(a) Authorized:

Unlimited number of common voting shares without nominal or par value

(b) Issued:

Common Shares

Balance, October 30, 2003

Issued for cash

Balance, December 31, 2003

Number of Shares	Amount \$
-	-
2,666,666	333,333
2,666,666	333,333

3. SHARE CAPITAL (Continued)

SUNTEC CAPITAL INC.

Notes to the Financial Statements

Period from Date of Incorporation on

October 30, 2003 to December 31, 2003

The 2,666,666 common shares have been placed in escrow and will be released in accordance with the policies of the TSX.

The Corporation has adopted an incentive stock option program (the "Stock Option Program") for the benefit of directors, officers, employees and other key personnel of the Corporation whereby a maximum of 10% of the issued and outstanding common shares of the Corporation are reserved for issuance pursuant to the exercise of stock options to be granted to directors, officers, employees and other key personnel of the Corporation.

The Stock Option Program provides that the terms of the options and option price shall be fixed by the Directors subject to the price restrictions and other requirements imposed by the TSX. The exercise price of stock options granted under the Stock Option Program must be paid in full upon exercise of the option. The option period cannot extend beyond five years.

4. COMMITMENT

The Company is committed to a two year office premises lease commencing January 1, 2004. The minimum annual lease payment is \$16,500 plus operating costs.

5. EVENTS SUBSEQUENT TO DECEMBER 31, 2003

Pursuant to an agency agreement between the Corporation and First Associates Investments Inc. ("FAII") dated January 26, 2004, related to the Corporation carrying out an initial public offering, FAII was granted an option to purchase 400,000 common shares at a price of \$0.25 per share on successful completion of the initial public offering. The option will expire on August 6, 2005.

On February 6, 2004, the Corporation completed its initial public offering of 4,000,000 common shares at a price of \$0.25 per share for aggregate gross proceeds of \$1,000,000. The 4,000,000 common shares were placed in escrow and will be released in accordance with the policies of the TSX.

On February 6, 2004, the Corporation granted 666,666 stock options to directors and officers of the Corporation to acquire common shares at an exercise price of \$0.25 per share, expiring on February 6, 2009. These stock options were placed in escrow and will be released in accordance with the policies of the TSX.

SUNTEC CAPITAL INC.

Notes to the Financial Statements

Period from Date of Incorporation on
October 30, 2003 to December 31, 2003

5. EVENTS SUBSEQUENT TO DECEMBER 31, 2003 (Continued)

On March 17, 2004, the Corporation entered into a letter of intent with Western Symbiotics Ltd. ("Western") pursuant to which the Corporation will acquire all the issued and outstanding common shares and warrants of Western (the "Western Acquisition"). This proposed acquisition with Western will be the "Qualifying Transaction" for the purposes of TSX policies, subject to receiving shareholder and regulatory approval.

On the acquisition of Western, the Corporation will issue approximately 12,000,000 units of the Corporation ("Units"), at a deemed price of \$0.2833 per unit, for a purchase price of approximately \$3,400,000 before working capital adjustments. Each Unit consists of 0.55555 common shares and 0.44444 Series B warrants of the Corporation. Each whole Series B warrant is exercisable into one common share of the Corporation, for no additional consideration, pursuant to certain conditions being met and these Series B warrants will expire if these conditions are not met. In order to acquire all the warrants of Western, the Corporation will issue an aggregate of 150,000 Series A warrants. Each Series A warrant is exercisable into one common share of the Corporation for a period of two years from the date of issuance thereof, at an exercise price of \$0.2833 per share.

WESTERN FINANCIAL STATEMENTS

Deloitte & Touche LLP
3000 Scotia Centre
700 Second Street S.W.
Calgary AB T2P 0S7
Canada

Tel: (403) 267-1700
Fax: (403) 264-2871
www.deloitte.ca

Auditors' Report

To the Directors of
Western Symbiotics Limited:

We have audited the balance sheet of **Western Symbiotics Limited** as at December 31, 2003 and the statements of loss and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta
March 19, 2004

Chartered Accountants

WESTERN SYMBIOTICS LIMITED

Statement of Loss and Deficit

Year Ended December 31, 2003

	2003	2002
	\$	(Unaudited) \$
INTEREST INCOME	2,440	79
EXPENSES		
Advertising	500	-
Bank charges and interest	80	71
Bookkeeping	550	225
Depreciation	319	420
Meals and entertainment	-	374
Office	2,858	11,193
Professional fees	9,700	6,828
Rent	13,268	19,902
Telephone	805	723
Travel	-	2,481
	28,080	42,217
NET LOSS	(25,640)	(42,138)
DEFICIT, BEGINNING OF YEAR	(111,507)	(69,369)
DEFICIT, END OF YEAR	(137,147)	(111,507)

WESTERN SYMBIOTICS LIMITED

Balance Sheet

December 31, 2003

	2003	2002
	\$	(Unaudited) \$
ASSETS		
CURRENT		
Cash	4,662	31,146
Goods and Services Tax receivable	17,294	10,707
Prepaid expenses	3,654	1,375
	25,610	43,228
Capital assets (Note 3)	1,092	1,411
Deferred development costs (Note 4)	522,220	488,936
	548,922	533,575
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	53,414	12,427
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	632,655	632,655
Deficit	(137,147)	(111,507)
	495,508	521,148
	548,922	533,575

APPROVED BY THE BOARD

"Gene Moody" Director

"John Ferguson" Director

WESTERN SYMBIOTICS LIMITED

Statement of Cash Flows Year Ended December 31, 2003

	2003	2002
	\$	(Unaudited) \$
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net loss	(25,640)	(42,138)
Adjustment for:		
Depreciation	319	420
	(25,321)	(41,718)
Changes in non-cash working capital		
Goods and Services Tax receivable	(6,587)	11,993
Prepaid expenses	(2,279)	-
Accounts payable and accrued liabilities	40,987	(25,418)
	6,800	(55,143)
FINANCING		
Proceeds from share issue	-	140,669
INVESTING		
Expenditures on deferred development costs	(33,284)	(114,156)
NET DECREASE IN CASH	(26,484)	(28,630)
CASH, BEGINNING OF YEAR	31,146	59,776
CASH, END OF YEAR	4,662	31,146
SUPPLEMENTARY INFORMATION		
Interest received	2,440	79

Notes to the Financial Statements**Year Ended December 31, 2003**

1. NATURE OF BUSINESS

Western Symbiotics Limited (the "Company") was incorporated in the province of Alberta on May 4, 1995 and commenced operations January 1, 2000, to develop equipment to be used to maximize the performance of internal combustion engines. The commercialization of this technology has not yet commenced as the Company is still in the development stage.

The Company requires the continuing financial support of its creditors and shareholders and additional financing in order to fund its existing obligations. Management intends to raise the required financing through a combination of equity issuances, bank financing and other means (see Note 10).

2. SIGNIFICANT ACCOUNTING POLICIES*Capital assets*

Capital assets are recorded at cost and are depreciated using the declining-balance method at the following annual rates:

Furniture and equipment	20%
Computer equipment	30%

Deferred development costs

Deferred development costs include costs incurred in developing internal combustion heat extraction technology. Development costs are expensed as incurred, unless they meet the criteria for deferral and amortization under Canadian generally accepted accounting principles. Those costs that are deferred are amortized against future benefits to be realized. Investment tax credits, cash refundable by Canadian government, have been applied for and will reduce research and development expenditures in the year of receipt.

The ability to recover the carrying value of deferred development costs is based on estimates, which by their nature, are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

Income taxes

The Company uses the liability method of accounting for income taxes. Under this method, income tax assets and liabilities are recorded based on temporary differences, the differences between the carrying amount of an asset or liability on the balance sheet and its tax basis.

Notes to the Financial Statements
Year Ended December 31, 2003

3. CAPITAL ASSETS

	2003		2002 (Unaudited)
	Cost \$	Accumulated Depreciation \$	Net Book Value \$
Furniture and equipment	1,800	970	1,037
Computer equipment	899	637	374
	2,699	1,607	1,411

4. DEFERRED DEVELOPMENT COSTS

	Balance, Beginning (Unaudited) \$	Additional Expenditures \$	Balance, Ending \$
Patents	23,739	7,452	31,191
Equipment	7,123	2,146	9,269
Supplies	296,972	62,688	359,660
Design	63,547	7,108	70,655
Management fees (Note 6)	103,333	40,000	143,333
Investment Tax Credits received	(5,778)	(86,110)	(91,888)
	488,936	33,284	522,220

Notes to the Financial Statements**Year Ended December 31, 2003****5. SHARE CAPITAL**

	2003	2002 (Unaudited)
	\$	\$
Authorized		
Unlimited number of Class A common voting shares		
Unlimited number of Class B preferred voting shares		
Unlimited number of Class C preferred non-voting shares		
Unlimited number of Class D preferred non-voting shares		
Unlimited number of Class E preferred non-voting, 9% non-cumulative, redeemable shares at fair market value		
Unlimited number of Class F preferred non-voting, 9% non-cumulative, redeemable shares at fair market value		
Unlimited number of Class G preferred non-voting, 9% non-cumulative, redeemable shares at fair market value		
Issued		
1,386 Class A shares	632,655	632,655

In 2002, the Company issued 200 shares at \$750 per share for total proceeds of \$150,000, less subscriptions receivable of \$9,331.

6. RELATED PARTY TRANSACTIONS

During the year, the Company paid management fees of \$40,000 (2002 - \$43,333) to a shareholder, and these amounts are included in deferred development costs. The amounts are recorded at the exchange amount as agreed to between the parties.

At December 31, 2003, there was \$7,133 (2002 - \$Nil) owing to this related party in relation to management services provided.

The ownership of all patents associated with intellectual property has been assigned to the corporation by the inventor, a shareholder and officer of the Company, for a nominal amount.

Notes to the Financial Statements**Year Ended December 31, 2003**

7. INCOME TAXES

The Company has non-capital losses of approximately \$323,330 available for carryforward. The potential income tax benefits of these losses have not been recorded in the financial statements. These losses expire as follows:

	\$
2007	38,066
2008	110,895
2009	93,958
2010	80,411

8. FINANCIAL INSTRUMENTS*Fair value*

The carrying amounts of the Company's financial assets and liabilities approximate their fair value due to their short term to maturity.

9. PRIOR YEAR'S FIGURES

The prior year's figures were unaudited.

10. SUBSEQUENT EVENT

On March 17, 2004, the Company entered into a letter of intent with Suntec Capital Inc. ("Suntec") pursuant to which all the issued and outstanding common shares and warrants of Western will be sold following shareholder and regulatory approval (the "Western Acquisition"). This proposed sale constitutes a non-arm's length acquisition, as the Company and Suntec are related parties, and Suntec intends to make this proposed acquisition its "Qualifying Transaction" for the purposes of TSX Venture Exchange policies.

On the acquisition of the Company, Suntec will issue approximately 12,000,000 units ("Units"), at a deemed price of \$0.2833 per Unit, for a purchase price of approximately \$3,400,000 before working capital adjustments. Each Unit consists of 0.55555 common shares and 0.44444 Series B warrants of Suntec. Each whole Series B warrant is exercisable into one common share of Suntec, for no additional consideration, pursuant to certain conditions being met and these Series B warrants will expire if these conditions are not met. In order to acquire all the warrants of the Company, Suntec will issue an aggregate of 150,000 Series A warrants. Each Series A warrant is exercisable into one common share of Suntec for a period of two years from the date of issuance thereof, at an exercise price of \$0.2833 per share.

CERTIFICATE OF THE CORPORATION

Dated: November 3, 2005

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the *Securities Act* (British Columbia), Part 9 of the *Securities Act* (Alberta), Part XI of the *Securities Act, 1988* (Saskatchewan) and Part XV of the *Securities Act* (Ontario), and by the respective regulations made thereunder.

(signed) "*Gene Moody*"
President and Chief Executive Officer

(signed) "*A. Brad Cann*"
Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

(signed) "*R. Bruce Allford*"
Director

(signed) "*Dave Erickson*"
Director

PROMOTERS

(signed) "*Gene Moody*"
Promoter

CERTIFICATE OF THE AGENT

Dated: November 3, 2005

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the *Securities Act* (British Columbia), Part 9 of the *Securities Act* (Alberta), Part XI of the *Securities Act, 1988* (Saskatchewan) and Part XV of the *Securities Act* (Ontario), and by the respective regulations made thereunder.

BLACKMONT CAPITAL INC.

By: (signed) "*Randy Bergh*"
Randy Bergh
Senior Vice President and Branch Manager