

## COMPANY SUSTAINS ITS PROFITABLE GROWTH

### THIRD QUARTER HIGHLIGHTS:

- REVENUES UP 22% TO \$6.40 MILLION
- SERVICE CONTRACT REVENUES OF \$4.42 MILLION
- NET EARNINGS AT \$0.55 MILLION

I am pleased to present Boomerang Tracking Inc.'s results for the third quarter ended January 31, 2004.

For this period, net earnings were at \$0.55 million (\$0.03 per share), compared with net earnings of \$0.12 million (\$0.01 per share) for the same period last year. Net earnings were at 8.6% of revenues, compared to 2.4% for the same period last year. In the quarter ended January 2003, net earnings would have reached 4.7% considering unusual items. In the present quarter, the Company achieved revenues of \$6.40 million, an increase of 22% compared with revenues of \$5.26 million for the same period last year.

Revenues from service contracts jumped by 36% to a record \$4.42 million during the third quarter of fiscal 2004, from \$3.25 million for the same period last year. New activations of Boomerang units were 8,621 units in the third quarter, compared to 9,812 units for the third quarter of the previous fiscal year, a 12% decrease. The amount of units sold were 8,169 in the third quarter, compared to 9,383 for the third quarter of the previous fiscal year, a 13% decrease. During this same period, new car sales in Canada decreased by 17.5%. In addition, 2,100 Boomerang devices were transferred to new vehicles during this period. The Company continued its progression in Ontario with close to 900 new activations this past quarter.

For the nine months ended January 31, 2004, net earnings were at \$2.00 million (\$0.09 per share), compared to \$1.01 million (\$0.04 per share) for the first nine months of the previous year. Revenues saw a 26% increase to \$19.16 million, compared to \$15.17 million for the nine months ended January 31, 2003. Revenues from service contracts jumped by 35% to \$12.38 million for the first nine-month period of fiscal 2004, from \$9.19 million during the same period last year. During this period, new Boomerang activations were 31,556 compared to 31,953 for the same period last year.

### STOCK MARKET ACTIVITY

During the quarter ended January 31, 2004, the Company purchased for cancellation, pursuant to the Normal Course Issuer Bid, a total of 336,500 shares. For the nine months ended January 31, 2004, the Company purchased for cancellation, pursuant to the Normal Course Issuer Bid, a total of 670,500 shares. Within this Normal Course Issuer Bid, which took effect May 6, 2003 for a 12-month period, the Company is authorized to purchase for cancellation a maximum of 1,093,155 common shares, representing approximately 5% of the issued and outstanding Common Shares as of May 2, 2003.

#### US MARKET UPDATE

In June 2003, the Company announced its upcoming entry into California, the gateway to the US market, with its advanced proprietary GSM-based Boomerang device. The Company continued developing its market strategies and does not anticipate any material revenues in the immediate future.

#### NUMBERS THAT SPEAK VOLUMES

As of January 31 2004, the Boomerang Tracking System has been instrumental in the recovery of more than 3,315 vehicles and other valuable assets, including incidental recoveries, representing a total value of over \$156 million. These impressive results have earned the Company the support of national insurers and the law enforcement community, who recognize the benefits of the Company's tracking devices.



**PETER LASHCHUK**  
President and CEO,  
Boomerang Tracking Inc.

## INTERIM MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JANUARY 31, 2004

### RESULTS OF OPERATIONS

**Revenues** For the third quarter ended January 31, 2004 the Company achieved revenues of \$6.40 million, representing an increase of 22%, compared to revenues of \$5.26 million for the same period last year.

More specifically, revenues from service contracts jumped by 36% to a record \$4.42 million, from \$3.25 million during the same period last year, whereas sales of equipment decreased by \$0.02 million (or 1%). New Boomerang devices activated in the period were 8,621 for the quarter ended January 31, 2004, as compared to 9,812 units for the same quarter last year. The Company continued to realize a constant growth of revenues derived from service contracts attributed, in part, to the Company's customer retention and loyalty programs which accounted for nearly 2,100 Boomerang devices being transferred to new vehicles. The revenues derived from service contracts represented 69% of total revenues for the quarter ended January 31, 2004, and 62% for the quarter ended January 31, 2003.

Service contracts are available primarily on a 12-, 24-, 36-, or 48-month basis. All services are covered by contracts and, in most cases, payable in full upon activation and/or renewal. For accounting purposes, revenue is recognized progressively over the term of the contract, resulting in deferred revenue of \$12.63 million as at January 31, 2004, of which \$9.96 million will be recognized as revenues during the next twelve months. This compares to \$8.59 million, and \$7.15 million respectively as at January 31, 2003.

The number of units sold was 8,169 compared to 9,383 for the same period last year, representing a 13% decrease. Revenues derived from the sale of units represent 28% of total revenues for the quarter ended January 31, 2004, and 35% for the quarter ended January 31 2003.

**Operating Expenses** Tight cost control enabled the Company to cut the ratio of sales, administration and R&D costs on revenues by 4% during the quarter ended January 31, 2004, compared with the same quarter last year. During this same period, the Company's revenues climbed by 22%.

The service fees of wireless network carriers constitute the major costs involved in asset tracking. These services are the subject of commercial agreements.

Unusual items were incurred during the quarter ended January 31, 2003. These unusual items consisted of severance costs amounting to \$0.10 million resulting from an internal reorganization, and a provision in the same amount regarding a potential claim against the Company with regards to tax credits claimed. The provision has been included in accrued liabilities.

**Depreciation and Amortization** For the third quarter ended January 31, 2004, quarterly depreciation and amortization of fixed assets increased to \$0.27 million from \$0.26 million in the quarter ended January 31, 2003.

**Income Taxes** Income tax expenses in the third quarter ended January 31, 2004, amounted to \$0.32 million, as compared to \$0.06 million for the same period in the last fiscal year.

**Net Earnings** Net earnings for the third quarter reached \$0.55 million (\$0.03 per share) compared with net earnings of \$0.12 million (\$0.01 per share) for the same period last year. Net earnings were at 8.6% of revenues compared to 2.4% for the same period last year. Considering unusual items, net earnings would have been at 4.7% of revenues for the same period last year. These unusual items consisted of severance costs amounting to \$0.10 million resulting from an internal reorganization, and a provision in the same amount regarding a potential claim against the Company with regards to tax credits claimed.

#### **LIQUIDITY AND FINANCIAL RESOURCES**

The Company maintains its excellent financial health with its ongoing strong balance sheet with no external debt. During the third quarter of operations in fiscal 2004, the cash resources increased by \$0.67 million to \$13.23 million (including short-term investments of \$10.86 million with maturity dates up to December 2009).

The increase in liquidity during the past quarter is due to cash generated by operating activities in the amount of \$1.65 million, outflows from expenditures for fixed and intangible assets of \$0.27 million, and outflows for the repurchase of shares for cancellation in the amount of \$0.71 million.

Operating cash flow (representing cash provided by operating activities before changes in working capital items) in the quarter ended January 2004 generated \$0.72 million, compared to \$0.46 million for the same period last year. Year-over-year positive operating cash flow reflects the efficiency of Boomerang Tracking in generating profits while expanding its internal infrastructures.

The Company's working capital (current assets less current liabilities) increased to \$4.65 million as at January 31, 2004, from \$3.77 million in the same quarter last year. The working capital ratio reached 1.33 at the end of the quarter, compared to 1.41 for the same quarter last year.

The Company believes that its cash resources as at January 31, 2004, together with cash flow from future operations, will provide it with sufficient funds to meet its operating and capital expenditure requirements for the upcoming year. Operations are expected to continue to generate positive cash flow into the future. Excess cash is invested by the Company in short-term instruments with financially sound institutions and is readily available when the need for funds arises.

#### **RISKS AND UNCERTAINTIES**

**Technology** The Boomerang Tracking System employs proprietary wireless-based tracking devices. Presently, there are no known direct competitors in the marketplace using similar technology and locating process as the Company. Competing products utilize other technologies, including Global Positioning System (GPS) technology, that are not as effective at locating assets enclosed within buildings or shipping containers or situated underground.

Although the Company is continuing to invest in research and development, there is no certainty that it will be able to maintain its current technological edge.

**Financial Resources** Although the Company is profitable and growing, there is no certainty that it will be able to compete with larger, more financially secure competitors in the marketplace.

**Reliance on Strategic Alliances** The Company is currently heavily dependent on its alliance with wireless carriers and insurance companies. Wireless carriers are an integral facet of its stolen asset tracking system. The continued availability and maintenance of the wireless telecommunications networks used by the Company is essential for operating the tracking system. In addition, many insurance companies are strong supporters and advocates of the Boomerang tracking system. The continued existence of these strategic alliances is important for the ongoing development of new and existing markets.

**Reliance on Key Employees** The Company's continued success will be dependent on the performance and continued service of its executive officers and certain key employees. The loss of any of these individuals could have a material adverse impact on the Company's business.

**Risk Related to Territorial Expansion** Certain risks are inherent to the entrance into and development of new markets. These risks include the development of strategic alliances and distribution networks, the acceptance by the automobile industry and consumers of the Boomerang tracking system, and the application of laws and regulations governing the vehicle insurance industry in each territory.

**Tracking Risk** Certain risks are inherent to tracking activities. These risks include the contingencies arising out of serious accidents and incidents. At the same time, as a result of various factors, the Company cannot guarantee the recovery of each of the vehicles stolen from its clients. Although the Company believes that its relationships with strategic partners are good, the confidence it receives from its partners depends on the continued success of its performance.

**Credit Risk** With respect to the holding of short-term investments, the Company may be exposed to a credit loss in the event of non-performance by the counterparties to these contracts, but does not anticipate such non-performance. The Company manages this credit risk by dealing only with financially sound counterparties.

The Company, in the normal course of business, monitors the financial condition of its customers. It does not have significant exposure to any individual customer or counterparty. The Company establishes an allowance for doubtful accounts that corresponds to the credit risk of its customers, historical trends and economic circumstances. The Company does not believe that it is exposed to an unusual level of customer credit risk.

#### ABOUT BOOMERANG TRACKING INC.

Boomerang Tracking Inc. markets and distributes the Boomerang® Tracking System, a proprietary product using technology patented by the Company. The Boomerang, Boomerang2™ and GSM-based Boomerang devices are the central devices in a wireless-based asset tracking system utilizing the networks of major telecommunications companies. The Boomerang Tracking System is capable of locating stolen automobiles, heavy equipment and valuable objects. Members of the insurance industry endorse the Company's proven recovery record. The Boomerang Tracking System is installed through a network of corporate-managed service centers and authorized dealers located throughout the provinces of Quebec and Ontario. The Company's head office, research and development and corporate installation facilities are located in Montreal, Quebec, with regional facilities located in Mississauga, Ontario and Orange County, California. Boomerang is a registered trademark and Boomerang2 is a trademark of Boomerang Tracking Inc. The shares of Boomerang Tracking Inc. trade on The Toronto Stock Exchange under the symbol BMG.

#### STATEMENT REFLECTING OUTLOOK AND FORECASTS

Since the statements contained in this report refer to Company or management objectives, projections, estimates, expectations and forecasts for the future, they may be considered "prospective statements" and may be indicated as such by the use of verbs such as "believe", "predict", "estimate", "expect", "consider" as well as the use of the future or conditional verb tense, regardless of negative or positive tone or the variation used. The Company would like to remind readers that these prospective statements, given their nature, include risks and uncertainties and that the Company's actual actions or results may differ materially from those contained explicitly or implicitly in such prospective statements and could affect the degree to which a particular projection is achieved.

No regulatory authority has approved or disapproved of the information contained herein.

#### FOR MORE INFORMATION:

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**BOARD OF DIRECTORS**

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**ANDRÉ BOULAY**  
Director

**ROBERT NELSON**  
Director

**MICHEL BRÛLÉ**  
Director

**PIERRE LAURIN**  
Director

**LAWRENCE NADLER**  
Director

**CLAUDE ROUSSEAU**  
Director

**BOOMERANG TRACKING INC.**

MANAGEMENT (CANADA)

**PETER LASHCHUK**  
President and CEO

**ANDRÉ BOULAY**  
Vice President, Technology

**ROBERT NELSON**  
Vice President, Distribution

**SYLVAIN DUNN**  
Vice President, Finance  
and Operations

**SERGE LAPORTE**  
Vice President, Sales and  
Business Development

**CLAUDE ARPIN**  
Director, Research and  
Development

**GARY FINN**  
Director, Ontario Sales

**GENEVIÈVE FOSTER**  
Director, Legal and Corporate  
Affairs, and Corporate  
Secretary

**BRIGITTE GERMAIN**  
Controller

**JEAN LALONDE**  
Director, Security

**LISE LEFEBVRE**  
Director, Human Resources

**ROSIE LUCIFERO**  
Director, Marketing and  
Communications

**FRÉDÉRIC POITRAS**  
Director, Information  
Technology

**BOOMERANG TRACKING CORPORATION**

MANAGEMENT (USA)

**TIMOTHY FLUSCHE**  
Managing Director

**BEATE LYMANTAS**  
Executive Director

**JOHN HAZELRIGG**  
Director of Insurance

**CHARLES RIECKHOFF**  
Director of Sales and Service

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**TORONTO STOCK EXCHANGE LISTING**

Boomerang Tracking Inc.  
shares are traded on the  
Toronto Stock Exchange (TSX)  
under the trading symbol  
"BMG".



**Consolidated Balance Sheets**

(Thousands of dollars)

	<b>As at</b>	As at
	<b>January 31, 2004</b>	April 30, 2003
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	<b>\$ 2,377</b>	\$ 2,568
Short-term investments	<b>10,857</b>	7,317
Accounts receivable	<b>2,134</b>	2,075
Investment tax credits receivable	<b>257</b>	257
Income taxes recoverable	<b>-</b>	515
Inventories	<b>2,709</b>	1,404
Prepaid expenses	<b>209</b>	218
	<b>18,543</b>	14,354
<b>Fixed Assets</b>	<b>3,584</b>	3,372
(Net of accumulated amortization of: January 31, 2004: \$2,085; April 30, 2003: \$1,413)		
<b>Patents and Trademarks</b>	<b>171</b>	188
(Net of accumulated amortization of: January 31, 2004: \$269; April 30, 2003: \$197)		
<b>Future Income Taxes</b>	<b>138</b>	-
	<b>\$ 22,436</b>	\$ 17,914
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	<b>\$ 3,557</b>	\$ 3,037
Income taxes payable	<b>372</b>	-
Deferred revenue	<b>9,962</b>	7,833
	<b>13,891</b>	10,870
<b>Deferred Revenue</b>	<b>2,664</b>	1,566
<b>Future Income Taxes</b>	<b>-</b>	291
	<b>16,555</b>	12,727
<b>Shareholders' Equity</b>		
Capital stock	<b>746</b>	770
Retained earnings	<b>5,135</b>	4,417
	<b>5,881</b>	5,187
	<b>\$ 22,436</b>	\$ 17,914

**Consolidated Statements of Retained Earnings**  
(Thousands of dollars)

	For the nine months ended	
	2004	January 31
	(Unaudited)	2003
		(Unaudited)
<b>Balance - Beginning of Period</b>	<b>\$ 4,417</b>	<b>\$ 3,927</b>
Net earnings	<u>2,003</u>	<u>1,007</u>
	<b>6,420</b>	<b>4,934</b>
Premium on repurchase of shares	<u>(1,285)</u>	<u>(175)</u>
<b>Balance - End of Period</b>	<b>\$ 5,135</b>	<b>\$ 4,759</b>

### Consolidated Statements of Earnings

(Thousands of dollars except earnings per share information)

	For the three months ended		For the nine months ended	
	2004 (Unaudited)	January 31 2003 (Unaudited)	2004 (Unaudited)	January 31 2003 (Unaudited)
<b>Revenues</b>				
Sales of equipment	\$ 1,807	\$ 1,829	\$ 6,206	\$ 5,486
Service contracts	4,420	3,253	12,381	9,187
Other	175	179	570	492
	<b>6,402</b>	<b>5,261</b>	<b>19,157</b>	<b>15,165</b>
<b>Expenses</b>				
Except the following -	5,121	4,427	14,639	11,982
Amortization	266	255	744	683
Foreign exchange	(1)	2	71	40
Interest income	(98)	(4)	(257)	(100)
Research and development	239	201	781	762
	<b>5,527</b>	<b>4,881</b>	<b>15,978</b>	<b>13,367</b>
<b>Earnings Before Undernoted Items</b>	<b>875</b>	<b>380</b>	<b>3,179</b>	<b>1,798</b>
Unusual items (note 3)	-	200	-	200
<b>Earnings Before Income Taxes</b>	<b>875</b>	<b>180</b>	<b>3,179</b>	<b>1,598</b>
Income taxes	323	56	1,176	591
<b>Net Earnings</b>	<b>\$ 552</b>	<b>\$ 124</b>	<b>\$ 2,003</b>	<b>\$ 1,007</b>
<b>Earnings Per Share</b>				
Basic	\$ 0.026	0.006	\$ 0.092	\$ 0.045
Diluted	\$ 0.025	0.006	\$ 0.091	\$ 0.045
<b>Weighted Average Number of Class "A" shares and Class "A" share equivalents outstanding</b>				
Basic	21,479,825	22,217,600	21,655,040	22,278,931
Diluted	21,803,404	22,525,785	21,952,973	22,584,622

**Consolidated Statements of Cash Flows**  
(Thousands of dollars)

	For the three months ended		For the nine months ended	
	2004 (Unaudited)	January 31 2003 (Unaudited)	2004 (Unaudited)	January 31 2003 (Unaudited)
<b>Funds Provided (Used) -</b>				
<b>Operating Activities</b>				
Net earnings	\$ 552	\$ 124	\$ 2,003	\$ 1,007
Amortization	266	255	744	683
Future income taxes	(99)	83	(429)	196
	719	462	2,318	1,886
Changes in non-cash operating elements of working capital	931	652	3,279	504
	1,650	1,114	5,597	2,390
<b>Financing Activity</b>				
Repurchase of class "A" shares	(713)	-	(1,309)	(179)
<b>Investing Activities</b>				
Increase in short-term investments	(522)	(32)	(3,540)	705
Additions to fixed assets	(259)	(145)	(884)	(1,214)
Additions to patents and trademarks	(5)	(20)	(55)	(61)
	(786)	(197)	(4,479)	(570)
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>151</b>	<b>917</b>	<b>(191)</b>	<b>1,641</b>
<b>Cash and Cash Equivalents</b>				
Beginning of period	2,226	2,367	2,568	1,643
End of period	\$ 2,377	\$ 3,284	\$ 2,377	\$ 3,284
<b>Additional Cash Flow Information</b>				
Income taxes paid	\$ 342	\$ 465	\$ 800	\$ 758

**Notes to Interim Consolidated Financial Statements:**

(Thousands of dollars)

**(1) Basis of preparation**

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, using the same accounting policies and methods of computation as were used for the consolidated financial statements for the year ended April 30, 2003.

These unaudited interim consolidated financial statements do not include all the disclosures required by Canadian generally accepted accounting principles in annual financial statements and accordingly, should be read in conjunction with the Consolidated Financial Statements for the year ended April 30, 2003.

**(2) Revenues**

The Company derives revenues from the sale of vehicle tracking devices, presented as "Sales of Equipment", and service contracts presented as "Service Contracts", and "Other" revenues such as tracking services.

**(3) Unusual items**

Unusual items recorded in the third quarter of 2003 represents severance costs of \$100 resulting from an internal reorganization, and a provision for a potential claim against the Company with regards to tax credits claimed. The provision has been included in accrued liabilities and is based on management's best estimate. The Company cannot predict the outcome of the claim at this time, but management is of the opinion that the potential liability will not have a material adverse effect on the financial position or results of the Company.

**(4) Comparative Figures**

Certain reclassifications of the comparative amounts presented have been made to facilitate comparison with the current period.

**SUPPLEMENTARY INFORMATION**  
New Boomerang units installed and activated

<b>Fiscal 2004</b>		
<b>For the three months ended</b>	<b>Quarterly</b>	<b>Cumulative</b>
July 31	12,775	159,154
October 31	10,160	169,314
January 31	8,621	177,935
<b>Total</b>	<b>31,556</b>	

<b>Fiscal 2003</b>		
<b>For the three months ended</b>	<b>Quarterly</b>	<b>Cumulative</b>
July 31	12,089	116,484
October 31	10,052	126,536
January 31	9,812	136,348
April 30	10,031	146,379
<b>Total</b>	<b>41,984</b>	

<b>Fiscal 2002</b>		
<b>For the three months ended</b>	<b>Quarterly</b>	<b>Cumulative</b>
July 31	11,763	69,672
October 31	12,007	81,679
January 31	11,655	93,334
April 30	11,061	104,395
<b>Total</b>	<b>46,486</b>	

<b>Fiscal 2001</b>		
<b>For the three months ended</b>	<b>Quarterly</b>	<b>Cumulative</b>
July 31	7,983	26,828
October 31	9,908	36,736
January 31	10,769	47,505
April 30	10,404	57,909
<b>Total</b>	<b>39,064</b>	

<b>Fiscal 2000</b>		
<b>For the three months ended</b>	<b>Quarterly</b>	<b>Cumulative</b>
July 31	1,850	6,832
October 31	2,160	8,992
January 31	4,080	13,072
April 30	5,773	18,845
<b>Total</b>	<b>13,863</b>	