



Industrial Rubber Products Inc.
2005 Annual Report

Dear Stockholder,

Another year is upon us with an ever-expanding economy. In 2005 and the beginning of 2006 our markets recovered to near historic high levels. Iron ore, copper, gold, nickel and silver are selling at price levels not experienced for 25 years. Concrete and aggregate are being produced at growth levels not seen since the mid 90's. In general we can say business is good. Although our revenues have remained consistent the past two years, these market conditions have given us expectations for increased revenues for 2006 and forward.

These favorable market conditions did not come without problems such as uncontrollable increases in energy costs, employee shortages, increases in raw material costs, medical costs, shipping costs and interest costs. In spite of these unprecedented increases we were able to control these costs, minimizing their effect and achieving a growth in profit.

At the same time we lowered our bank debt, added assets and obtained a significant increase in shareholder value. Our 2006 plan mandates that we continue to grow profits, carefully control costs, and manage our assets while increasing revenues in our traditional markets and technological advances.

Our work in new product development continues with testing for our IRACORE pipe, Iracoupling pipe joint and P.U.R.L product near completion. These technological superior products for the oil and auto industries respectively, are ready for production and our sales teams are actively securing contracts. We expect to see financial gains in the near future as these products achieve acceptance in their markets and begin to gain market share.

In 2006, we expect to overcome challenges, capitalize on the opportunities we have developed through our past R & D efforts and carry this momentum into the future.

Best Wishes,

Daniel O. Burkes


Industrial Rubber Products, Inc. and Subsidiaries
Consolidated Balance Sheets
December 31, 2005 and 2004

Assets	2005	2004
Current Assets		
Cash and cash equivalents	\$220,113	\$104,050
Trade receivables, less allowance for doubtful accounts 2005 \$33,000; 2004 \$35,000	2,443,312	2,917,755
Inventories	1,321,580	1,413,983
Prepaid expenses	333,176	276,821
Deferred taxes	151,000	150,000
Total current assets	4,469,181	4,862,609
Other Assets		
Cash value of life insurance	372,807	331,390
Investment in common stock of Acotec S.A.	120,000	120,000
Unamortized deferred debt expense	36,878	55,043
	529,685	506,433
Deferred Taxes	1,161,000	1,200,000
Intangible Pension Asset	30,571	33,799
Property and Equipment		
Land	597,376	511,576
Buildings and leasehold improvements	3,098,945	3,181,783
Automotive equipment	1,004,111	638,266
Machinery and equipment	6,868,039	6,619,419
	11,568,471	10,951,044
Less accumulated depreciation	6,583,439	5,693,428
	4,985,032	5,257,616
	\$11,175,469	\$11,860,457
Liabilities and Stockholders' Equity		
Current Liabilities		
Bank notes payable	\$451,537	\$814,008
Current maturities of long-term debt	602,979	562,640
Accounts payable	1,149,751	1,380,612
Accrued expenses	645,411	571,379
Income taxes payable	29,172	-
Total current liabilities	2,878,850	3,328,639
Long-Term Debt, less current maturities	2,875,457	3,313,326
Accrued Pension Costs	75,824	58,180
Stockholders' Equity		
Common stock, \$.001 par value; authorized 25,000,000 shares; 2005 issued 5,459,705; 2004 issued 5,458,205 shares	5,460	5,458
Additional paid-in capital	6,153,477	6,152,291
Accumulated deficit	(854,132)	(1,043,028)
Accumulated other comprehensive income	40,533	45,591
	5,345,338	5,160,312
	\$11,175,469	\$11,860,457

 **Industrial Rubber Products, Inc. and Subsidiaries****Consolidated Statements of Operations**
Years Ended December 31, 2005 and 2004

	2005	2004
Net Sales	\$16,336,051	\$16,627,399
Cost of Sales	12,491,190	12,988,360
Gross profit	3,844,861	3,639,039
Operating Expenses	3,263,985	3,141,679
Operating income	580,876	497,360
Nonoperating Income (Expense)		
Interest and other income	24,058	11,058
Interest expense	(347,232)	(327,359)
	(323,174)	(316,301)
Income before income taxes	257,702	181,059
Federal, State and Foreign Income Taxes	68,806	67,942
Net income	\$188,896	\$113,117
Earnings per Common Share		
Basic	\$0.03	\$0.02
Diluted	\$0.03	\$0.02
Weighted Average Number of Shares and Share Equivalents		
Basic	5,458,939	5,458,205
Diluted	5,470,513	5,462,654

Industrial Rubber Products Highlights

IRACORE Pipe

Sales Recap: \$1,073,000 additional products sold in 2005 for testing

Total Sales Iracore Pipe: \$2,600,000 approximately to date

A long term contract is currently at top levels of management. We are also pursuing two new and currently operating oil sands mining facilities in Northern Alberta and we have identified five more potential oil sands mining operations that will be in operation by or prior to 2010. An IRACORE plant is 90% planned, designed and ready to be implemented upon receipt of long-term contract.

IRACOUPLING

The IRACOUPLING was approved and CRN (Certified Registration Number) was assigned. The issuance of the CRN allows the sale and installation of the fitting in the Northern Alberta Oil Sands Industry.

Western US Copper and Gold Mines

Many of these copper and gold mines that have been shut down are starting to operate again allowing us to sell core products to these plants.

P.U.R.L. Polyurethane Rolled Limiter

This is a replacement for anti-sway bars for automobiles and light trucks.

We are currently quoting a project that will be used by a major automotive manufacturer. Our proprietary urethane compound was specified, field tested and past all criteria.

The potential market is approximately twelve million units and \$25 million.

Shareholders Value

For the second year in a row the results of our efforts contributed to our stock increasing in value significantly. We have increased the share value an additional \$0.95 since April of last year and \$1.60 since May of 2004 when we said we were focused on increasing our Shareholders value. (\$0.40/share, May 2004, to \$1.05/share as of April 2005, to \$2.00/share as of May 8, 2006 Current) or a 500% increase in value in the past two years.

Acotec S.A. Sale

On January 12, 2006, we completed the sale of our 7.86 percent stock ownership in Acotec S.A. at a price of \$144,867. We had carried this investment on our books at \$120,000.

Please contact Jim Skalski via phone at (218) 263-8831 or email jims@irproducts.com if you would like to receive a copy of the Company's entire 2005 audit report.