ZTEST Electronics Inc.

Consolidated Financial Statements

(in Canadian dollars)

June 30, 2002

Auditors' Report

To the Shareholders of ZTEST Electronics Inc.

We have audited the consolidated balance sheets of ZTEST Electronics Inc. as at June 30, 2002 and June 30, 2001, and the consolidated statements of operations and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated 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 Company as at June 30, 2002 and June 30, 2001 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles in Canada.

Signed: ***"Moore Stephens Cooper Molyneux LLP"***

Chartered Accountants

Toronto, Ontario
October 17, 2002

ZTEST Electronics Inc.

Consolidated Balance Sheet
(in Canadian dollars)
June 30

	2002	2001
Assets		
Current assets		
Cash	**$ 9,198**	$ 128,601
Accounts receivable *(note 10)*	**263,967**	825,043
Inventories *(note 4)*	**72,721**	172,641
Prepaid expenses and other assets	**51,990**	69,815
Current portion of amounts receivable *(note 5)*	**66,000**	-
	463,876	1,196,100
Amounts receivable *(note 5)*	**190,812**	-
Capital assets *(note 6)*	**963,284**	792,891
Investments and advances *(note 7)*	**4**	4
Mineral properties	**-**	50,000
Goodwill *(note 3)*	**-**	201,531
	$ 1,617,976	$ 2,240,526
Liabilities		
Current liabilities		
Bank indebtedness	**$ -**	$ 233,080
Accounts payable and accrued liabilities	**723,888**	1,519,944
Current portion of long-term debt *(note 8)*	**63,560**	138,840
Current portion of lease obligation *(note 9)*	**202,189**	26,127
Notes payable and other advances *(note 10)*	**202,251**	270,461
	1,191,888	2,188,452
Long-term debt *(note 8)*	**1,352,460**	186,176
Obligations under capital lease *(note 9)*	**341,996**	17,951
Preferred shares *(note 11)*	**1,471,908**	1,471,908
	4,358,252	3,864,487
Non-controlling interest in subsidiary	**-**	26,992
Commitments *(note 12)*	**-**	-
Deficiency in assets		
Share capital *(note 11)*	**19,522,287**	18,468,436
Deficit	**(22,262,563)**	(20,119,389)
	(2,740,276)	(1,650,953)
	$ 1,617,976	$ 2,240,526

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

Approved by the Board

Signed: *"John Perreault"*

John Perreault

Signed: *"Wojciech Drzazga"*

Wojciech Drzazga

Consolidated Statement of Operations and Deficit
(in Canadian dollars)
for the years ended June 30

	2002	2001
Revenue		
Product sales	**$ 1,501,131**	$ 1,304,319
Other	**18,960**	1,129,526
Design services	**900**	1,337,410
	1,520,991	3,771,255
Expenses		
Amortization of capital assets	**90,418**	104,106
Amortization of goodwill *(note 3)*	**811,206**	1,971,085
Cost of products sales	**1,190,051**	2,011,690
Dividends on preferred shares	**115,230**	10,867
Interest expense - long-term debt	**56,480**	42,321
- other	**87,071**	6,537
Selling, general and administrative	**1,251,115**	1,348,154
	3,601,571	5,494,760
Loss from operations	**(2,080,580)**	(1,723,505)
Non-controlling interest in income of subsidiary	**26,992**	-
Loss on decline in value of investment *(note 7)*	**(10,420)**	(6,935,971)
Loss on mineral properties	**(50,000)**	-
Loss on disposal and writedown of capital assets	**(177,063)**	-
Loss from continuing operations	**(2,291,071)**	(8,659,476)
Discontinued operations *(note 13)*		
Net loss from operations	**(201,709)**	(166,639)
Gain on disposal	**408,181**	-
Loss before provision for income taxes	**(2,084,599)**	(8,826,115)
Provision for (recovery of) income taxes *(note 14)*		
Future	**-**	(5,300)
Income tax recovery	**-**	(6,662)
Net loss for the years	**(2,084,599)**	(8,814,153)
Deficit, beginning of years	**(20,119,389)**	(11,303,320)
	(22,203,988)	(20,117,473)
Dividends	**(58,575)**	(1,916)
Deficit, end of years	**$(22,262,563)**	$(20,119,389)
Net loss per share	**$ (0.076)**	$ (0.403)
Net loss per share from continuing operations	**$ (0.084)**	$ (0.396)
Weighted average shares outstanding	**27,352,990**	21,893,691

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

ZTEST Electronics Inc.

Consolidated Statement of Cash Flows
(in Canadian dollars)
for the years ended June 30

	2002	2001
Cash flow from operating activities		
Net loss for the years	**$ (2,084,599)**	$ (8,814,153)
Items not involving cash		
Amortization of capital assets	**183,309**	132,690
Writedown of inventory	**80,969**	-
Amortization of goodwill	**811,206**	1,971,085
Loss on disposal and writedown of capital assets	**220,065**	-
Minority interest in earnings	**(26,992)**	-
Loss on decline in value of investment	**2,000**	6,935,971
Loss on abandonment of mining properties	**78,536**	-
Gain from discontinued operations	**(408,181)**	-
Future income taxes	**-**	(6,662)
Changes in non-cash working capital items		
Accounts receivable	**494,066**	(2,382,032)
Inventories	**18,951**	469,866
Prepaid expenses	**(21,080)**	(21,017)
Amounts receivable	**(66,000)**	-
Accounts payable and accrued liabilities	**(155,970)**	640,801
Deferred income	**-**	(405,033)
	(873,720)	(1,478,484)
Cash flow from investing activities		
Funds held in trust	**2,643**	15
Non-controlling interest in subsidiary	**-**	26,992
Cash deficiency and goodwill acquired	**-**	(287,431)
Net proceeds (cost) of capital assets	**42,650**	(373,403)
Investments and advances	**-**	(98,968)
Amounts receivable	**-**	181,487
	45,293	(551,308)
Cash flow from financing activities		
Repayments of capital lease obligations	**(51,825)**	(36,191)
Net proceeds on long-term debt	**801,828**	154,725
(Decrease) increase in bank indebtedness	**(225,703)**	233,149
Notes payable and other advances	**-**	85,260
Payment of commitment	**-**	(300,000)
Issuance of preferred shares	**93,300**	-
Dividends paid on preferred shares	**(58,575)**	(1,916)
Issuance of common shares	**149,999**	1,447,960
	709,024	1,582,987
Decrease in cash	**(119,403)**	(446,805)
Cash, beginning of years	**128,601**	575,406
Cash, end of years	**$ 9,198**	$ 128,601

Supplemental Disclosure of Cash Flow Information

During the year, the Company had cash flows arising from interest and income taxes paid as follows:

Cash paid for interest	**$ 127,996**	$ 57,270
Income taxes	**$ -**	$ -

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

(in Canadian dollars)

1. Business of the Company

ZTEST Electronics Inc. ("the Company") amalgamated under the laws of Ontario and carries on business manufacturing, selling, designing and developing circuit boards and other electronic equipment. The Company's shares trade on the Canadian Venture Exchange ("CDNX") under the symbol "YZT".

2. Significant Accounting Policies

Going concern basis of presentation

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada. This assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

As at June 30, 2002 the Company has incurred losses and has a deficit, to date, of $22,262,563.

Basis of consolidation

These consolidated financial statements have been prepared using the consolidation method and accordingly include the following subsidiarys' assets and liabilities as well as the revenues and expenses arising, subsequent to the date of acquisition:

Permatech Electronics Corporation	-	100% owned (2001 - 60%)
Northern Cross Minerals Inc.	-	66.7% owned (2001 - 66.7%)

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and highly liquid short-term interest bearing securities with maturity at the date of purchase of three months or less. At June 30, 2002 and June 30, 2001 there were no cash equivalents on hand. The Company has adopted the requirements of CICA 1540 in preparing the statements of cash flows.

Inventories

Inventories are valued at the lower of cost and replacement cost. Cost is determined on the first-in, first-out basis.

Investments

Investments in entities over which the Company has significant influence but not control are accounted for under the equity method of accounting. Investments in entities over which the Company has neither significant influence nor control are accounted for under the cost method.

The Company currently has investments in three inactive corporations. Had they been active, they would have been accounted for on the following bases:

Investment	Method
Med-Minder Enterprises Inc.	Cost
Nexsys Commtech International Inc.	Equity
UNIQRYPT.com Inc.	Cost

2. Significant Accounting Policies - continued

Capital assets

Capital assets are stated at cost less applicable government grants received. Amortization is provided over the related assets' estimated useful lives using the following methods and annual rates with one-half of the rates noted above are used in the year of acquisition:

Computer software	-	100	%	declining balance
Computer equipment	-	30	%	declining balance
Office equipment and furniture	-	20	%	declining balance
Manufacturing equipment	-	20	%	declining balance
Leasehold improvements	-	10	yrs	straight line

Goodwill

Goodwill represents the price paid for acquisitions in excess of the fair market value of net tangible assets acquired. In accordance with the requirements of CICA 3062, goodwill is tested annually for impairment by comparing the fair value of the reporting unit with its carrying value. Goodwill is written down to its fair value when an impairment is identified. Goodwill was previously amortized on a straight-line basis over its estimated useful life.

Mineral properties

The acquisition of mineral property interests are capitalized and deferred until such time as the properties are sold, brought into commercial production or abandoned. During the current year all remaining property interests lapsed and the associated carrying values have been charged against income.

Revenue recognition

Revenue is recorded when the product is delivered and/or the service is completed.

Earning per share

Basic earnings (loss) per share have been determined based upon the weighted average number of common shares issued and outstanding throughout the year. Fully diluted information is not presented, as it is anti-dilutive as a result of having incurred losses in each year.

Foreign exchange

As at the transaction date all asset, liability, revenue, and expense amounts denominated in foreign currencies are translated into Canadian dollars using the exchange rate in effect as at that date. At the year end date all monetary assets and liabilities are translated into Canadian dollars using the exchange rate in effect as at that date. The resulting foreign exchange gains and losses are included in income of the current period.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles in Canada requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial instruments

Unless otherwise noted, the Company's financial instruments do not expose the Company to significant interest, currency or credit risks.

(in Canadian dollars)

3. Business Acquisitions

Permatech Electronics Corporation

On January 15, 2002, the Company increased its holdings in Permatech Electronics Corporation ("Permatech") to 100% of the issued and outstanding shares in the corporation through the acquisition of 40 common shares and 175,770 preferred shares for net proceeds of $785,445. This followed the August 14, 2000 acquisition of 60 common shares, 250,000 Class A preferred shares, a demand loan and all security therefore for net proceeds of $210,000. Permatech is a contract manufacturer in the electronics industry.

Each of the business combinations were accounted for using the purchase method. The net assets acquired at fair market value were as follows:

	January 15 2002	August 14 2001
Current assets	**$ 194,383**	$ 254,543
Capital assets	**320,320**	177,791
	514,703	432,334
Less: Liabilities	**1,052,622**	436,349
Net deficiency of Permatech assets acquired	**537,919**	4,015
Adjustment for amounts already recognized	**(537,919)**	-
Consideration paid	**609,675**	210,000
Excess of purchase price over net assets - allocated to goodwill	**$ 609,675**	$ 214,015

	2002	2001
Goodwill	**$ 823,690**	$ 214,015
Less: Amortization	**-**	12,484
Less: Write down due to impairment	**823,690**	-
	$ -	$ 201,531

(in Canadian dollars)

3. Business Acquisitions - continued

Internet Commerce Solutions Inc.

On July 31, 2000 the Company acquired 58.9% of the outstanding voting equity of Internet Commerce Solutions Inc. ("ICSI") through the issuance of 894,003 units of ZTEST. Each unit consists of 1 common share of ZTEST priced at $2.04 and one-half of a common share purchase warrant which subsequently expired without being exercised. ICSI was involved in the field of computer network security.

As at June 30, 2001 it was determined that the goodwill arising from this business combination had become impaired and it was written off in its entirety. In January 2002, ICSI ceased operations and its secured creditors subsequently seized all of its tangible and intangible assets. Accordingly, it has been determined that consolidation of the remaining assets and liabilities, if any, is no longer appropriate (*note 13*).

The business combination was accounted for using the purchase method as follows:

Current assets	$ 361,981
Capital assets	116,146
	478,127
Less: Liabilities	512,961
Net deficiency of Internet Commerce Solutions Inc. assets acquired	34,834
Consideration paid: 894,003 common shares of ZTEST	1,823,766
Excess of purchase price over net assets - allocated to goodwill	$ 1,858,600

	2002	2001
Goodwill	**$ -**	$ 1,858,600
Less: Write down due to impairment	**-**	1,858,600
	$ -	$ -

4. Inventories

	2002	2001
Raw materials and supplies	**$ 46,539**	$ 127,250
Work in process	**26,182**	43,021
Finished goods	**-**	2,370
	$ 72,721	$ 172,641

(in Canadian dollars)

5. Amounts Receivable

	2002	2001
Note receivable, bears interest at 8.5% per annum. No payments until October 2002, followed by six monthly payments of interest only, and then blended monthly payments of $6,025 are required to maturity.[1]	**$ 190,812**	$ -
Demand promissory notes bearing interest at 9.5% per annum with no fixed maturity dates.	**66,000**	-
	256,812	-
Less: Current portion	**66,000**	-
	$ 190,812	$ -

[1] The note is receivable from a company that is controlled by the spouse of one of the Company's Directors.

6. Capital Assets

	2002			2001
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Computer software	**$ 49,269**	**$ 49,269**	**$ -**	$ 63,059
Computer equipment	**255,869**	**227,236**	**28,633**	83,572
Office equipment and furniture	**114,847**	**84,439**	**30,408**	87,152
Manufacturing equipment	**1,346,517**	**497,838**	**848,679**	559,108
Leasehold improvements	**95,732**	**40,168**	**55,564**	-
	$ 1,862,234	**$ 898,950**	**$ 963,284**	$ 792,891

7. Investments and Advances

	2002	2001
Nexsys Commtech International Inc. (a)		
5,480,314 common shares representing approximately a 32% voting interest.	**$ 66,243**	$ 66,243
1,830,000 preferred shares representing approximately a 11% voting interest.	**1,500,000**	1,500,000
Share of loss of significantly influenced investment.	**(241,184)**	(241,184)
Write down to estimated net realizable value.	**(1,325,059)**	(1,325,059)
	-	-

(in Canadian dollars)

7. Investments and Advances - continued

Uniqrypt.Com Inc.		
1,900,500 shares representing a 10.0% investment.	**133,035**	133,035
Convertible debenture, interest at 7.5%, secured by a GSA, matures March 2002. Interest payments are required monthly. May be converted at a rate of 1 common share of the debtor for each USD $0.20 converted.	**318,000**	318,000
Write down to estimated net realizable value.	**(451,034)**	(451,034)
	1	1
Gametele Systems Inc. and Dion Entertainment Corp. (b)		
1,034,000 common shares of Dion Entertainment Corp. ("Dion") received upon surrender of 5,170,000 common shares of Gametele Systems Inc. ("Gametele").	**450,092**	-
759,987 common shares of Dion received in settlement of amounts otherwise due from Gametele.	**943,277**	-
Nil (2001 - 1,420,000) common shares of Gametele.	**-**	50,092
Debenture, non-interest bearing until November 2002 then at 6% until maturity, secured by a GSA, matures November 2006. Interest payments are due annually. Semi annual payments of $446,815 are due starting May 2002 until November 2003 followed by annual payments of $893,630. Dion has the right to settle this debenture at any time, in whole or in part, through the issuance of 1 common share for each $1.2412 outstanding. The Company has the right to demand shares on the same basis in settlement of any overdue amounts.	**4,021,338**	-
Convertible debentures and trade accounts receivable from Gametele. Interest at varying rates, secured by a GSA, maturing between May and October 2002. Interest payments were required semi-annually. Convertible at predetermined rates. During the current year each of these amounts were rolled into the new debenture noted above.	**-**	4,633,391
Convertible debenture from Gametele, interest at prime plus 2.0%, secured by a GSA, matures April 2002. Interest payments are required each April and October. May be converted at a rate of 1 common share of the debtor for each $0.0833 converted. This debenture was converted into common shares during the current year.	**-**	250,000
Interest and other revenue accruing after the date that all investments in and advances in Gametele were written down to their estimated net realizable value. Due to the uncertainty of collection of these amounts they will only be taken into income upon receipt.	**(331,225)**	-
Write down to estimated net realizable value.	**(5,083,481)**	(4,933,482)
	1	1

(in Canadian dollars)

7. Investments and Advances - continued

	2002	2001
Med-Minder Enterprises Inc.		
100,000 shares representing a 2.4% investment.	**100**	100
Amount receivable, non-interest bearing, unsecured, no fixed maturity date. May be converted into equity of the debtor until October 2000.	**120,000**	120,000
Write down to estimated net realizable value.	**(120,099)**	(120,099)
	1	1
Chessen Group Inc.		
1,705,871 Class A Preference shares.	**1,734,390**	1,734,390
Write down to estimated net realizable value	**(1,734,389)**	(1,734,389)
	1	1
	$ 4	$ 4

(a) During the 2000 fiscal year, the investment and advances in Nexsys were written down to estimated net realizable value of $1.

During the 2001 fiscal year, the Company received from Nexsys a cash payment of $285,000, technology valued at $150,000, furniture and fixtures valued at $15,000, and government receivables valued at $68,235 to offset total indebtedness. The Company then sold the remaining debentures and note to a shareholder for consideration of $1. The technology and government receivables were written down to their estimated net realizable value of $Nil.

The Company also has the following warrants in Nexsys:

Number of Warrants	Exercise Price	Expiry Date
3,750,000	$0.25	June 18, 2003
1,000,000	$0.25	June 29, 2003
2,500,000	$0.25	July 31, 2003
2,250,000	$0.25	November 28, 2003

The Company has also granted an option on 400,000 common shares of Nexsys to a creditor in exchange for the extension of a loan. These options can be exercised for a period of two years after the common shares of Nexsys commence to trade on a recognized stock exchange in Canada.

(b) During the 2001 fiscal year, the investment in and advances to Gametele and a loan receivable from a shareholder of Gametele were all written down to their estimated net realizable value of $1.

During the 2002 fiscal year, the Company completed the following transactions related to its investment in and advances to Gametele:

(i) exercised an option to acquire 750,000 common shares of Gametele in exchange for the surrender of a loan receivable in the amount of $148,000 plus a note payable in the amount of $2,000.

(in Canadian dollars)

7. Investments and Advances - continued

(ii) converted a $250,000 debenture into 3,000,000 common shares of Gametele, and

(iii) tendered the 3,750,000 common shares acquired, along with 1,420,000 common shares previously held, to a takeover bid made by Dion, a company listed on the Toronto Stock Exchange under the symbol "DIO".

In accordance with the takeover bid the Company received 1,034,000 common shares of Dion on the basis of 1 common share of Dion in exchange for every 5 common shares of Gametele tendered. As a condition of the takeover bid, the common shares of Dion are subject to an escrow arrangement whereby 10% (103,400) were released on closing, 40% are to be released one year after close, 30% are to be released 2 years after close, and the remaining 20% are to be released 30 months after closing. There is also a trading restriction that prohibits the sale of any of these shares for one year after closing.

In connection with the takeover bid, the Company converted all outstanding debentures and other accounts receivable from Gametele into 400,000 common shares of Dion and a new debenture having a face value of $4,468,153. The 400,000 common shares were issued in settlement of accounts receivable having a face value of $496,462. The Company later received 359,987 common shares in settlement of the first installment due under the debenture. All common shares are subject to the trading restriction noted above, which expires in February 2003.

As a further condition to the takeover bid, the Company was required to surrender all unexercised share purchase warrants received from Gametele, surrender all options on Gametele shares that it had received from other parties, and to negotiate the cancellation of an option on 400,000 common shares of Gametele that it had issued in a prior year.

(c) During the 2001 fiscal year, the Company advised Med-Minder of its desire to exercise its conversion rights on the amount receivable. Med-Minder, which was inactive at the time and remains so, acknowledged receipt of the Notice, however, it was unable to issue the shares as requested. The investments and advances were written down to their estimated net realizable value.

8. Long-Term Debt

	2002	2001
Bank loan, interest at Bank of Montreal prime plus 1/2%, secured by a related party guarantee, matures October 2003. Monthly payments of $4,865 are required.	**$ 71,058**	$ 124,078
Convertible debentures bearing interest at 10.5% and mature December 3, 2003. Monthly interest payments are required. Convertible, in whole or in part, into units of the Company at the rate of one unit for each $0.11 converted. Each unit consists of one common share and one share purchase warrant which entitles the holder to acquire an additional common share for $0.11 for a period of two years from the date of conversion. The Company may redeem these debentures, in whole or in part, any time after July 3, 2003. (1)	**599,500**	-

(in Canadian dollars)

8. Long-Term Debt - continued

	2002	2001
Convertible debentures bear interest at 8% and mature February 14, 2004. Monthly interest payments are required. Convertible, in whole or in part, into units of the Company at the rate of one unit for each $0.125 converted. Each unit consists of one common share and one share purchase warrant which entitles the holder to acquire an additional common share for a period which is the lesser of two years from the date of issuance of the debenture or six months from the date of conversion. The exercise price of the warrant is $0.125 if conversion occurs prior to February 15, 2003 or $0.15 if converted thereafter. The Company may redeem these debentures, in whole or in part, any time after August 15, 2003. (2)	**300,000**	-
Convertible debentures bear interest at 8% and mature May 21, 2004. Monthly interest payments are required. Convertible, in whole or in part, into units of the Company at the rate of one unit for each $0.16 converted. Each unit consists of one common share and one share purchase warrant which entitles the holder to acquire an additional common share for $0.18 for a period which is the lesser of two years from the date of issuance of the debenture or six months from the date of conversion. The Company may redeem these debentures, in whole or in part, any time after November 21, 2003.	**120,000**	-
Note payable bears interest at 8.5%. No payments until October 2002, then six months as to interest only, then blended monthly payments of $6,025 are required. (3)	**318,020**	-
Business Improvement Loan, interest at prime plus 3.75%, due on demand. Monthly interest payments are required.	**7,442**	35,678
Convertible promissory notes to a maximum of $300,000, interest at 12.5%, matures May 2003, secured by a GSA. Convertible into units of the Company at the option of the lender any time advances amount to $150,000. Each unit consists of one common share and one share purchase warrant exercisable for a period of two years from the date of the conversion.	**-**	95,000
Loans from a relative of the former non-controlling shareholder of Permatech, interest at 9.5%, unsecured, matures November 2003. Monthly payments of $1,512 were required.	**-**	70,260
	1,416,020	325,016
Less: Current portion	**63,560**	138,840
	$ 1,352,460	$ 186,176

(1) Debentures valued at $49,500 are held by Officers of the Company and/or their spouses.
(2) Debentures valued at $42,750 are held by Officers of the Company and/or their spouses.
(3) The note is payable to a company that is controlled by the spouse of one of the Company's Directors.

(in Canadian dollars)

8. Long-Term Debt - continued

The future minimum principal repayments are as follows:

2003	$ 63,560
2004	1,131,565
2005	105,773
2006	115,122
	$ 1,416,020

9. Obligations Under Capital Lease

	2002	2001
Interest at 13.83%, matures July 2002. Blended monthly payments of $573 are required.	**$ 2,217**	$ 8,314
Interest at 14.31%, matures September 2003. Blended monthly payments of $113 are required.	**1,454**	2,522
Interest at 9.8%, matures January 2005. Blended monthly payments of $289 are required.	**7,906**	10,465
Interest at 13.10%, matures August 2004. Blended monthly payments of $25,097 are required commencing in August 2002.	**532,608**	-
Interest at 15.38%, matures August 2002. Blended monthly payments of $942 are required.	**-**	8,433
Interest at 16.28%, matures October 2002. Blended monthly payments of $243 are required.	**-**	3,482
Interest at 15.69%, matures December 2002. Blended monthly payments of $152 are required.	**-**	2,428
Interest at 13.69%, matures February 2003. Blended monthly payments of $474 are required.	**-**	8,434
	544,185	44,078
Less: Current portion	**202,189**	26,127
Non-current portion	**$ 341,996**	$ 17,951

The future minimum payments are:

2003	$ 262,695
2004	282,566
2005	91,020
	636,281
Less: Imputed interest	92,096
	$ 544,185

(in Canadian dollars)

10. Notes Payable and Other Advances

Interest	Security	Terms		2002		2001
6%	Unsecured	On demand	**$**	**16,767**	$	-
33%	Trade Accounts receivable	Collection of security [2]		**78,792**		138,461
8%	Unsecured	No repayment terms		**35,000**		-
Prime + 2%	Unsecured	No repayment terms [1]		**57,692**		-
9%	Unsecured	No repayment terms		**-**		8,000
Nil	Unsecured	No repayment terms		**2,000**		40,000
8%	Unsecured	No repayment terms [1]		**12,000**		-
12%	Unsecured	On demand*		**-**		84,000
			$	**202,251**	$	270,461

[1] Note payable to a Director of the Company

[2] Loan payable to a corporation that is a shareholder of the Company and whose President is a Director of the Company. The loan is secured by the trade accounts receivable of the Company's subsidiary Permatech Electronics Corporation.

11. Share Capital

(a) **Authorized**

Unlimited Common shares

Unlimited Non-voting, non-participating Class A special shares redeemable by the Company or the holders on a one-for-one basis for common shares of Northern Cross Minerals Inc., whose primary assets are Mineral Properties.

Unlimited Preferred shares in one or more series of which the following four series have been authorized to date:

Series A voting [1] shares bear cumulative monthly dividends payable at a rate of 8% per annum, are redeemable after May 21, 2000 and all outstanding shares must be repurchased on May 21, 2004. These shares can be converted into common shares of the Company on a 1:1 basis until November 2000, at a rate of 1 common share for each 1.25 Series A shares until May 2002, and then at a rate of 1 common share for each 1.40625 Series A share until May 2004.

Series B non-voting shares may no longer be issued. All previously issued shares in this series have been converted into common shares.

Series C voting [1] shares bear cumulative monthly dividends payable at a rate of 7% per annum, are redeemable after November 1, 2002 and all outstanding shares must be repurchased on May 1, 2007. These shares can be converted into common shares of the Company on a 1:1 basis until May 2001, at a rate of 1 common share for each 1.4286 Series C shares until May 2004, and then at a rate of 1 common share for each 1.7143 Series C shares until May 2007.

(in Canadian dollars)

11. Share Capital - continued

Series D voting [1] shares bear cumulative monthly dividends payable at a rate of 7% per annum, are redeemable after December 1, 2002 and all outstanding shares must be repurchased on June 1, 2007. These shares can be converted into common shares of the Company on a 1:1 basis until June 2001, at a rate of 1 common share for each 1.40845 Series D shares until June 2004, and then at a rate of 1 common share for each 1.6432 Series D shares until June 2007.

[1] All preferred shares carry the right to vote at the meeting of common sharheolders in the event that the cumulative dividends are at least 12 months in arrears. As at the balance sheet date, the dividends on Series A, Series C, and Series D shares were all at least 12 months in arrears.

(b) **Issued**

	Number of Shares	**Amount**
Common shares June 30, 2000	19,984,831	$ 14,825,890
Business acquisitions *(note 3)*	894,003	1,823,766
Private placements	1,739,000	1,547,960
Conversion of preferred shares	120,000	255,600
Paid in capital, First Preferred Shares	-	(84,780)
Common shares June 30, 2001	22,737,834	18,368,436
Business acquisitions *(note 3)*	7,140,407	785,445
Private placements	1,333,333	150,000
Conversion of debt	560,636	118,406
Common shares June 30, 2002	31,772,210	19,422,287
Class A special shares June 30, 2001 and 2002	1,193,442	100,000
Balance June 30, 2002		$ 19,522,287

	Number of Shares	**Amount**
First Preferred Shares		
Balance June 30, 2000		$ 1,642,728
Series D shares converted during year	(120,000)	(170,820)
Balance June 30, 2001 and June 30, 2002		$ 1,471,908

(c) Details of warrants outstanding are as follows:

Number of Warrants	Price/Warrant	Expiry Date
933,333	$0.15	August 9, 2003
145,000	$2.10/$2.60	July 14, 2003
383,000	$2.10/$2.60	June 30, 2003
1,200,000	$0.55	February 2, 2003
80,000 [1]	$2.00	October 7, 2002
149,400 [1]	$2.40	August 7, 2002
2,890,733		

During the year 1,056,401 warrants expired without being exercised and an additional [1] 229,400 warrants have expired subsequent to the balance sheet date.

(in Canadian dollars)

11. Share Capital - continued

(d) **Details of options outstanding are as follows:**

Common Shares Under Option		Price/Option	Expiry Date
435,000	[1]	$1.45	July 1, 2002
80,000	[1]	$1.05	January 8, 2003
145,000	[1]	$1.60	March 16, 2003
7,500		$1.45	August 3, 2003
20,000	[1]	$0.90	December 29, 2003
16,000		$0.85	April 14, 2004
36,000		$4.40	June 30, 2004
150,000	[1]	$2.95	November 22, 2004
120,000		$0.21	April 1, 2005
150,000		$2.35	June 19, 2005
45,000	[1]	$2.35	August 16, 2005
30,000		$2.35	August 16, 2005
260,500	[1]	$0.89	January 23, 2006
30,000		$0.89	January 23, 2006
100,000	[1]	$0.17	November 27, 2006
525,000	[1]	$0.24	February 19, 2007
375,000	[1]	$0.24	February 19, 2007
200,000	[1]	$0.135	April 30, 2007
2,725,000			

[1] Directors and/or Officers of the Company hold these options.

[2] A total of 1,234,500 options expired during the year without being exercised as a result of having reached their expiry date or due to the resignation and/or termination of Directors, employees and consultants. During the year, 1,320,000 new options were granted including 1,200,000 to Directors and/or Officers.

12. Commitments

Operating leases

Minimum payments under operating leases for premises and office equipment are approximately as follows:

2003	$ 131,851
2004	131,753
2005	119,894
2006	102,235
2007	104,121
Thereafter	369,328
	$ 959,182

(in Canadian dollars)

13. Discontinued Operations

In January 2002, Internet Commerce Solutions Inc. ("ICSI") ceased operations and accordingly the results of its operations are included in Discontinued operations - operating net income. Immediately following the cessation of business the secured creditors of ICSI seized all tangible and intangible assets. While the Company continues to hold its interest in ICSI it does not provide any guarantees or indemnification relative to the debts of ICSI and therefore has no obligation to settle any obligations that may remain after the secured creditors complete the liquidation of assets. Accordingly, it has been determined that consolidation of the assets, if any, and liabilities of this company is no longer appropriate. The difference between the total assets and total liabilities as at the date the operations ceased has been recognized as Discontinued operations - gain on discontinuance.

The operating results of discontinued operations are as follows:

	2002	2001
Revenue	**$ 787,935**	$ 2,110,997
Cost of product sales	**639,351**	1,444,070
Operating expenses	**350,293**	833,566
Income (loss) from discontinued operations	**$ (201,709)**	$ (166,639)
Earnings (loss) per share	**$ (0.007)**	$ (0.008)
Deficiency in assets at date of discontinuance	**$ (443,181)**	$ -
Less: Loan payable to parent company	**35,000**	**-**
Gain on discontinuance	**$ (408,181)**	$ **-**

The assets and liabilities of discontinued operations are as follows:

Current assets	**$ 77,655**	$ 590,247
Non-current assets	**78,839**	94,369
Current liabilities	**(519,964)**	(799,712)
Non-current liabilities	**(79,711)**	(86,376)
	$ (443,181)	$ (201,472)

(in Canadian dollars)

14. Income Taxes

The potential income tax benefits resulting from the application of income tax losses and unused investment tax credits have not been recognized in the financial statements. The following losses and investment tax credits include 100% of the respective losses and investment tax credits of the subsidiary companies and will expire as follows:

Year	**Federal Losses**	**Ontario Losses**	**Investment Tax Credits**
2003	$ -	$ -	$ 1,000
2004	-	-	-
2005	213,000	213,000	-
2006	47,000	47,000	-
2007	177,000	501,000	-
2008	382,000	382,000	-
2009	977,000	977,000	-
	1,796,000	2,120,000	1,000
Expenses recorded in the accounts, not yet claimed for tax purposes, available indefinitely	15,441,000	15,441,000	-
	$ 17,237,000	$ 17,561,000	$ 1,000

In addition to the above income tax loss amounts, there are additional Federal and Ontario loss carry-forward amounts available of $79,000 to offset income derived specifically from mining operations. The potential income tax benefits resulting from the application of these tax losses have not been recognized in the financial statements. These losses expire in 2003.

The full realization these losses carried forward is subject to the result of audits by Canada Customs and Revenue Agency.

Income taxes vary from the amounts that would be computed by applying the composite federal and provincial statutory income tax rates for the following reasons:

	2002		2001	
Income taxes (recovery) at statutory rates	**$ (550,000)**	**(41.5)**%	$(3,704,000)	(42.0) %
Decrease (increase) in income tax (recovery) resulting from:				
Expenses deducted in the accounts which have no corresponding deduction for tax purposes, primarily goodwill, amortization, and loss on decline in value of investments	**161,000**	**12.1**%	3,807,000	43.2%
Other temporary differences	**(18,000)**	**(1.4)**%	(2,000)	-%
Non-deductible amounts	**2,000**	**0.2**%	-	-%
	(405,000)	**(30.6)**%	101,000	1.2%
Benefit of tax losses and investment tax credits not recognized (utilized)	**405,000**	**30.6**%	(113,000)	(1.3)%
	$ -	**-**%	$ (12,000)	(0.1)%

(in Canadian dollars)

15. Related Party Transactions

The following related parties had transactions with the Company during the year or outstanding balances at the end of the year.

Nu-Way Offerings Limited ("Nu-Way")

A shareholder, whose President is a Director of the Company.

1114377 Ontario Inc. ("1114377")

A shareholder, that is controlled by the spouse of a Director of the Company.

James Lalonde

A director of Northern Cross Minerals Inc., a subsidiary of the Company.

Nexsys Commtech International Inc. ("Nexsys")

The Company holds 43% of the outstanding voting shares.

Gametele Systems Inc. ("Gametele")

The Company holds a 0.0% (2001 - 13.4%) of the outstanding voting shares.

Med-Minder Enterprises Inc. ("Med-Minder")

The Company holds 2.4% of the outstanding voting shares.

Description	**Related Party**		**2002**		2001
Revenue - design services	Gametele	**$**	**-**	$	140,317
Revenue - product sales	Gametele	**$**	**-**	$	1,153,537
Revenue - other	1114377	**$**	**8,043**	$	-
Revenue - other	Gametele	**$**	**-**	$	700,603
Revenue - other	Nexsys	**$**	**-**	$	384,197
Revenue - other	Med-Minder	**$**	**-**	$	4,354
Interest expense	Nu-Way	**$**	**30,284**	$	3,744
Interest expense	1114377	**$**	**13,405**	$	-
Interest expense	Directors/Officers	**$**	**12,905**	$	8,791
Consulting fees expense	James Lalonde	**$**	**7,200**	$	7,385

Revenues, expenses and year end balances with the related parties are at exchange amounts established and agreed to by the related parties. All transactions with related parties are in the normal course of operations and have been carried out on the same terms as those accorded to unrelated parties. Approximately 0.5% (2001 - 41%) of the Company's revenues are derived from a few related parties; approximately 18% (2001 - Nil) of the Company's total assets are derived from transactions with or investments in related parties.