

ZTEST ELECTRONICS INC.

CONSOLIDATED INTERIM STATEMENTS OF INCOME AND DEFICIT (Unaudited)

For the Three Months Ended September 30

	2000	1999
Revenue		
Design services	\$ 17,040	\$ 2,308
Product sales	1,091,423	12,468
Other revenue	133,900	83,558
	1,242,363	98,334
Expenses		
Amortization	59,732	39,521
Cost of goods sold	688,929	27,191
Selling, general and administrative expenses	337,400	114,419
Interest expense	50,983	21,981
Dividends on preferred shares	2,740	10,485
	1,139,784	213,597
Net income (loss) from continuing operations	102,579	(115,263)
Net loss from discontinued operations	-	(32,253)
Non-controlling interest in net income of subsidiaries	(43,299)	-
Net income (loss) for the period	\$ 59,280	\$ (147,516)

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (Unaudited)

For the Three Months Ended September 30

	2000	1999
Cash Provided by (used in)		
Operating Activities		
Net income (loss) for the period	\$ 59,280	\$ (147,516)
Items not involving cash		
Amortization of goodwill	23,546	29,236
Amortization of capital assets	36,186	13,665
Amortization of deferred development costs	-	11,260
Non-controlling interest in net income (loss) of subsidiaries	43,299	(28,304)
Changes in non-cash working capital items excluding cash		
Accounts receivable	(945,103)	47,339
Inventories	94,795	2,567
Prepaid expenses	(24,627)	(25,952)
Amounts receivable	1,240	(221,377)
Accounts payable and accrued liabilities	110,626	(182,074)
Deferred income	(203,679)	49,128
	(804,437)	(452,028)
Investing Activities		
Bank indebtedness arising on acquisition of subsidiary	(73,346)	-
Purchase of capital assets	(186,404)	(4,888)
Investments and advances	(28,611)	(261)
Goodwill arising on acquisition of subsidiary	(214,085)	-
	(502,446)	(5,149)
Financing Activities		
Capital lease obligation	(4,749)	(3,200)
Long-term debt	79,138	(13,231)
Notes payable and other advances	-	59,844
Settlement of commitment	(300,000)	-
Issuance of common shares	871,960	288,419
Dividends on preferred shares	(483)	-
	645,866	331,832
Decrease in cash	(661,017)	(125,345)
Cash, beginning of period	575,406	143,419
Cash (deficiency), end of period	\$ (85,611)	\$ 18,074