

MATRIKON INC.
Consolidated Balance Sheets
(Thousands of dollars)

<i>As at</i>	November 30, 2001 (Unaudited)	August 31, 2001 (Audited)
ASSETS		
Current		
Cash and short term investments	\$ 95	\$ 238
Accounts receivable	10,393	7,972
Contracts in progress	1,990	1,142
Prepaid expenses	372	449
	12,850	9,801
Future income taxes	2,819	3,196
Goodwill	3,695	3,695
Intangible assets	165	168
Development costs	473	557
Capital assets	1,584	1,525
Long term investments	644	644
Total Assets	\$ 22,230	\$ 19,586
LIABILITIES & SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness	\$ 2,846	\$ 938
Accounts payable and accrued liabilities	4,744	3,271
Income taxes payable	-	459
Deferred revenue	2,131	2,972
Total Liabilities	9,721	7,640
Shareholders' equity		
Share capital	10,222	10,222
Retained earnings	2,287	1,724
Total Shareholders Equity	12,509	11,946
Total Liabilities & Shareholders' Equity	\$ 22,230	\$ 19,586
Number of common shares outstanding	22,735	22,735
Number of options outstanding	1,391	1,326

MATRIKON INC.**Consolidated Statements of Income and Retained Earnings***(Thousands of dollars except per share amounts)*

	<i>For the period ended</i>	November 30, 2001 (Unaudited)	November 30, 2000 (Unaudited)
REVENUE			
Consulting fees		\$ 6,823	\$ 5,911
Software license fees		975	234
Equipment sales		2,329	182
Extended support		610	70
		10,737	6,397
Cost of sales		5,787	3,146
		4,950	3,251
EXPENSES			
Consulting		1,471	364
Sales and marketing		1,037	635
Research and development		549	328
General and administration		734	626
Amortization		196	105
		963	1,193
Other income (expenses)		(21)	(524)
Income before income taxes		942	669
Income tax expense			
Current		2	7
Future		377	267
		379	274
Net income		\$ 563	\$ 395
RETAINED EARNINGS			
Retained earnings, beginning of period		\$ 1,724	\$ 772
Net income		563	395
Retained earnings, end of period		\$ 2,287	\$ 1,167
Weighted average number of shares outstanding <i>(thousands)</i>		22,735	18,271
Basic earnings per share		\$ 0.02	\$ 0.02
Diluted earnings per share		\$ 0.02	\$ 0.02

MATRIKON INC.
Consolidated Statements Cash Flows
(Thousands of dollars)

<i>For the period ended</i>	November 30, 2001 (Unaudited)	November 30, 2000 (Unaudited)
Operating activities:		
Net income	\$ 563	\$ 395
Items not affecting cash:		
Amortization	196	105
Non-controlling interest	-	(2)
Future income taxes	377	267
	<hr/> 1,136	<hr/> 765
Change in non-cash working capital items:		
Accounts receivable	(2,420)	(933)
Prepaid expenses	77	(2)
Contracts in progress	(848)	553
Investment tax credit	-	66
Income taxes payable	(459)	(14)
Accounts payable and accrued liabilities	1,472	(134)
Deferred revenue	(841)	(245)
Cash provided by (used in) operating activities	<hr/> (1,883)	<hr/> 56
Investing activities:		
Purchase of capital assets	(168)	(136)
Cash used in investing activities	<hr/> (168)	<hr/> (136)
Financing activities:		
Proceeds from line of credit	1,908	(849)
Advances from related parties	-	889
Cash provided from financing activities	<hr/> 1,908	<hr/> 40
Cash increase (decrease)	(143)	(40)
Cash, beginning of period	238	270
Cash, end of period	<hr/> \$ 95	<hr/> \$ 230
Interest paid	\$ 22	\$ 10
Taxes paid	\$ 405	\$ 9

MATRIKON INC.

Consolidated Statements Cash Flows

Period ended November 30, 2001

Thousands of dollars except share and per share amounts

The unaudited interim financial statements for the period ended November 30, 2001 should be read in conjunction with the consolidated financial statements for the year ended August 31, 2001. These interim financial statements do not conform in all respects to the note disclosure requirements of generally accepted accounting principles for annual financial statements.

Unless otherwise noted, these financial statements are prepared in accordance with the same accounting policies and methods as the consolidated financial statements for the year ended August 31, 2001.

1. CHANGES IN ACCOUNTING POLICY

(a) Goodwill and Other Intangible Assets

In August 2001, the Accounting Standards Board of the CICA issued Handbook Section 1581, Business Combinations, and Section 3062 Goodwill and Other Intangible Assets. Under Section 3062, goodwill is not amortized and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired.

The Company has adopted Sections 3062 and 1581 effective September 1, 2001. As of the date of adoption, the Company had unamortized goodwill in the amount of \$3,695, which is no longer being amortized. This amount includes a reclassification of \$576 of deferred charges. This change in accounting policy resulted in a reduction in amortization expense related to this goodwill of \$140 (net of taxes of \$84) for the period ended November 30, 2001. In accordance with the requirements of Section 3062, this change in accounting policy is not applied retroactively and the amounts presented for prior periods have not been restated for this change.

(b) Earnings Per Share

In January 2001, the CICA issued new requirements under Handbook Section 3500, Earnings Per Share. The standard required a change from the imputed earnings method to the treasury stock method of presentation for earnings per share. Under the treasury stock method, the objective is to provide a measure of the interests of each common share in the performance of an enterprise for the reporting period. This new standard had no effect on earnings per share amounts for the three months ended November 30, 2000.

The Company has adopted this new Section 3500 and applied it on a retroactive basis.

2. Contingent Liabilities

The Company owns approximately 8.5% of the shares of Industrial Evolution, Inc. ("IE"), an Arizona corporation with a cost and carrying value of \$564,000 at November 30, 2001. On October 23, 2001, the Company was sued by IE in an action brought in the United States District Court for the District of Arizona based on allegations of copyright infringement, breach of contract, and unfair competition. IE is currently seeking a preliminary injunction to prevent the Company from marketing ProcessNet version 1.7. The amount of the Company's liability, if any, in this lawsuit is uncertain. In the opinion of management, the financial exposure of the Company as a result of this action will not materially affect the financial position, results of operations or cash flows of the Company. The Company has denied the allegations and is defending the lawsuit vigorously.

3. Bank Covenants

As at November 30, 2001, the Company was technically not in compliance with the debt to equity covenant in the credit agreement with its Bank. However management has stayed closely in touch with the Bank, and the Bank is aware of and has not expressed concern in this regard. The Company expects to be in compliance as of January 31, 2002.

4. Segmented Information

Management has determined that the Corporation and its subsidiaries are engaged in a number of lines of business including Control and Automation, Industrial Information Systems, Advanced Controls, Driver development and product sales and implementation.

Matrikon operates the following business segments, which have been segmented based on the way that management organizes the segments within the business for making operating decisions and assessing performance. The distribution of revenue by business unit is as follows:

	Control & Automation	Industrial IS	Advanced Controls	Systems (Drivers)	Products Sales & Implementation	Multidisciplinary Projects	Corporate and Eliminations	Total
Q1 2002								
Revenue	\$ 1,486	\$ 2,414	\$ 1,101	\$ 652	\$ 3,590	\$ 1,494	-	\$ 10,737
Intercompany consulting revenue	82	566	177	178	528	345	(1,876)	-
<i>Total Revenue</i>	\$ 1,568	\$ 2,980	\$ 1,278	\$ 830	\$ 4,118	\$ 1,839	(\$ 1,876)	\$ 10,737
Operating expenses	1,276	1,968	1,134	418	3,280	1,578	(76)	9,578
Amortization	-	-	-	-	-	-	196	196
<i>Total Operating Expenses</i>	\$ 1,276	\$ 1,968	\$ 1,134	\$ 418	\$ 3,280	\$ 1,578	\$ 120	\$ 9,774
Other income (expenses)							(21)	(21)
<i>Income before tax</i>	\$ 292	\$ 1,012	\$ 144	\$ 412	\$ 838	\$ 261	(\$ 2,017)	\$ 942

	Control & Automation	Industrial IS	Advanced Controls	Systems (Drivers)	Products Sales & Implementation	Multidisciplinary Projects	Corporate and Eliminations	Total
Q1 2001								
Revenue	\$ 859	\$ 2,476	\$ 803	\$ 815	\$ 672	\$ 808	(36)	\$ 6,397
Intercompany consulting revenue	150	311	171	72	31	5	(740)	-
<i>Total Revenue</i>	\$ 1,009	\$ 2,787	\$ 974	\$ 887	\$ 703	\$ 813	(\$ 776)	\$ 6,397
Operating expenses	758	1,341	829	556	932	612	71	5,099
Amortization	-	-	-	-	-	-	105	105
<i>Total Operating Expenses</i>	\$ 758	\$ 1,341	\$ 829	\$ 556	\$ 932	\$ 612	\$ 176	\$ 5,204
Other income (expenses)							(524)	(524)
<i>Income before tax</i>	\$ 251	\$ 1,446	\$ 145	\$ 331	(\$ 229)	\$ 201	(\$ 1,476)	\$ 669