

MATRIKON INC.
Consolidated Balance Sheets
(Thousands)

	As at	February 28, 2002 (Unaudited)	August 31, 2001 (Audited)
ASSETS			
Current			
Cash and short term investments	\$	255	\$ 238
Accounts receivable		8,189	7,972
Contracts in progress		2,075	1,142
Prepaid expenses		696	449
Income tax recoverable		82	-
		11,297	9,801
Future income taxes		2,817	3,196
Goodwill		3,695	3,695
Development costs		390	557
Technology rights <small>(Note 2)</small>		1,107	-
Other intangible assets		209	168
Capital assets		1,632	1,525
Long term investments <small>(Note 2)</small>		86	644
Total Assets	\$	21,233	\$ 19,586
LIABILITIES & SHAREHOLDERS' EQUITY			
Current			
Bank indebtedness	\$	1,517	\$ 938
Accounts payable and accrued liabilities		3,746	3,271
Income taxes payable		190	459
Deferred revenue		2,981	2,972
Total Liabilities		8,434	7,640
Shareholders' equity			
Share capital		10,222	10,222
Retained earnings		2,577	1,724
Total Shareholders' Equity		12,799	11,946
Total Liabilities & Shareholders' Equity	\$	21,233	\$ 19,586
Number of common shares outstanding (thousands)		22,738	22,735
Number of options outstanding (thousands)		1,359	1,326

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

<i>For the period ended</i>	3 Months		6 Months	
	February 28, 2002 (Unaudited)	February 28, 2001 (Unaudited)	February 28, 2002 (Unaudited)	February 28, 2001 (Unaudited)
REVENUE				
Consulting fees	\$ 6,599	\$ 4,988	\$ 13,422	\$ 10,899
Software license fees	722	572	1,697	806
Equipment sales	399	207	2,728	389
Extended support	610	201	1,220	271
	8,330	5,968	19,067	12,365
Cost of sales	4,068	3,853	9,855	6,999
	4,262	2,115	9,212	5,366
EXPENSES				
Consulting	1,302	460	2,773	824
Sales and marketing	1,056	256	2,093	891
Research and development	512	397	1,061	725
General and administration	1,090	597	1,824	1,223
Amortization	252	115	448	220
	4,212	1,825	8,199	3,883
Other income (expenses)	435	(52)	414	(576)
Income before income taxes	485	238	1,427	907
Income tax expense				
Current	193	31	195	38
Future	2	63	379	330
	195	94	574	368
Net income	\$ 290	\$ 144	\$ 853	\$ 539
RETAINED EARNINGS				
Retained earnings, beginning of period	\$ 2,287	\$ 1,167	\$ 1,724	\$ 772
Net income	290	144	853	539
Retained earnings, end of period	\$ 2,577	\$ 1,311	\$ 2,577	\$ 1,311
Weighted average number of shares outstanding <i>(thousands)</i>	22,738	18,271	22,736	18,271
Basic earnings per share	\$ 0.01	\$ 0.01	\$ 0.04	\$ 0.03
Diluted earnings per share	\$ 0.01	\$ 0.01	\$ 0.04	\$ 0.03

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

<i>For the period ended</i>	3 Months		6 Months	
	February 28, 2002 (Unaudited)	February 28, 2001 (Unaudited)	February 28, 2002 (Unaudited)	February 28, 2001 (Unaudited)
Operating activities:				
Net income	\$ 290	\$ 144	\$ 853	\$ 539
Items not affecting cash:				
Amortization	252	115	448	220
Non-controlling interest	(5)	(11)	(5)	(13)
Future income taxes	2	63	379	330
	539	311	1,675	1,076
Changes in non-cash working capital	1,704	596	(1,315)	113
Cash provided by operating activities	2,243	907	360	963
Investing activities:				
Purchase of capital assets	(179)	(199)	(347)	(335)
Purchase of technology rights	(574)	-	(574)	-
Cash used in investing activities	(753)	(199)	(921)	(335)
Financing activities:				
Proceeds from (repayment of) bank indebtedness	(1,330)	(501)	578	(1,350)
Advances from related parties	-	(23)	-	866
Cash provided from (repayment of) financing activities	(1,330)	(524)	578	(484)
Cash increase	160	184	17	144
Cash, beginning of period	95	230	238	270
Cash, end of period	\$ 255	\$ 414	\$ 255	\$ 414
Interest paid	\$ 1	\$ 16	\$ 23	\$ 26
Taxes paid	\$ 79	\$ 20	\$ 484	\$ 29

MATRIKON INC.

Notes to Financial Statements

Period ended February 28, 2002

Thousands of dollars except share and per share amounts

The unaudited interim financial statements for the period ended February 28, 2002 should be read in conjunction with the consolidated financial statements for the year ended August 31, 2001. These interim financial statements conform in all material respects to the requirements of generally accepted accounting principles for interim 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 POLICIES

(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 change in accounting policy resulted in a reduction in amortization expense related to this goodwill of \$280 (net of taxes of \$164) for the six months ended February 28, 2002. 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. The Company has adopted the Section 3500 requirements and applied them on a retroactive basis. This new standard had no effect on earnings per share amounts for the six months ended February 28, 2001.

2. Acquisition of Technology Rights

During the quarter ended February 28, 2002, the Company acquired the undisputed rights to all ProcessNet modules for total consideration of \$1,138. The consideration was comprised of the Company's 8.5% investment in Industrial Evolution, Inc. ("IE") that had a carrying value of \$564, cash of \$495 and additional costs of \$79. These costs have been capitalized and are being amortized on a straight-line basis over a period of three years.

These technology rights were acquired in conjunction with the settlement of a lawsuit brought by IE, where the Company incurred additional expenses of \$623 that have been recorded as a charge to earnings in the six-month period ended February 28, 2002.

3. Segmented Information

Management has determined that the Company 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.

3. Segmented Information continued

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
Q2 2002								
Revenue	1,696	2,098	989	846	1,623	600	478	8,330
Intercompany consulting revenue	64	160	161	120	413	223	(1,141)	-
<i>Total Revenue</i>	1,760	2,258	1,150	966	2,036	823	(663)	8,330
Operating expenses	1,560	2,309	940	429	1,835	548	356	7,977
Amortization	-	-	-	-	-	-	252	252
<i>Total Operating Expenses</i>	1,560	2,309	940	429	1,835	548	608	8,229
Other income (expenses)	-	-	-	-	-	-	384	384
<i>Income before income taxes</i>	200	(51)	210	537	201	275	(887)	485

	Control & Automation	Industrial IS	Advanced Controls	Systems (Drivers)	Products Sales & Implementation	Multidisciplinary Projects	Corporate and Eliminations	Total
Q2 2001								
Revenue	854	1,217	536	1,044	1,316	1,060	(59)	5,968
Intercompany consulting revenue	117	286	181	23	224	19	(850)	-
<i>Total Revenue</i>	971	1,503	717	1,067	1,540	1,079	(909)	5,968
Operating expenses	904	1,297	608	538	960	656	600	5,563
Amortization	-	-	-	-	-	-	115	115
<i>Total Operating Expenses</i>	904	1,297	608	538	960	656	715	5,678
Other income (expenses)	-	-	-	-	-	-	(52)	(52)
<i>Income before income taxes</i>	67	206	109	529	580	423	(1,676)	238

3. Segmented Information continued

	Control & Automation	Industrial IS	Advanced Controls	Systems (Drivers)	Products Sales & Implementation	Multidisciplinary Projects	Corporate and Eliminations	Total
6 MONTHS ENDING FEB. 28, 2002								
Revenue	3,182	4,512	2,090	1,498	5,213	2,094	478	19,067
Intercompany consulting revenue	146	726	338	298	941	568	(3,017)	-
<i>Total Revenue</i>	3,328	5,238	2,428	1,796	6,154	2,662	(2,539)	19,067
Operating expenses	2,836	4,277	2,074	847	5,115	2,126	280	17,555
Amortization	-	-	-	-	-	-	448	448
<i>Total Operating Expenses</i>	2,836	4,277	2,074	847	5,115	2,126	728	18,003
Other income (expenses)	-	-	-	-	-	-	363	363
<i>Income before income taxes</i>	492	961	354	949	1,039	536	(2,904)	1,427

	Control & Automation	Industrial IS	Advanced Controls	Systems (Drivers)	Products Sales & Implementation	Multidisciplinary Projects	Corporate and Eliminations	Total
6 MONTHS ENDING FEB. 28, 2001								
Revenue	1,713	3,693	1,339	1,859	1,988	1,868	(95)	12,365
Intercompany consulting revenue	267	597	352	95	255	24	(1,590)	-
<i>Total Revenue</i>	1,980	4,290	1,691	1,954	2,243	1,892	(1,685)	12,365
Operating expenses	1,662	2,638	1,437	1,094	1,892	1,268	671	10,662
Amortization	-	-	-	-	-	-	220	220
<i>Total Operating Expenses</i>	1,662	2,638	1,437	1,094	1,892	1,268	891	10,882
Other income (expenses)	-	-	-	-	-	-	(576)	(576)
<i>Income before income taxes</i>	318	1,652	254	860	351	624	(3,152)	907

