

MATRIKON INC.

Consolidated Balance Sheets

(Thousands)

	As at	May 31, 2002 (Unaudited)	August 31, 2001 (Audited)
ASSETS			
Current			
Cash and short term investments	\$	158	\$ 238
Accounts receivable		7,446	7,972
Contracts in progress		3,561	1,142
Prepaid expenses		481	449
		11,646	9,801
Future income taxes		2,410	3,196
Goodwill		3,695	3,695
Development costs		306	557
Technology rights (Note 2)		1,012	-
Other intangible assets		213	168
Capital assets		1,648	1,525
Long term investments (Note 2)		40	644
Total Assets	\$	20,970	\$ 19,586
LIABILITIES & SHAREHOLDERS' EQUITY			
Current			
Bank indebtedness	\$	567	\$ 938
Accounts payable and accrued liabilities		2,830	3,271
Income taxes payable		190	459
Deferred revenue		2,304	2,972
Total Liabilities		5,891	7,640
Shareholders' equity			
Share capital (Note 3)		11,940	10,222
Retained earnings		3,139	1,724
Total Shareholders' Equity		15,079	11,946
Total Liabilities & Shareholders' Equity	\$	20,970	\$ 19,586
Number of common shares outstanding (thousands)		23,738	22,735
Number of options outstanding (thousands)		1,391	1,326

MATRIKON INC.

Consolidated Statements of Income and Retained Earnings

(Thousands except per share amounts)

<i>For the period ended</i>	3 Months		9 Months	
	May 31, 2002 (Unaudited)	May 31, 2001 (Unaudited)	May 31, 2002 (Unaudited)	May 31, 2001 (Unaudited)
REVENUE				
Consulting fees	\$ 7,159	\$ 5,690	\$ 20,581	\$ 16,589
Software license fees	1,336	465	3,033	1,271
Equipment sales	426	260	3,154	649
Extended support	549	412	1,769	683
	9,470	6,827	28,537	19,192
Cost of sales	4,521	4,566	14,376	11,565
	4,949	2,261	14,161	7,627
EXPENSES				
Consulting	1,388	268	4,161	1,092
Sales and marketing	943	388	3,036	1,279
Research and development	638	578	1,699	1,303
General and administration	695	707	2,519	1,930
Amortization	334	241	782	461
	3,998	2,182	12,197	6,065
Other income (expenses)	20	(74)	434	(650)
Income before income taxes	971	5	2,398	912
Income tax expense				
Current	2	332	197	370
Future	407	(330)	786	-
	409	2	983	370
Net income	\$ 562	\$ 3	\$ 1,415	\$ 542
RETAINED EARNINGS				
Retained earnings, beginning of period	\$ 2,577	\$ 1,311	\$ 1,724	\$ 772
Net income	562	3	1,415	542
Retained earnings, end of period	\$ 3,139	\$ 1,314	\$ 3,139	\$ 1,314
Weighted average number of shares outstanding (<i>thousands</i>)	22,742	21,253	22,738	19,263
Basic earnings per share	\$ 0.03	\$ 0.00	\$ 0.06	\$ 0.03
Diluted earnings per share	\$ 0.03	\$ 0.00	\$ 0.06	\$ 0.03

MATRIKON INC.

Consolidated Statements of Cash Flows

(Thousands of dollars)

<i>For the period ended</i>	3 Months		9 Months	
	May 31, 2002 (Unaudited)	May 31, 2001 (Unaudited)	May 31, 2002 (Unaudited)	May 31, 2001 (Unaudited)
Operating activities:				
Net income	\$ 562	\$ 3	\$ 1,415	\$ 542
Items not affecting cash:				
Amortization	334	241	782	461
Non-controlling interest	46	13	41	-
Future income taxes	407	(330)	786	-
	1,349	(73)	3,024	1,003
Changes in non-cash working capital	(2,040)	(1,218)	(3,355)	(1,331)
Cash provided by operating activities	(691)	(1,291)	(331)	(328)
Investing activities:				
Deferred charges	-	(236)	-	(236)
Purchase of acquired company	-	589	-	589
Purchase of capital assets	(174)	(207)	(521)	(542)
Purchase of technology rights	-	-	(574)	-
Purchase of other assets	-	(1)	-	(1)
Cash used in investing activities	(174)	145	(1,095)	(190)
Financing activities:				
Proceeds from share issue	1,718	45	1,718	45
Proceeds from (repayment of) bank indebtedness	(950)	982	(372)	(368)
Advances from related parties	-	17	-	883
Cash provided from (repayment of) financing activities	768	1,044	1,346	560
Cash increase (decrease)	(97)	(102)	(80)	42
Cash, beginning of period	255	414	238	270
Cash, end of period	\$ 158	\$ 312	\$ 158	\$ 312
Interest paid	\$ 1	\$ (3)	\$ 24	\$ 23
Taxes paid	\$ 12	\$ 4	\$ 496	\$ 33

MATRIKON INC.

Notes to Financial Statements

Period ended May 31, 2002

Thousands of dollars except share and per share amounts

The unaudited interim financial statements for the period ended May 31, 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 \$355 (net of taxes of \$213) for the nine months ended May 31, 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.

The following table compares basic earnings per share as reported in the prior fiscal year recalculated as a result of applying the news standards.

<i>For the period ended</i>	3 Months		9 Months	
	May 31, 2002	May 31, 2001	May 31, 2002	May 31, 2001
Net income (thousands)	\$ 562	\$ 3	\$ 1,415	\$ 542
Goodwill (thousands, net of tax)	-	49	-	49
	562	52	1,415	591
Weighted averages shares outstanding (thousands)	22,742	21,253	22,738	19,263
Basic net earnings per share	\$ 0.03	\$ 0.00	\$ 0.06	\$ 0.03
Adjusted basic net earnings per share	\$ 0.03	\$ 0.00	\$ 0.06	\$ 0.03

(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 nine months ended May 31, 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. Share Capital

On May 30, 2002 the Company sold 1,000 common shares through private placement for \$1.90 per share. After deducting underwriting and other expenses amounting to \$18, the net amount credited to capital stock was \$1,720.

4. Subsequent Event

On July 7, 2002, the Company reached an agreement in principle with the shareholders of Hunter Control Pty. Ltd. ("Hunter Control") whereby up to CDN\$1.0 million in Matrikon shares will be issued in exchange for all issued and outstanding shares of Hunter Control plus working capital adjustments to the date of closing.

Hunter Control, a privately-owned company, is an independent automation and information system integration company with 60 employees and offices in Newcastle, Brisbane and Singleton. It is expected that the transaction will be completed prior to August 31, 2002. The acquisition is subject to, among other things, regulatory approval, satisfactory completion of due diligence, approval by Matrikon's board of directors and definitive documentation.

5. 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.

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:

Q3 2002	Control & Automation	Industrial IS	Advanced Controls	Systems (Drivers)	Products Sales & Implementation	Multidisciplinary Projects	Corporate and Eliminations	Total
Revenue	2,353	2,216	1,459	783	1,902	1,340	(583)	9,470
Intercompany consulting revenue	195	268	106	180	395	157	(1,301)	-
<i>Total Revenue</i>	2,548	2,484	1,565	963	2,297	1,497	(1,884)	9,470
Operating expenses	1,453	1,770	1,160	488	2,287	972	55	8,185
Amortization	-	-	-	-	-	-	334	334
<i>Total Operating Expenses</i>	1,453	1,770	1,160	488	2,287	972	389	8,519
Other income (expenses)	-	-	-	-	-	-	20	20
<i>Income before income taxes</i>	1,095	714	405	475	10	525	(2,253)	971

Q3 2001	Control & Automation	Industrial IS	Advanced Controls	Systems (Drivers)	Products Sales & Implementation	Multidisciplinary Projects	Corporate and Eliminations	Total
Revenue	1,622	1,875	496	782	1,014	598	440	6,827
Intercompany consulting revenue	2	154	368	-3	329	49	(899)	-
<i>Total Revenue</i>	1,624	2,029	864	779	1,343	647	(459)	6,827
Operating expenses	673	1,442	758	459	1,587	739	849	6,507
Amortization	-	-	-	-	-	-	241	241
<i>Total Operating Expenses</i>	673	1,442	758	459	1,587	739	1,090	6,748
Other income (expenses)	-	-	-	-	-	-	(74)	(74)
<i>Income before income taxes</i>	951	587	106	320	(244)	(92)	(1,623)	5

5. Segmented Information continued

9 MONTHS ENDING May 31, 2002	Control & Automation	Industrial IS	Advanced Controls	Systems (Drivers)	Products Sales & Implementation	Multidisciplinary Projects	Corporate and Eliminations	Total
Revenue	5,535	6,728	3,549	2,281	7,115	3,434	(105)	28,537
Intercompany consulting revenue	341	994	444	478	1,336	725	(4,318)	-
<i>Total Revenue</i>	5,876	7,722	3,993	2,759	8,451	4,159	(4,423)	28,537
Operating expenses	4,289	6,047	3,234	1,335	7,402	3,098	386	25,791
Amortization	-	-	-	-	-	-	782	782
<i>Total Operating Expenses</i>	4,289	6,047	3,234	1,335	7,402	3,098	1,168	26,573
Other income (expenses)	-	-	-	-	-	-	434	434
<i>Income before income taxes</i>	1,587	1,675	759	1,424	1,049	1,061	(5,157)	2,398

9 MONTHS ENDING May 31, 2001	Control & Automation	Industrial IS	Advanced Controls	Systems (Drivers)	Products Sales & Implementation	Multidisciplinary Projects	Corporate and Eliminations	Total
Revenue	3,335	5,568	1,835	2,641	3,002	2,466	345	19,192
Intercompany consulting revenue	269	751	720	92	584	73	(2,489)	-
<i>Total Revenue</i>	3,604	6,319	2,555	2,733	3,586	2,539	(2,144)	19,192
Operating expenses	2,335	4,080	2,195	1,553	3,479	2,007	1,520	17,169
Amortization	-	-	-	-	-	-	461	461
<i>Total Operating Expenses</i>	2,335	4,080	2,195	1,553	3,479	2,007	1,981	17,630
Other income (expenses)	-	-	-	-	-	-	(650)	(650)
<i>Income before income taxes</i>	1,269	2,239	360	1,180	107	532	(4,775)	912