

Netgraphe Inc.

Consolidated Earnings

Periods ended December 31, 2001 and May 31, 2001

	2001-12-31 (7 months)	2001-05-31 (12 months)
	\$	\$
Revenue	16 545 703	23 723 830
Operating, selling and administrative expenses	<u>26 095 256</u>	<u>45 100 825</u>
Operating loss before financial charges, depreciation and unusual items	<u>(9 549 553)</u>	<u>(21 376 995)</u>
Financial charges	342 496	4 336 552
Depreciation	3 702 725	5 268 624
Unusual items	<u>2 520 646</u>	<u>12 563 217</u>
	<u>6 565 867</u>	<u>22 168 393</u>
Loss before income taxes and amortization and write down of goodwill	(16 115 420)	(43 545 388)
Income taxes	<u>154 217</u>	<u>254 415</u>
Loss before amortization and write down of goodwill	<u>(16 269 637)</u>	<u>(43 799 803)</u>
Amortization of goodwill	8 748 877	15 678 645
Write down of goodwill	<u>29 700 000</u>	<u>-</u>
	<u>38 448 877</u>	<u>15 678 645</u>
Net loss	<u>(54 718 514)</u>	<u>(59 478 448)</u>
Loss per share		
Basic and diluted	<u>(0,25)</u>	<u>(0,54)</u>
Weighted average number of shares outstanding	<u>222 603 176</u>	<u>110 381 148</u>

Netgraphe Inc.

Consolidated Cash Flows

Periods ended December 31, 2001 and May 31, 2001

	2001-12-31 (7 months)	2001-05-31 (12 months)
	\$	\$
OPERATING ACTIVITIES		
Net loss	(54 718 514)	(59 478 448)
Non-cash items		
Depreciation	3 702 725	5 268 624
Write-off of fixed assets	955 555	3 807 166
Loss on disposal of fixed assets	836	62 931
Future income taxes	-	103 214
Amortization of goodwill	8 748 877	15 678 645
Write down of goodwill	29 700 000	-
Interest payments on convertible debenture	(135 981)	(61 970)
Cash flows from current operations	(11 746 502)	(34 619 838)
Changes in non-cash working capital items		
Accounts receivable	4 834 753	357 290
Work in progress and prepaid expenses	85 401	(175 203)
Accounts payable and accrued liabilities	3 892 307	(1 231 547)
Deferred revenues	235 392	561 205
Cash flows from operating activities	(2 698 649)	(35 108 093)
INVESTING ACTIVITIES		
Acquisition of fixed assets	(1 052 334)	(9 637 717)
Disposal of fixed assets	3 218	88 769
Short-term investments	(27 300)	(1 000 000)
Business acquisitions, net of cash acquired	-	(35 608)
Cash flows from investing activities	(1 076 416)	(10 584 556)
FINANCING ACTIVITIES		
Bank loan	(415 000)	495 000
Due to companies under common control	-	33 026 880
Convertible debenture	-	10 000 000
Issuance of capital stock	-	455 712
Cash flows from financing activities	(415 000)	43 977 592
Net decrease in cash and cash equivalents	(4 190 065)	(1 715 057)
Cash and cash equivalents, beginning of period	5 582 921	7 297 978
Cash and cash equivalents, end of period	1 392 856	5 582 921

Netgraphe Inc.

Consolidated Balance Sheets

December 31, 2001 and May 31, 2001

	2001-12-31	2001-05-31
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	1 392 856	5 582 921
Short-term investments	1 027 300	1 000 000
Accounts receivable	11 807 113	16 641 866
Work in progress and prepaid expenses	533 650	619 051
	<u>14 760 919</u>	<u>23 843 838</u>
Fixed assets	5 611 566	9 163 363
Goodwill	67 096 105	105 447 571
	<u>87 468 590</u>	<u>138 454 772</u>
LIABILITIES		
Current liabilities		
Bank loan	80 000	495 000
Accounts payable and accrued liabilities	14 591 984	10 641 439
Deferred revenues	1 162 713	927 321
Instalments on liability component of convertible debenture	271 741	242 436
	<u>16 106 438</u>	<u>12 306 196</u>
Liability component of convertible debenture	2 467 316	2 632 602
	<u>18 573 754</u>	<u>14 938 798</u>
SHAREHOLDERS' EQUITY		
Equity component of convertible debenture	7 664 412	7 324 464
Capital stock	201 344 578	201 247 202
Contributed surplus	3 790 666	3 790 666
Deficit	(143 904 820)	(88 846 358)
	<u>68 894 836</u>	<u>123 515 974</u>
	<u>87 468 590</u>	<u>138 454 772</u>