SANGOMA.COM, INC.

ANNUAL REPORT
YEAR ENDED JUNE 30 2001

INDEX

MESSAGE TO SHAREHOLDERS

The year 2000-2001 has been our first full year of operations as a public company. The year has seen both progress and some adversity. This letter looks back on the past year and forward to our new opportunities.

The reverse takeover brought with it new management with aggressive ideas for marketing and growing the business in the new 'dot com' paradigm, based on marketing initiatives that may have produced results in other, less technical industries. This did not prove to be an entirely successful strategy in the business environment of 2000-2001. While not all the expenditures and marketing efforts were inappropriate, the accelerating decline in sales combined with rapidly increasing expenses was obviously unsustainable.

Fortunately, Sangoma.com is not a start up. We have an established business and an existing, loyal customer base. With the support of holders of a majority of the shares, the founders of the business regained control of the Company in March 2001, with a mandate to return Sangoma to profitability and then to growth. Having returned the Company to a positive cash flow position, our focus is now moving to growth of the business.

Sangoma's long term objective is to become the leader in PC based WAN (Wide Area Network) technology. Since 1984 Sangoma Technologies Inc., the wholly owned subsidiary of Sangoma.com Inc., has been providing WAN products and service, built over the years on "real-world" experience. Sangoma has a reputation for rock-solid reliability and performance. These strengths, supported by our unique technological vision and problem solving expertise, guarantee our customers maximum flexibility, responsiveness and value, leading to ultimate peace of mind.

Almost half our revenue comes from sales to OEM (Original Equipment Manufacturer) customers who use our cards and APIs (Application Program Interfaces) to develop their own unique products world wide. This market alone is in the order of $500 million annually, so there is considerable scope for increasing our market share. Included in this segment is the growing market for licenses of intellectual property to third parties who build versions of Sangoma cards into their own products. Our plans include increased marketing to the OEM sector, which we expect will continue to provide a large part of our revenues.

Our WANPIPE internal routing solutions, based on our WAN cards, compete in a market for Small and Medium sized Business (SMB) routers which is in the order of $5 billion annually. The potential is large but the challenge of competing with entrenched, large companies is formidable. In the year ending June 30, 2001 we concluded agreements with several manufacturers of Communication Servers to incorporate our cards into their offerings. These include the deal with NSTEK in Korea announced in July last year, which has been delayed in implementation but is expected to produce results in the coming year. The strategy of partnering with suppliers of Communication Servers provides a boost to our marketing programs, increases our visibility and has the potential to increase volumes substantially. We expect to conclude more of these agreements in the coming months.

Our marketing plans will be closely targeted to our customer base. While we will make use of all the traditional marketing channels, we will be concentrating on the new electronic media which provide an appropriate vector to reach the customers of our products. We also plan to make increased use of cooperative marketing with both suppliers and customers.

During the year our R&D team was responsible for the development of several new line protocols, as well as the support for new operating systems including Sun OS. Our PCI boards were redesigned to reduce cost, and new cards were designed supporting native E1 (the European standard for digital interfaces at 2.048Mbps) and native 56kbps DDS links. The company will continue to invest heavily in new product development, a necessity in this fast changing field. Our R&D program is closely tied to the market demand and is often at least partially funded by firm orders. Recent contracts have allowed us to explore expansions to our traditional lines to include voice capture and control, educational applications and telephony management.

You will doubtless have noticed the new logo on the face page of this document. The icon will be instantly recognizable to communications professionals as the stylized oscilloscope trace of a synchronous clock pulse used in data communications. This symbolizes the positioning of your Company as a reliable, competent, innovative supplier of data communications equipment. Last year's links to the 'dot com' world will be finally eradicated by a proposed name change at the next Annual General Meeting (see the accompanying documents relating to the Annual and Special Meeting of Shareholders).

We would like to take this opportunity to thank our talented employees for their loyalty, commitment and hard work, and our shareholders and directors for their patience and support.

David Mandelstam
President and CEO

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Sales

Sales for the year were derived from the sale of computer adapter cards by the Company's subsidiary Sangoma Technologies Inc. On May 1, 2000 Sangoma.com (formerly Inlet Devices Corporation) acquired a 100% interest in Sangoma Technologies Inc. The sales figures for the year ended June 30, 2000 therefore represent sales for the two month period May-June 2000, as Inlet Devices was inactive prior to the acquisition.

The sales for the year ended June 30, 2000 were relatively high because of a single large sale during the period May-June 2000. The sales for the year ended June 30, 2001 of approximately $3.0 million, showed a decline relative to the historic sales levels for Sangoma Technologies Inc. This decline was due to several factors including the general decline in the telecom industry resulting in the bankruptcy of some key customers, some inexperience of the newly hired sales and management team and problems with the firm's web site, which is the Company's major selling tool. The Company has experienced a recovery of sales in the fourth quarter, and expects this recovery to continue.

Cost of Sales

The cost of sales was $1.1 million (38 % of sales, gross profit margin of 62%) compared to $0.4 million (40% of sales, gross profit margin of 60%) in 2000.

Gross margins on trading increased. However the cost of sales shown does not include a write down of obsolescent and slow moving inventory of $0.3 million (11% of sales) shown as a separate line item under Expenses. Notwithstanding the write down, the Company still has a high level of inventory at $0.8 million (about 3 months sales) compared with historic inventory levels for Sangoma Technologies Inc. of about 1 month's sales. These high inventory levels resulted from inventory build up in anticipation of sales that were delayed or never materialized.

General and Administration Expenses

General and administration expenses were $0.7 million for the 12 months ending June 30, 2001 vs. $0.1 million for the period May-June 2000 operating period, reflecting an increase of 10% on an annualized basis. This is primarily due to an increase in costs associated with running a public company, higher rent for new premises and an increase in bad debts. Net bank charges and interest were offset by interest income earned on the Company's excess funds throughout most of the year.

Selling and Marketing Expenses

Selling and marketing expenses together amount to $1.5 million (51% of sales), the bulk of the operating expenses. These expenses were significantly higher than for Sangoma Technologies Inc. in prior years, reflecting the increased costs associated with an aggressive marketing program. The Sales salaries and commissions expense of $0.6 million includes the cost of recruitment and termination of sales and sales management staff which was high because of high staff turnover and generous termination settlements.

Net Loss

The Company made a net loss from operations of \$0.9 million (\$0.032 per share) in the year ended June 30, 2001, compared to net income from operations in the prior year in the amount of \$0.2 million (\$0.013 per share). After taking into account goodwill amortization and income tax, the loss was \$1.1 million (\$0.039 per share) compared to income of \$0.1 million (\$0.006 per share).

Liquidity and Capital Resources

The company completed the financial year ended June 30, 2001 with current assets of \$1.6 million and current liabilities of \$0.6 million, resulting in working capital of \$0.9 million, compared to \$2.1 million in the prior year. The Company generated a positive cash flow in the 4^{th} quarter and this is expected to continue. The Company believes that the current working capital and funds generated from operations will be sufficient to meet the operating and planned capital expenditures of the Company for the foreseeable future.

SANGOMA.COM INC.
(formerly Inlet Devices Corporation)

FINANCIAL STATEMENTS

JUNE 30, 2001 AND 2000

Wasserman Ramsay
Chartered Accountants

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AUDITORS' REPORT

To the Shareholders of
Sangoma.com Inc.
(formerly Inlet Devices Corporation):

We have audited the consolidated balance sheets of Sangoma.com Inc. (formerly Inlet Devices Corporation) as at June 30, 2001 and 2000 and the consolidated statements of income (loss), deficit and cash flows for the year ended June 30, 2001 and for the six month period ended June 30, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards. These standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2001 and 2000 and the results of its operations and the cash flows for the year ended June 30, 2001 and for the six month period ended June 30, 2000 in accordance with generally accepted accounting principles.

Wasserman Ramsay

Toronto, Ontario
July 25, 2001

Chartered Accountants

SANGOMA.COM INC.

(Continued under the Ontario Business Corporation Act)
(Incorporated under The Business Corporations Act - Alberta)

CONSOLIDATED BALANCE SHEETS - JUNE 30, 2001 AND 2000

ASSETS

	2001	2000
Current		
Cash and equivalents	$ 494,484	$ 1,854,136
Accounts receivable	225,880	813,768
Income taxes receivable	12,450	278,749
Inventory *(Note 2)*	795,248	532,507
Prepaid and deposits	20,184	237,620
	1,548,246	3,716,780
Capital assets *(Note 4)*	158,277	76,805
Development costs	471,530	83,236
Goodwill, net	9,592,849	9,840,923
	$ 11,770,902	$ 13,717,744

LIABILITIES

	2001	2000
Current		
Accounts payable and accrued liabilities	$ 222,652	$ 431,723
Due to shareholders *(Note 5)*	400,000	-
Management bonus payable	-	1,121,000
Future income taxes payable	-	22,600
Current portion of long-term debt	22,000	-
	644,652	1,575,323
Long-term debt		
Obligation under capital lease *(Note 6)*	37,403	-

SHAREHOLDERS' EQUITY

	2001	2000
Stated capital *(Note 7)*	12,903,373	12,861,723
Deficit	(1,814,526)	(719,302)
	11,088,847	12,142,421
	$ 11,770,902	$ 13,717,744

Approved on behalf of the Board:

(signed) "David Mandelstam"
David Mandelstam, Director

(signed) "David Macdonald"
David Macdonald, Director

The accompanying notes form an integral part of these financial statements

SANGOMA.COM INC.

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

FOR THE YEAR ENDED JUNE 30, 2001
AND THE SIX MONTH PERIOD ENDED JUNE 30,2000

	2001	2000
Sales	$ 2,993,644	$ 1,009,657
Cost of sales	1,141,413	402,963
Gross profit	1,852,231	606,694
Expenses:		
General and administration expenses *(Page 5)*	741,228	111,598
Selling and marketing expenses *(Page 5)*	1,527,637	288,330
Amortization - development costs	109,415	2,977
Amortization - capital assets	29,920	2,625
Inventory write-down *(Note 2)*	339,246	-
	2,747,446	405,530
Income (loss) from operations	(895,215)	201,164
Goodwill amortization	(248,074)	(82,024)
Income (loss) before provision for income tax	(1,143,289)	119,140
Income tax provision		
Current	(2,482)	66,000
Future income taxes	(45,583)	(43,400)
	(48,065)	22,600
Net income (loss) for the period	$ (1,095,224)	$ 96,540
Income (loss) per share	$ (0.039)	$ 0.006
Weighted average number of shares outstanding	28,100,295	16,080,994

The accompanying notes form an integral part of these financial statements

SANGOMA.COM INC.

CONSOLIDATED STATEMENTS OF DEFICIT

FOR THE YEAR ENDED JUNE 30,2001
AND THE SIX MONTH PERIOD ENDED JUNE 30,2000

	2001	2000
Deficit, beginning of period	$ (719,302)	$ (815,842)
Net income for the period	(1,095,224)	96,540
Deficit, end of period	$ (1,814,526)	$ (719,302)

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2001
AND THE SIX MONTH PERIOD ENDED JUNE 30, 2000

	2001	2000
Cash provided by (used in) the following activities:		
Operations:		
Net income for the period	$ (1,095,224)	$ 96,540
Add items not requiring an outlay of cash		
Amortization	139,335	5,602
Goodwill amortization	248,074	82,024
Future income taxes payable	-	22,600
Write down of inventory	339,246	-
	726,655	110,226
Cash flow from operations	(368,569)	206,766
Net change in non-cash working capital balances related to operations	(883,035)	(348,890)
	(1,251,604)	(142,124)
Financing:		
Issue of capital stock	41,650	11,980,521
Obligations under capital lease	59,403	-
Advances for shareholders	400,000	-
	501,053	11,980,521
Investing:		
Purchase of Goodwill on acquisition of Sangoma Technologies Inc. *(Note 3)*	-	(9,922,947)
Deferred development costs	(497,709)	(165,643)
Purchase of capital and other assets	(111,392)	-
	(609,101)	(10,088,590)
Increase (decrease) in cash during the period	(1,359,652)	1,749,807
Cash and equivalents, beginning of period	1,854,136	104,329
Cash and equivalents, end of period	$ 494,484	$ 1,854,136

The accompanying notes form an integral part of these financial statements

SANGOMA.COM INC.

CONSOLIDATED SCHEDULE OF EXPENSES

FOR THE YEAR ENDED JUNE 30,2001
AND THE SIX MONTH PERIOD ENDED JUNE 30,2000

	2001	2000
Administration expenses:		
Bad debts	$ 59,034	$ 4,748
Bank charges and interest *(Note5)*	40,298	3,416
Employee benefits	97,754	12,488
Insurance	11,862	326
Interest on long term debt	4,577	-
Management fees and salaries	146,974	30,002
Office and general	42,286	6,553
Office salaries	130,499	10,347
Professional fees	122,539	46,546
Rent and occupancy	87,237	5,608
Shareholder information	26,626	3,105
Telephone	**26,157**	3,547
	795,843	126,686
Investment income	(54,615)	(15,088)
	$ 741,228	$ 111,598

	2001	2000
Selling and marketing expenses:		
Advertising and promotion	$ 677,552	$ 122,419
Sales salaries and commissions	617,899	139,221
Travel, entertainment and trade shows	232,186	26,690
	$ 1,527,637	$ 288,330

The accompanying notes form an integral part of these financial statements

SANGOMA.COM INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30,2001
AND THE SIX MONTH PERIOD ENDED JUNE 30,2000

1. Summary of significant accounting policies:

(a) Basis of presentation

These consolidated financial statements, for the year ended June 30, 2001, include the accounts of the Company's wholly-owned subsidiary, Sangoma Technologies Inc. The comparative figures, for the six months ended June 30, 2000, include the accounts of Sangoma Technologies Inc. from the date of acquisition (May 1, 2000) to June 30, 2000 (see Note 3).

(b) Capital assets:

Capital assets are recorded at cost. Amortization is provided using the declining balance method at the rate of 20% per annum.

(c) Foreign currency:

Current monetary assets and current monetary liabilities in foreign funds have been translated to Canadian funds at the rate of exchange applicable at the balance sheet date. Revenues and expenses in foreign funds have been translated to Canadian funds using the actual average rate of exchange during the year.

(d) Revenue Recognition:

The Company recognizes revenue from the sale of computer adapter cards when the risks and benefits of ownership are transferred to the customer, upon shipment or customer pick-up. No right of return or exchange privileges are granted, and accordingly, no provision for sales allowances or returns is recorded.

(e) Inventory:

Inventory is valued at the lower of cost or net realizable value.

(f) Research and development:

Research costs are expensed in the period in which they are incurred. Development costs which meet generally accepted criteria, including reasonable assurance regarding future benefits, are deferred and amortized over three years on a straight line basis. Costs are reduced by government grants and investment tax credits, where applicable.

(g) Leases:

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are recorded as assets and are depreciated on the declining balance method using rates based on the estimated life of the asset. The related capitalized lease obligation is classified as long-term debt. All other leases are accounted for as operating leases and the related lease payments are charged to rental expense as incurred.

(h) Goodwill:

Goodwill is being amortized on a straight line basis over 40 years. The value of the goodwill, which arose on the acquisition of Sangoma Technologies Inc., was determined from its undiscounted estimated fair market value. It is evaluated annually and will be written down if its value is determined to be less than its carrying amount.

1. Summary of significant accounting policies (continued):

(i) Stock-based compensation plan:

The Company has a stock based compensation plan for directors, officers, employees, and consultants. No compensation expense is recognized for these plans when stock or stock options are issued to directors, officers, employees, and consultants. Any consideration paid by the directors, officers, employees, and consultants is credited to share capital.

(j) Income taxes:

Commencing January 1, 2000 the Company adopted the liability method of accounting for income taxes as outlined in the provisions of Section 3465 of the Handbook of the Canadian Institute of Chartered Accountants. The change in method of accounting for income taxes was treated as a change in accounting policy and was applied retroactively without restatement of prior year financial statements.

Under this method, current income taxes are recognized for the estimated taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future year for tax purposes that are likely to be realized.

(k) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results may differ from those estimates.

(l) Financial instruments:

The Company's financial instruments recognized in the balance sheet consists of accounts receivable, accounts payable and accrued liabilities, note receivable and amount due from (to) directors. The fair value of these financial instruments approximate their carrying value due to the short maturity or current market rate associated with these instruments.

Concentration of credit risk in accounts receivable is limited, due to the large number of customers the Company services. The Company preforms ongoing credit evaluations of its customers, but does not require collateral to support customer accounts receivable. The Company establishes an allowance for doubtful accounts based on the credit risk applicable to particular customers, historical and other information.

The Company does not hold or issue financial instruments for trading purposes.

2. Inventory:

Inventory at year end consists of the following:

	2001	2000
Finished goods	$ 366,590	$ 401,388
Parts	428,658	131,119
	$ 795,248	$ 532,507

During the current year the Company took a provision against slow moving inventory in the amount of $339,246.

3. Acquisition of Sangoma Technologies Inc.

On May 1, 2000 the Company acquired a 100% interest in Sangoma Technologies Inc., a company that manufactures and sells computer adapter cards, in exchange for; (i) 12,000,000 post-consolidation common shares of the Company issued at $0.50 per share or $6.0 Million in the aggregate, (ii) 600,000 post-consolidation common shares issued at $0.50 per share or $300,000 in the aggregate issued as a finders fee, (iii) $4.0 Million in cash, and (iv) cash costs incurred in the acquisition amounting to $43,009. The acquisition has been recorded using the purchase method of accounting. The consolidated financial statements includes the results of operations of Sangoma Technologies Inc. from May 1, 2000 to June 30, 2000. The following represents the fair market value of the net assets acquired:

Working capital	$ 432,599
Capital assets	73,463
Goodwill	9,922,947
Future income taxes payable	(86,000)
Total consideration given	$ 10,343,009

4. Capital assets:

	Cost	Accumulated Depreciation	2001 Net	2000 Net
Office furniture, fixtures and equipment	$ 258,806	$ 168,271	$ 90,535	$ 76,805
Office furniture under capital lease	78,693	10,951	67,742	-
	$ 337,499	$ 179,222	$ 158,277	$ 76,805

5. Due to shareholders:

The balance due to shareholders consists of two promissory notes in the amount of $200,000 each. The promissory notes bear interest at 9% per annum and due 30 days after demand. Security includes a first charge over all assets owned by the Company. Included in bank charges and interest is $22,082 in unpaid interest on this debt.

6. Obligation under capital lease:

During the current year the Company entered into a capital lease for office furniture. The lease, payable in minimum installments in the amount of $2,387 and bearing interest at 9% per annum, matures in October, 2003.

The minimum lease payments over the next three fiscal years are as follows:

2002	$ 26,257
2003	28,644
2004	10,976
Total minimum lease payments	65,877
Less: Amounts representing interest	6,474
Principal portion of obligations under capital lease	59,403
Less: current portion	22,000
Long-term portion	$ 37,403

The above capital lease obligations are secured by liens on the equipment financed. Interest paid on this lease in the year totalled $4,577.

7. Stated capital:

a) Authorized capital

The Company is authorized to issue an unlimited number of common shares. The following common shares are outstanding:

	# shares	$ value
Balance December 31, 1999	10,775,000	$ 881,202
Share consolidation	(5,387,500)	-
Directors options	57,500	13,700
Prospectus offering	10,000,000	6,500,000
Acquisition of Sangoma Technologies Inc.	12,000,000	6,000,000
Finders fee	600,000	300,000
Share issue costs	-	(833,179)
Balance June 30, 2000	28,045,000	12,861,723
Directors and employee stock options exercised	105,000	41,650
Balance June 30, 2001	28,150,000	$ 12,903,373

On April 17, 2000 the Company filed articles of amendment changing its name from Inlet Devices Corporation to Sangoma.com Inc., consolidating its common shares on the basis of one post consolidation common share for each two existing common shares and eliminating preferred shares from the classes of shares that the Company is authorized to issue.

Share issuances

Pursuant to a private placement agreement the Company issued, during 1999, 1,500,000 pre-consolidation units for gross proceeds of $165,000. Each unit consisted of one pre-consolidation common share and one-half of one common share purchase warrant. Each whole warrant is exercisable into one post-consolidation common share at a exercise price of $0.32 expiring September 10, 2001.

On April 6, 2000, the Company filed a prospectus qualifying the distribution of 10.0 Million units at a price of $0.65 per unit for gross proceeds of $6.5 million. Each unit consisted of one post-consolidated common share and one-half of a post consolidated common share purchase warrant, each whole warrant entitled the holder to purchase one post-consolidated common share at a price of $1.00 per share to November 1, 2000 and thereafter at a price of $1.50 per share, expiring on May 1, 2001. The Company paid a cash commission of 8% of the Offering to registered dealers and agents in connection with the Offering and 800,000 brokers' warrants. Each brokers' warrant entitled the holder to purchase one common share at a price of $0.65 per share, expiring on May 1, 2001. In addition, the Company issued 600,000 common shares as a finders fee. The prospectus also qualified the distribution of the common shares issued as a finders fee and five-eights of the brokers' warrants.

The Company issued 12,600,000 pursuant to the acquisition of Sangoma Technologies Inc. at a value of $0.50 per share or $6,300,000 in the aggregate (see Note 3).

Escrow Shares

Of the 28,150,000 outstanding common shares of the Company, 4,075,000 of these shares are held in escrow. Of this total 1,075,000 will be released based on the Company's performance. In the future, one of the performance shares will be released for every $0.40 of cash flow generated by the Company. The performance shares will expire, if unissued, on December 29, 2001. The balance of the escrowed shares, being 3.0 million, will be released November 1, 2001.

7. Stated capital (cont'd):

Stock Options

The Company has implemented a stock option plan for the benefit of directors, officers, employees and consultants of the Company. The number of shares which may be set aside for issue under this plan is limited to 2,798,000 common shares. The outstanding options as at June 30, 2001 are as follows:

Number of post-consolidation common shares under option	Exercise Price	Expiry Date
1,250,000	$0.65	April 30, 2005
180,000	$0.80	September 11, 2003
160,000	$0.25	June 5, 2006
300,000	$0.25	June 5, 2003

Share Purchase Warrants

During the 1999 fiscal year 375,000 warrants were issued. Each of these warrants may be exercised at a price of $0.32 to purchase one common share at any time prior to September 20, 2001.

During the 2000 fiscal year 5.0 million warrants were issued in connection with the public offering of the Company. Each warrant was exercisable at a price of $1.00 to purchase one common share until November 1, 2000 and thereafter at a price of $1.50 for a further six month period. The warrants expired on May 1, 2001.

In addition, the Company issued 800,000 brokers' warrants exercisable at a price of $0.65 to purchase one common share until May 1, 2001. These warrants have been extended for another year at a price of $0.45.

8. Commitments

The Company is committed to annual minimum lease payments on leased premises, automotive and office equipment as follows:

2002	$ 48,300
2003	48,300
2004	48,300
2005	44,310
	$ 189,210

SANGOMA.COM INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30,2001
AND THE SIX MONTH PERIOD ENDED JUNE 30,2000

9. Segment disclosure

The Company operates in one industry segment, the sale of computer adapter cards and associated software. All of the Company's assets are located in Canada. The Company sells into three major geographic centres, the United States, Canada and other foreign countries. The sales, in Canadian dollars, in each of these geographic locations are as follows:

	United States	Canada	Other foreign countries	Total
June 30, 2001	$ 1,479,616	$ 248,980	$ 1,265,048	$ 2,993,644

10. Income taxes

The Company has approximately $770,000 in non-capital losses which are available to reduce future taxable income. The losses will expire, if unused, in the fiscal year ended ending in 2008.

In addition, the Company has available for income tax purposes, scientific research and development costs ("SR&D") of approximately $450,000 approximately $142,000 in SR&D investment tax credits which can be carried forward and utilized in future years with no expiry. The potential tax benefits related to the non-capital losses, SR&D costs and SR&D investment tax credits have not been recognized in the consolidated financial statements.

Income tax expense, in the 2000 year end, varies from the amount that would be computed by applying the basic combined statutory federal and provincial income tax rates of 44.5% to income before income taxes as follows: non-deductible goodwill amortization - 30.6%, benefit of previously unrecognized loss carryforwards - (93.5%) and research and development investment tax credits - 37.3%, for an overall combined effective rate of 19%.

11. Contingencies:

Two terminated employees have made claims against the Company for additional pay in lieu of notice. The Company intends to vigorously defend itself in these matters. At the present time it is not possible to estimate the amounts involved or the likely outcome of these claims.