SANGOMA TECHNOLOGIES CORPORATION

ANNUAL REPORT
YEAR ENDED JUNE 30 2002

INDEX

MESSAGE TO SHAREHOLDERS

The year 2001-2002 has been a rather tough one for the telecom industry in general, but rather better for Sangoma Technologies. During the 12-month period ending June 30, 2002, several large telecom equipment suppliers became technically bankrupt. Many smaller suppliers, including some of Sangoma's major competitors, either went out of business or also found themselves in Chapter 11 or its equivalents.

Under these market conditions, your company managed not only to survive, but also to turn around the business. Fortunately, we know how to operate in hard times, lessons learned painfully over the many years Sangoma has been operating. We reduced selling costs, but not sales effectiveness. We rigorously tightened our credit policies. Sangoma continued to invest uninterruptedly in Research and Development, the life-blood of any technology-based organization.

The market conditions for our business segments appear to have bottomed out some time in early 2002, and we have seen steady increases in sales since then. The challenge this year will be to keep up or increase those quarter-over-quarter sales growth rates while still exercising prudent cost controls.

Among the milestones we achieved during the year are the following:

* In spite of operating in very poor marketing conditions, Sangoma generated higher gross profits based on collected receivables in 2001-2002 than in the previous year, while reducing sales and marketing expense by 81%.

* The company achieved profitability in 2001-2002, after making a substantial loss in the previous year.

* We were successful in having our products approved by several large customers with benefits to be recognized in the 2002 - 2003 financial year and beyond.

* Sangoma introduced the first ADSL product specifically designed for the Linux, FreeBSD and OpenBSD operating systems. The card has been successfully deployed in the US, Europe and Mexico.

* We launched WAN cards with built-in T1, E1 and 56k DSU/CSU support, both in single port and multiport configurations.

* Sangoma successfully introduced a completely new product line of communications teaching tools with sales to Seneca College and Ryerson Polytechnic.

We have the products and we have the reputation. What we need now is more sales execution. The coming year will therefore see an expansion of our sales force and a concentrated effort to enhance our reseller channels.

We would like to take this opportunity to once again 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 Wide Area Network adapter cards. Sales for the year ended June 30, 2002 were $2.55 million as compared with $2.99 million for the financial year ended June 30, 2001, a reduction of 15%. The reduction in sales was due primarily to the presence of a single low margin sale in the year ended June 30, 2001, which was not repeated in the current year. Contributing factors to the reduction in sales include the general decline in the telecom industry, which continued into 2002.

Sales are increasing as the financial climate for our customers improves, and as our new products gain acceptance in the marketplace.

Cost of Sales and Gross Profit

The cost of sales for the year ended June 30, 2002 was $0.73 million (28% of sales, gross profit margin of 72%) as compared with $1.14 million (38% of sales, gross profit margin of 62%) in 2001.

The increase in gross margin was high enough that, notwithstanding the reduction in sales, gross profit was virtually unaffected at $1.82 million for the year ended June 30, 2002 compared with $1.85 million for the previous year, a decrease of 1.6%. In fact, if the bad debts are taken into account ($6,577 for the year ended June 30, 2002 as compared to $59,034 to the previous year), gross profit based on collected receivables was actually higher during 2001-2002 than in the previous year.

General and Administration Expenses

General and administration expenses were $0.62 million for the year ended June 30, 2002 as compared with $0.74 million for the year ended June 30, 2001, a decrease of 16%. The decrease is mostly due to savings in personnel costs, reduction of bad debts and savings in professional fees. The savings in personnel costs came about due to personnel reductions. Bad debts were reduced due to tighter control of customer credit. Professional fees were lower in the year ended June 30, 2002 reflecting lower legal costs for a more stable company.

These savings were offset in part by increases in insurance charges due to additional coverage.

The offsetting entry of investment income was lower in the year ended June 30, 2002 as compared with the previous year because, on average, there was less free cash invested at lower interest rates.

Selling and Marketing Expenses

Selling and marketing expenses decreased to $0.29 million for the year ended June 30, 2002 as compared with $1.53 million for the year ended June 30, 2001, a decrease of 81%. The control of sales and marketing expense was a primary goal in the year ended June 30, 2002, with close attention being paid to the cost effectiveness of all initiatives. Having established a working baseline, the company plans to expand selling and marketing initiatives, so these expenses can be expected to increase in the future.

Net Income

Income before income taxes and goodwill amortization was $0.58 million ($0.022 per share) in the year ended June 30, 2002, compared to a net loss from operations in the prior year in the amount of $0.90 million ($0.032 per share). After taking into account goodwill amortization and income tax, the net income was $0.66 million ($0.024 per share) compared to a loss of $1.1 million ($0.039 per share) in the year ended June 30, 2001.

Cash flow from operations was $0.99 million in 2001-2002 compared to negative $0.37 million in the previous year.

Liquidity and Capital Resources

The company completed the financial year ended June 30, 2002 with current assets of $1.56 million and current liabilities of $0.29 million, resulting in working capital of $1.27 million, compared to $0.90 million in the prior year. The company has been profitable throughout the year and is generating a positive cash flow. 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.

"David Mandelstam"
President and CEO

"David MacDonald"
Chairman

Wasserman
Ramsay
Chartered Accountants

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AUDITORS' REPORT

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

We have audited the consolidated balance sheets of Sangoma Technologies Corporation (formerly Sangoma.com Inc.) as at June 30, 2002 and 2001 and the consolidated statements of income (loss), deficit and cash flows for the years then ended. 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 Canadian 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, 2002 and 2001 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Wasserman Ramsay

Toronto, Ontario
August 30, 2002

Chartered Accountants

SANGOMA TECHNOLOGIES CORPORATION

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

CONSOLIDATED BALANCE SHEETS - YEARS ENDED JUNE 30, 2002 AND 2001

ASSETS

	2002	2001
Current		
Cash and equivalents	$ 643,742	$ 494,484
Accounts receivable	372,008	225,880
Income taxes receivable	83,910	12,450
Inventory *(Note 2)*	409,622	795,248
Prepaid and deposits	51,958	20,184
	1,561,240	1,548,246
Future income taxes	379,000	-
Capital assets *(Note 4)*	144,252	158,277
Development costs	371,607	471,530
Goodwill, net	5,542,849	9,592,849
	$ 7,998,948	$ 11,770,902

LIABILITIES

	2002	2001
Current		
Accounts payable and accrued liabilities	$ 65,823	$ 222,652
Due to shareholders *(Note 6)*	200,000	400,000
Current portion of long-term debt	26,597	22,000
	292,420	644,652
Long-term debt		
Obligation under capital lease *(Note 7)*	8,456	37,403

SHAREHOLDERS' EQUITY

	2002	2001
Stated capital *(Note 8)*	12,903,373	12,903,373
Deficit	(5,205,301)	(1,814,526)
	7,698,072	11,088,847
	$ 7,998,948	$ 11,770,902

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 TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

FOR THE YEARS ENDED JUNE 30, 2002 AND 2001

	2002	2001
Sales	$ 2,548,786	$ 2,993,644
Cost of sales	725,444	1,141,413
Gross profit	1,823,342	1,852,231
Expenses:		
General and administration expenses *(Page 5)*	620,573	741,228
Selling and marketing expenses *(Page 5)*	293,224	1,527,637
Amortization - development costs	294,748	109,415
Amortization - capital assets	32,514	29,920
Inventory write-down *(Note 2)*	-	339,246
	1,241,059	2,747,446
Goodwill amortization	-	(248,074)
Income (loss) before provision for income tax	582,283	(1,143,289)
Income tax provision		
Current (recovery)	154,058	(2,482)
Future income taxes	(231,000)	(45,583)
	(76,942)	(48,065)
Net income (loss) for the period	$ 659,225	$ (1,095,224)
Basic and diluted income (loss) per share	$ 0.024	$ (0.039)
Adjusted basic and diluted income (loss) per share *(Note 1(h))*	$ 0.024	$ (0.030)
Weighted average number of shares outstanding	27,075,000	28,100,295

The accompanying notes form an integral part of these financial statements

SANGOMA TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF DEFICIT

FOR THE YEARS ENDED JUNE 30, 2002 AND 2001

	2002	2001
Deficit, beginning of period	$ (1,814,526)	$ (719,302)
Write down of goodwill *(Note 5)*	(4,050,000)	-
Opening balance restated	(5,864,526)	(719,302)
Net income (loss) for the period	659,225	(1,095,224)
Deficit, end of period	$ (5,205,301)	$ (1,814,526)

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2002 AND 2001

	2002	2001
Cash provided by (used in) the following activities:		
Operations:		
Net income (loss) for the period	$ 659,225	$ (1,095,224)
Add items not requiring an outlay of cash		
Amortization	327,262	139,335
Goodwill amortization	-	248,074
Write down of inventory	-	339,246
	327,262	726,655
Cash flow from operations	986,487	(368,569)
Net change in non-cash working capital balances related to operations	63,345	(883,035)
	1,049,832	(1,251,604)
Financing:		
Issue of capital stock	-	41,650
Obligations under capital lease	(24,350)	59,403
Advances from (repayment to) shareholders	(200,000)	400,000
	(224,350)	501,053
Investing:		
Deferred development costs	(573,825)	(497,709)
Purchase of capital and other assets	(18,489)	(111,392)
Net change in non-cash working capital balances related to investments	(83,910)	-
	(676,224)	(609,101)
Increase (decrease) in cash during the period	149,258	(1,359,652)
Cash and equivalents, beginning of period	494,484	1,854,136
Cash and equivalents, end of period	$ 643,742	$ 494,484

The accompanying notes form an integral part of these financial statements

SANGOMA TECHNOLOGIES CORPORATION

CONSOLIDATED SCHEDULE OF EXPENSES

FOR THE YEARS ENDED JUNE 30, 2002 AND 2001

	2002	2001
Administration expenses:		
Bad debts	$ 6,577	$ 59,034
Bank charges and interest *(Note 6)*	44,673	40,298
Employee benefits	59,987	97,754
Insurance	48,249	11,862
Interest on long term debt	4,290	4,577
Management fees and salaries	119,777	146,974
Office and general	11,535	42,286
Office salaries	129,750	130,499
Professional fees	80,467	122,539
Rent and occupancy	83,218	87,237
Shareholder information	24,268	26,626
Telephone and internet	18,958	26,157
	631,749	795,843
Investment income	(11,176)	(54,615)
	$ 620,573	$ 741,228

	2002	2001
Selling and marketing expenses:		
Advertising and promotion	$ 161,398	$ 677,552
Sales salaries and commissions	69,983	617,899
Travel, entertainment and trade shows	61,843	232,186
	$ 293,224	$ 1,527,637

The accompanying notes form an integral part of these financial statements

SANGOMA TECHNOLOGIES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2002 AND 2001

1. Summary of significant accounting policies:

(a) Basis of presentation

These consolidated financial statements, for the years ended June 30, 2002 and 2001, include the accounts of the Company's wholly-owned subsidiary, Sangoma Technologies Inc.

(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 and associated software when the risks and benefits of ownership are transferred to the customer, which is 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:

Commencing July 1, 2001 the Company adopted the new provisions of accounting for goodwill as outlined in Section 3062 of the Handbook of the Canadian Institute of Chartered Accountants (the "Handbook"). The change in method of accounting for goodwill was treated as a change in accounting policy and was applied prospectively without restatement of prior year financial statements.

Under this method goodwill is no longer amortized and will be assessed for impairment on an annual basis in accordance with the new standards, including a transitional impairment test, which is charged to retained earnings. Management has recorded a transitional impairment charge in the amount of $4.05 million, charged to opening retained earnings, as required by the transitional provisions of the new Handbook section (see Note 5).

As required by the Handbook the Company must disclose income (loss) per share in the transitional periods for income (loss) adjusted to exclude amortization expenses recognized in those periods for goodwill that is no longer amortized. Adjusted loss for 2001 (the transitional year) would be $847,150. The adjusted loss per share is shown on the face of the income statement.

1. Summary of significant accounting policies (continued):

(i) Stock-based compensation plan:

Effective January 1, 2002, the Company adopted the recommendations of CICA Handbook Section 3870, Stock based compensation and other stock-based payments. This section requires that direct awards of stock and liabilities based on the price of common stock be measured at fair value at each reporting date, with the change in fair value reported in the statements of income and encourages, but does not require, the use of the fair value method for all other types of stock-based compensation plans. None of the Company's plans qualify as direct awards of stock or as plans that create liabilities based on the price of the company's stock, and as a result, the implementation of the section has no impact on the financial statements. The Company has chosen not to use the fair value method to account for stock-based employee compensation plans, but to disclose pro-forma information for options granted after January 1, 2002. The Company records no compensation expense when options are issued to employees. Any consideration paid by employees on the exercise of the options is credited to capital stock.

(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) Earnings per share:

Effective January 1, 2002, the Company adopted the new recommendations of the CICA Handbook section 3500, Earning per Share ("EPS"). The revised section requires the presentation of both basic and diluted EPS on the face of the income statement regardless of the materiality of the difference between them. In addition, the new recommendations require the use of the treasury stock method to compute the dilutive effects of options, warrants and similar instruments as opposed to the previous method used which was the imputed earnings approach. The section also requires the disclosure of a reconciliation of the calculation of basic and diluted EPS be disclosed. The revised recommendations have been applied retroactively with restatement of prior periods.

(l) 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.

(m) 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 performs 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.

SANGOMA TECHNOLOGIES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2002 AND 2001

2. Inventory:

Inventory at year end consists of the following:	2002	2001
Finished goods	$ 269,011	$ 366,590
Parts	140,611	428,658
	$ 409,622	$ 795,248

During the prior 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 finder's 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 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	2002 Net	2001 Net
Office furniture, fixtures and equipment	$ 277,295	$ 188,066	$ 89,229	$ 90,535
Office furniture under capital lease	78,693	23,670	55,023	67,742
	$ 355,988	$ 211,736	$ 144,252	$ 158,277

5. Goodwill write down:

Under the new provision of Handbook Section 3062 the Company is required to assess the value of goodwill on an annual basis, including a transitional impairment test. The Company has recorded a transitional impairment charge in the current year in the amount of $4.05 Million. Under the provisions of the new Handbook section this transitional impairment charge is charged to opening retained earnings without restatement of prior years comparative figures. The Company has also evaluated goodwill at year end under the normal impairment test and has determined that no further write down is required at this time.

6. 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. During the current year a repayment of $200,000 was made against the promissory notes and a total of $29,318 (2001- $22,082) in interest is included under bank charges and interest. Included in accounts payable and accrued liabilities is $9,370 (2001- $22,082) in unpaid interest relating to this debt.

7. Obligation under capital lease:

During the prior year the Company entered into a capital lease for office furniture. The lease, payable in minimum installments in the amount of $2,387, bearing interest at 9% per annum, and maturing in October, 2003, after which time these assets can be purchased for a nominal amount.

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

2003	$ 26,257
2004	10,976
Total minimum lease payments	37,233
Less: Amounts representing interest	2,180
Principal portion of obligations under capital lease	35,053
Less: current portion	26,597
Long-term portion	$ 8,456

The above capital lease obligations are secured by liens on the equipment financed. Interest paid on this lease in the year totalled $4,290 (2001- $4,577).

8. 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 January 1, 2000	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
Finder's 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
Less: Performance shares cancelled	(1,075,000)	-
Balance June 30, 2002	27,075,000	$ 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. On October 18, 2001 the Company filed articles of amendment to change its name to Sangoma Technologies Corporation from Sangoma.com Inc.

Share issuances

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. The prospectus also qualified the distribution of the common shares issued as a finder's fee and five-eights of the brokers' warrants.

8. Stated capital (cont'd):

The Company issued 12,600,000, including 600,000 for a finder's fee, 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

All timed release escrowed shares were released from escrow during the year, the performance release escrowed shares, totaling 1,075,000, were cancelled during the year. As no value was attributed to these shares when they were issued no value has been deducted upon their cancellation.

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, 2002 are as follows:

Number of common shares under option	Exercise Price	Expiry Date
790,000	$0.65	May 1, 2005
30,000	$0.80	October 25, 2005
515,000	$0.25	June 5, 2006

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. The warrants expired unexercised on 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 unexercised 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 were extended for another year at a price of $0.45. The warrants expired unexercised on May 1, 2002.

9. Commitments

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

2003	$ 48,300
2004	48,300
2005	44,310
	$ 140,910

SANGOMA TECHNOLOGIES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2002 AND 2001

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, 2002	$ 1,936,212	$ 94,003	$ 518,571	$ 2,548,786
June 30, 2001	$ 1,479,616	$ 248,980	$ 1,265,048	$ 2,993,644

10. Income taxes

The Company has approximately $400,000 in non-capital losses which are available to reduce future taxable income. The losses will expire, if unused, in the fiscal years ending in 2005-2009.

In addition, the Company has available for income tax purposes, scientific research and development costs ("SR&D") of approximately $990,000 which can be carried forward and utilized in future years with no expiry.

The potential tax benefits related to the non-capital losses, has not been recognized in the consolidated financial statements.

Income tax expense, in the 2002 year end, varies from the amount that would be computed by applying the basic combined statutory federal and provincial income tax rates of 39% to income before income taxes as follows: benefit of previously unrecognized loss carryforwards - (52.2%), for an overall combined effective rate of (13.2%.)

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 and believes that the claims are without merit. Subsequent to year-end one of the claims was settled without any payment being made by the Company. At the present time it is not possible to estimate the amounts involved or the likely outcome of the other claim.