New Issue July 12, 2001

PRELIMINARY PROSPECTUS

e-MANUFACTURING NETWORKS INC.

e-MANUFACTURING NETWORKS INC.

Maximum: ! Units ($5,000,000)
Minimum: ! Units ($4,000,000)
and
3,645,328 Common Shares and 1,822,662 Share Purchase Warrants
issuable without additional consideration upon
the exercise of 3,036,850 previously issued Special Warrants

This prospectus relates to the sale and distribution of a maximum of ! units ("Units"), each consisting of one common share and one-half of a common share purchase warrant (the "Maximum Offering") and a minimum of ! Units (the "Minimum Offering") to be issued and sold by e-Manufacturing Networks Inc. ("e-MFG" or the "Company").

This prospectus also qualifies the distribution of 3,645,328 Units, issuable on the exercise or deemed exercise of 3,036,850 outstanding special warrants (the "Special Warrants") of the Company. 584,600 of the Special Warrants (the "Tranche 3 Special Warrants") exercisable for 584,600 Units were issued by the Company on July 11, 2001 for consideration of $1.00 per Special Warrant. 1,528,250 of the Special Warrants (the "Tranche 2 Special Warrants") exercisable for 2,136,728 Units were issued by the Company on December 14, 2000, January 16, 2001, January 24, 2001 and February 26, 2001 for consideration of $1.30 per Special Warrant. On July 11, 2001, the Company amended the terms of the Tranche 2 Special Warrants to reduce the effective issue price of the underlying Units to $1.00 per Unit. 924,000 of the Special Warrants (the "Tranche 1 Special Warrants") exercisable for 924,000 Units were issued by the Company on September 15, 2000 for consideration of $1.70 per Special Warrant. See "Plan of Distribution – Special Warrant Offerings".

The common shares are listed and posted for trading on the Canadian Venture Exchange ("CDNX") under the symbol "MFG". The closing price of the common shares on CDNX on July 11, 2001 was $1.00 per share. The offering price of the Units was determined by negotiation between the Company and Burgeonvest Securities Limited (the "Agent").

Price: $! per Unit

An investment in the securities of the Company is a speculative investment, and there are certain risks associated with these securities which potential investors should consider carefully. See "Risk Factors".

	Price to the Public	Agent's Commissions	Net Proceeds to the Company
Per Unit	$!	$! (1)	$! (2)
Maximum Offering(3)	$5,000,000	$350,000(1)	$4,650,000(2)
Minimum Offering(3)	$4,000,000	$280,000(1)	$3,720,000(2)
Tranche 3 Special Warrants	$584,600	$24,000(4)(5)	$560,660(6)
Tranche 2 Special Warrants	$1,986,725	$125,150(7)(8)	$1,861,575(6)
Tranche 1 Special Warrants	$1,570,800	$109,956(9)	$1,460,844(6)
Total Special Warrant Offerings	$4,142,125	$259,106	$3,883,019(6)

(1) As additional compensation, the Company has agreed to grant to the Agent non-assignable options (the "Compensation Options") to purchase from time to time up to that number of Units equal to 10% of the number of Units distributed pursuant to this offering at an exercise price of $! per Unit. The Compensation Options will be exercisable at any time prior to the second anniversary of the closing of this offering. This prospectus qualifies the distribution of the Compensation Options. In addition, the Company has agreed to pay to the Agent a $112,500 work fee, of which $37,500 was paid on February 26, 2001, $37,500 was paid prior to the closing of this offering and the balance is payable on the closing of this offering. See "Plan of Distribution – Offering".

(2) Before deducting the expenses relating to this offering, estimated at $515,000, which, together with the Agent's commissions, will be paid from the general funds of the Company.

(3) Burgeonvest Financial Corporation ("BFC"), which is related to the Agent, has agreed, provided that the Company has received orders for Units with an aggregate subscription price of $2 million and subject to certain other conditions, to purchase, as principal, under this offering that number of Units that are not otherwise sold pursuant to this offering to enable the Company to sell Units with an aggregate subscription price of $4 million pursuant to this offering, up to a maximum purchase commitment of $2 million (the "Stand-by Commitment"). In connection with the Stand-by Commitment, the Company has agreed to pay to BFC a stand-by fee of $75,000 payable on the closing of this offering in cash and/or Units, at the option of BFC. This prospectus also qualifies the distribution of the Units issuable pursuant to this option.

(4) Pursuant to an agency agreement dated July 11, 2001, the Company issued to the Agent, as additional compensation, non-assignable broker warrants entitling the Agent to acquire, for no additional consideration, compensation options (the "Agent's Tranche 3 Options"), entitling the Agent to acquire up to 24,000 Units at a price of $1.00 per Unit at any time prior to 4:30 p.m. (Calgary time) on the first anniversary of the issuance of the Agent's Tranche 3 Options. This prospectus also qualifies the distribution of the Agent's Tranche 3 Options. See "Plan of Distribution – Special Warrant Offerings".

(5) In connection with the sale of 324,600 Tranche 3 Special Warrants to a purchaser outside of Canada, the Company also paid a finder's fee of $19,476.

(6) Before deducting the expenses relating to the Special Warrant Offerings estimated to be $165,268.

(7) Pursuant to an agency agreement dated February 26, 2001, the Company issued to the Agent, as additional compensation, 115,385 non-assignable broker warrants entitling the Agent to acquire, for no additional consideration, compensation options (the "Agent's Tranche 2 Options"), entitling the Agent to acquire up to 165,001 Units at a price of $1.30 for each 1.43 Units at any time prior to 4:30 p.m. (Calgary time) on the first anniversary of the issuance of the Agent's Tranche 2 Options. This prospectus also qualifies the distribution of the Agent's Tranche 2 Options. See "Plan of Distribution – Special Warrant Offerings".

(8) In connection with the sale of 310,000 Tranche 2 Special Warrants to a purchaser outside of Canada on December 14, 2000, the Company agreed to pay a finder's fee of $20,150.

(9) The agent for the sale of the Tranche 1 Special Warrants on September 15, 2000 was Taurus Capital Markets Ltd. ("Taurus"). Pursuant to an agency agreement dated September 15, 2000, the Company issued to Taurus, as additional compensation, a special broker's warrant entitling Taurus to acquire, for no additional consideration, compensation options (the "Taurus Options") entitling Taurus to acquire up to 82,400 Units at a price of $1.90 per Unit at any time prior to the earlier of (i) the first anniversary of the date of the issuance of a receipt by the Ontario Securities Commission for a (final) prospectus qualifying the issuance of common shares of the Company issuable on the exercise of the related Tranche 1 Special Warrants; and (ii) September 15, 2002. This prospectus also qualifies the distribution of the Taurus Options. Includes a fee of $11,900 paid by the Company to TL Corporate Finance Inc. in connection with the sale of 100,000 Tranche 1 Special Warrants to a purchaser outside of Ontario. See "Plan of Distribution – Special Warrant Offerings".

The Agent conditionally offers, as agent, the Units on a "best efforts" basis if, as and when issued and delivered by the Company and accepted in accordance with the conditions contained in the agency agreement between the Company and the Agent dated !, 2001, subject to approval of certain legal matters on behalf of the Company by Davies Ward Phillips & Vineberg LLP and on behalf of the Agent by Cassels Brock & Blackwell LLP. Subscriptions for Units will be received subject to rejection or allotment in whole or in part, and the right is reserved to close the subscription book at any time without notice. If subscriptions for a minimum of ! Units have not been received within 90 days following the date of issuance of a final receipt for this prospectus, such offering may not continue without the consent of each person who has subscribed on or before such date. Funds from subscriptions will be held by the Agent pending the closing of the offering. If the Minimum Offering is not subscribed for within 90 days following the issuance of a final receipt for this prospectus and the necessary consents are not obtained, the proceeds will be returned by the Agent to the subscribers without interest or deduction. It is expected that certificates in definitive form representing the common shares and common share purchase warrants issued pursuant to the offering will be available for delivery at closing. Certificates representing the common shares and common share purchase warrants issuable on the exercise of the Special Warrants will be available for delivery on the exercise or deemed exercise of the Special Warrants. Closing of the offering is expected to occur on or about !, 2001, but in any event not later than !, 2001.

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Trademarks used in this prospectus are the property of their respective owners.

Certain technical terms used in this prospectus are defined in the Glossary of Technical Terms.

All references in this prospectus to "dollar", "dollars", "C$" or "$" are references to Canadian dollars, unless otherwise expressly stated. All references in this prospectus to "U.S.$" or to "U.S. dollars" are references to United States dollars. Unless otherwise indicated, any reference in this prospectus to a conversion between U.S. dollars and Canadian dollars is given as of July 10, 2001. At that date, the Bank of Canada noon rate was U.S.$1.00 = C$1.5211.

In this prospectus, "e-MFG" and the "Company" refer to e-Manufacturing Networks Inc. and its subsidiaries unless otherwise indicated or the context otherwise requires.

In this prospectus, the "Agent" refers to either Burgeonvest Securities Limited or its predecessor, Canadian First Investments Inc. (formerly Burgeonvest Securities Limited).

PROSPECTUS SUMMARY

The following information is a summary only and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. Certain capitalized terms used but not defined in this summary are defined elsewhere in this prospectus and certain technical terms are defined in the Glossary of Technical Terms.

The Company

e-Manufacturing Networks Inc. ("e-MFG" or the "Company") has developed hardware and software to enable ethernet-based two-way communication between virtually all machine tools on a factory floor and management information systems, in order to identify, monitor and optimize production. This technology – known as "internetworking" – effectively allows the networking of the entire factory floor and the connection of machine tools to the Internet, corporate intranets and virtual private networks.

While the market for the Company's internetworking products is in its early stages, the Company's internetworking technology is an extension of its existing shop floor communications business. The Company, through its divisions, has been in the business of manufacturing and selling hardware and software products that are used to optimize the operation of and communication by the microcomputers inside machine tools, called "computerized numeric controls" or "CNCs", for many years.

In March 2001, e-MFG demonstrated its first generation internetworking hardware and software products, called the ION universal interface™ and the CORTEX gateway™. These products have a number of distinctive features:

- they provide a common interface for virtually all makes and models of CNCs,
- they contain or will contain serial communication protocols that permit them to communicate with virtually any make and model of CNC,
- they support numerous common, open network protocols with the result that they can work with virtually all third party manufacturing and networking software,
- they work with a standard web browser and provide a secure connection to the Internet,
- they enhance and augment the features of most installed CNCs, among other things, permitting the CNC (and the machine tool) to operate faster and more accurately, and
- they provide ethernet connectivity which is faster and more secure than the traditional serial connection that is predominant on the factory floor.

The Company also plans to incorporate into the ION universal interface the Company's translation software, which permits a program written in one language for one make of machine tool to be used in other makes. As well, the ION universal interface will include optimization software, which accelerates the execution of a part program – the set of instructions to a machine tool that tell it how to make a particular part.

The Company's internetworking products are intended to take advantage of what the Company believes to be the manufacturing industry's growing awareness of the benefits associated with including the plant floor in enterprise-wide information systems. The Company believes that the potential benefits to manufacturers of real-time monitoring of production activities are a key part of an overall effort to bring greater integration to supply chain and sales initiatives and that internetworking technology has the potential to improve a manufacturer's productivity by facilitating the following:

- *Cost savings through better inventory management and CNC life extension.* Internetworking is expected to permit increased supply chain integration and resulting reductions in inventory levels. CNC life is also expected to be extended, with e-MFG's products functioning as an upgrade at a fraction of the cost of a new CNC.

- *Increased revenue from faster and more efficient production.* Internetworking is expected to optimize production by increasing speed of data transmission and execution of part programs and is expected to permit more accurate scheduling of production through more timely communication.

- *Cost savings and increased revenue from reduced machine tool downtime.* Internetworking is expected to reduce machine tool downtime as a result of improved service and repair through remote preventative and predictive diagnostics and repair of CNCs.

- *Better profitability from improved management decision-making.* Internetworking is expected to allow management to make better, more informed decisions by permitting direct links between CNCs and management information systems, including enterprise resource planning and accounting systems and enabling management to gather real-time data directly from the factory floor.

The Company completed three beta test installations of the ION universal interface and the CORTEX gateway during the second quarter of 2001. The Company also has completed two prototype demonstrations of its internetworking products in operation. The first was completed in March 2001 at the Westec Trade Show in Los Angeles, California where an ION universal interface was connected to two different makes of machine tools. Each machine was continuously monitored, real-time status reporting was provided and alarm notification was sent by way of wireless e-mail to a personal digital assistant. The second was conducted in April 2001 at the offices of Advanced Technology Services, Inc. where a CNC equipped with an ION universal interface sent a wireless e-mail event notification simultaneously to multiple staff present through both cellular phones and pagers. While e-MFG is currently continuing to develop these products and, to date, has not realized revenue from them, it has received its first purchase order for and has delivered one ION universal interface and one CORTEX gateway.

The Company continues to generate revenue from its existing business. Currently, e-MFG offers a full suite of products designed to upgrade and enhance the memory, communication and operation of CNCs. The Company's products comprise hardware and software including direct numerical control ("DNC") software that permits the user to organize, edit and transmit part programs to a CNC. The Company believes it is the largest supplier of DNC software in North America. In May 2001, the Spectrum division of the Company made its first sale of DNC software complete with its recently developed software for machine event monitoring.

The Company recently completed three strategic acquisitions of Greco Systems ("Greco"), Spectrum CNC Technologies, Inc. ("Spectrum") and Industrial Automation Solutions, Inc. ("IAS") for aggregate consideration of 2,575,000 common shares and U.S.$2,175,000 in cash and promissory notes. These acquisitions position the Company to successfully launch its new internetworking products by giving the Company:

- an extensive library of serial and parallel CNC communication protocols necessary to enable the Company to connect its hardware to virtually every make and model of CNC,

- a well-developed sales and distribution network,

- access to customer lists of over 12,000 customers, including Fortune 500 companies in key industry sectors,

- additional software and hardware development expertise, and

- ownership of CNC translation and optimization software.

As at December 31, 2000, the Company had a deficiency of $2,688,694 million ($3,197,879 as at March 31, 2001) in working capital and a deficit of $1,403,609 ($2,779,393 as at March 31, 2001). The December 31, 2000 audited consolidated financial statements and the March 31, 2001 unaudited interim consolidated financial statements were prepared by the Company on a going concern basis which assumes that the Company is able to obtain additional funding to complete the development and launch of its internetworking products and to cover ongoing expenditures, working capital requirements and debt repayments. These anticipated funding arrangements include the completion of this offering and the closing of agreements, conditional upon, among other things, the completion of this offering, to reschedule certain of the remaining payments under the promissory notes issued by the Company to the former owners of Greco, Spectrum and IAS in connection with the Company's acquisition of those companies. As a result, upon the completion of this offering, U.S.$400,000 ($608,440) of current liabilities as at March 31, 2001 would be rescheduled to long-term liabilities and U.S.$100,000 ($152,110) would be reclassified from current liabilities as at March 31, 2001 to common shares, effectively reducing the Company's working capital deficiency as at March 31, 2001 by $760,550 to $2,437,329. If the Company is unable to complete these arrangements, and is unable to secure alternative financing, there would be doubt about the appropriateness of the going concern assumption.

The Offering

Offering:	Maximum: $5,000,000 (! Units) Minimum: $4,000,000 (! Units) Each Unit consists of one common share and one-half of a common share purchase warrant (a "Share Purchase Warrant"). Each whole Share Purchase Warrant issued pursuant to the offering entitles the holder to purchase one additional common share at the price of $! at any time before 4:30 p.m. (Calgary time) on the first anniversary of the issuance of the Share Purchase Warrant. See "Description of the Units" and "Description of the Share Purchase Warrants".
Price:	$! per Unit
Shares to be Outstanding after the Offering:(1)	Maximum: ! common shares Minimum: ! common shares
Stand-by Commitment:	Burgeonvest Financial Corporation ("BFC"), which is related to Burgeonvest Securities Limited ("the Agent") has agreed, provided that the Company receives orders for Units with an aggregate subscription price of $2 million pursuant to this offering and subject to certain other conditions, to purchase, as principal, under this offering that number of Units that are not otherwise sold pursuant to this offering to enable the Company to sell Units with an aggregate subscription price of $4 million pursuant to this offering, up to a maximum purchase commitment of $2 million (the "Stand-by Commitment"). In connection with the Stand-by Commitment, the Company has agreed to pay to BFC a stand-by fee of $75,000 payable on the closing of this offering in cash and/or Units at the option of BFC. This prospectus also qualifies the distribution of the Units issuable pursuant to this option.
Prior Special Warrant Offerings:	This prospectus also qualifies the distribution of 3,645,328 Units issuable on the exercise or deemed exercise of 3,036,850 outstanding special warrants (the "Special Warrants") of the Company. 584,600 of the Special Warrants (the "Tranche 3 Special Warrants") were issued by the Company on July 11, 2001 for consideration of $1.00 per Special Warrant. 1,528,250 of the Special Warrants (the "Tranche 2 Special Warrants") were issued by the Company on December 14, 2000, January 16, 2001, January 24, 2001 and February 26, 2001 for consideration of $1.30 per Special Warrant. On July 11, 2001, the Company amended the terms of the Tranche 2 Special Warrants to reduce the effective issue price of the underlying Units to $1.00 per Unit and to reduce the exercise price of the underlying Share Purchase Warrants from $1.70 to $1.30 per common share. 924,000 of the Special Warrants (the "Tranche 1 Special Warrants") were issued by the Company on September 15, 2000 for consideration of $1.70 per Special Warrant.

1 Based on the number of shares outstanding as of ! , 2001. Includes 3,645,328 common shares issuable upon the exercise of Special Warrants and 240,000 common shares issuable upon the exercise of special warrants issued in August 2000. Also includes 150,000 common shares to be issued on the closing of this offering to the former owner of IAS to pay a portion of the purchase price for the Company's acquisition of IAS. Excludes 118,000 common shares issuable upon the exercise of outstanding common share purchase warrants, 1,822,662 common shares issuable upon the exercise of common share purchase warrants issuable upon the exercise of Special Warrants, 120,000 common shares issuable upon the exercise of common share purchase warrants issuable upon the exercise of special warrants issued in August 2000, 295,401 common shares issuable upon the exercise of broker's compensation options issued or to be issued in connection with the Special Warrant Offerings and the August 2000 special warrant offering, 147,701 common shares issuable upon the exercise of common share purchase warrants issuable upon the exercise of such broker's compensation options and 1,918,523 common shares issuable upon the exercise of outstanding options granted under the Company's stock option plan and the common shares issuable in connection with the compensation options to be issued to the Agent in connection with this offering. Assumes that BFC does not elect to receive payment of its stand-by fee in Units.

Each Tranche 3 Special Warrant is exercisable for one Unit consisting of one common share and one-half of Share Purchase Warrant, at no additional cost at any time prior to 4:30 p.m. (Calgary time) on the date that is the earlier of (i) July 11, 2002; and (ii) the date that is five business days after the date on which a receipt is issued by the Ontario Securities Commission for a (final) prospectus of the Company qualifying the distribution of the Units to be issued on the exercise of the Tranche 3 Special Warrants. Any Special Warrants not exercised prior to such expiry time shall be deemed to have been exercised immediately prior to such expiry time without any further notice or action on the part of the holder. Each whole Share Purchase Warrant issuable on the exercise of the Tranche 3 Special Warrants entitles the holder to purchase one additional common share at the price of $1.30 at any time before 4:30 p.m. (Calgary time) on the first anniversary of the date of issuance of the Share Purchase Warrant.

374,400 of the Tranche 2 Special Warrants are each exercisable for 1.3 Units, each consisting of one common share and one-half of a Share Purchase Warrant, at no additional cost at any time prior to 4:30 p.m. (Calgary time) on the first anniversary of the date of the issuance of the Special Warrant. 1,153,850 of the Tranche 2 Special Warrants are each exercisable for 1.43 Units, each consisting of one common share and one-half of a Share Purchase Warrant, at no additional cost at any time prior to 4:30 p.m. (Calgary time) on the earlier of February 26, 2002 or the date that is five business days after the date on which a receipt is issued by the Ontario Securities Commission for a (final) prospectus of the Company qualifying the distribution of the Units to be issued on the exercise of such Tranche 2 Special Warrants. Any Special Warrants not exercised prior to such expiry time shall be deemed to have been exercised immediately prior to such expiry time without any further notice or action on the part of the holder. Each whole Share Purchase Warrant issuable on the exercise of the Tranche 2 Special Warrants entitles the holder to purchase one additional common share at the price of $1.30 at any time before 4:30 p.m. (Calgary time) on the first anniversary of the date of issuance of the Share Purchase Warrant.

824,000 of the Tranche 1 Special Warrants are each exercisable for one Unit consisting of one common share and one-half of a Share Purchase Warrant, at no additional cost at any time prior to 5:00 p.m. (Calgary time) on the date that is the earlier of (i) March 15, 2002; and (ii) the date that is five business days after the date on which a receipt is issued by the last of the securities commissions in Ontario and Alberta for a (final) prospectus qualifying the distribution of Units to be issued on the exercise of the Tranche 1 Special Warrants. 100,000 of the Tranche 1 Special Warrants are each exercisable for one such Unit, at no additional cost at any time prior to 4:30 p.m. (Calgary time) on September 15, 2001. Any Special Warrants not exercised prior to such expiry time shall be deemed to have been exercised immediately prior to such expiry time without any further notice or action on the part of the holder. Each whole Share Purchase Warrant issuable on the exercise of Tranche 1 Special Warrants entitles the holder to purchase one additional common share at the price of $2.00 at any time before 4:30 p.m. (Calgary time) on the first anniversary of the issuance of the Share Purchase Warrant.

This prospectus also qualifies the distribution of broker's compensation options to be issued in connection with the Special Warrant Offerings to the Agent and Taurus Capital Markets Ltd. ("Taurus") entitling the Agent and Taurus to purchase 189,001 and 82,400 Units, respectively.

See "Plan of Distribution – Special Warrant Offerings".

Use of Proceeds:	The Company will use the net proceeds of the offering (i) to pay a portion of the deferred portion of the purchase price for the Company's acquisitions of Greco, Spectrum and IAS (approximately $790,500); (ii) to reduce by approximately $532,385 the indebtedness of the Company's wholly-owned subsidiary i-Manufacturing Networks Inc. under its short-term revolving line of credit with a U.S. bank; (iii) to fund further development of the Company's internetworking products and related infrastructure growth (approximately $300,000); (iv) to fund the immediate steps that are required to reach commercial production of the ION universal interface and the CORTEX gateway (approximately $100,000) and (v) for working capital and general corporate purposes. Pending these uses, the net proceeds to the Company will be added to the Company's cash resources. The Company will not receive any cash proceeds from the issuance of the Units on the exercise or deemed exercise of the Special Warrants. The net proceeds of the Special Warrant Offerings were used to fund operating expenses of the Company, including expenses related to the hiring of additional staff and product development expenses, and to pay a portion of the purchase price for the acquisitions of Greco and Spectrum. See "Use of Proceeds".
Risk Factors:	An investment in the common shares is a speculative investment and certain risk factors should be carefully reviewed and evaluated by prospective investors before purchasing common shares, including risk factors relating to: the Company's product line transition; the Company's capital and revenues not being sufficient to meet operating needs; the Company's history of losses and negative cashflow; the Company's substantial financial leverage; security granted to secure indebtedness; the lack of an established market for internetworking products or services; the Company's new internetworking products and services being in the development stage; product development and technological change; the risk that competitors may develop similar or superior products; product liability claims; dependence on the Company's proprietary technology; the risk of third party claims for infringement; reliance on third party licences; the Company's limited operating history as a combined entity; evolving distribution channels and dependence on third party vendors; cost of acquisitions and the Company's ability to integrate acquired businesses; the Company's need to enhance management systems; potential fluctuations of quarterly results; dependence on key personnel; control of the Company by a controlling shareholder; financial risks due to currency exchange rate fluctuations; and dilution. See "Risk Factors".
CDNX Symbol:	MFG

Summary Selected Consolidated Financial Information

The following table should be read in conjunction with the consolidated financial statements of the Company, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the pro forma financial statements and other information in this prospectus. The summary selected financial data as at and for the three months ended March 31, 2001 and March 31, 2000 are derived from the interim consolidated financial statements of the Company, and the summary selected financial data as at and for the year ended December 31, 2000, as at and for the three months ended December 31, 1999 and as at and for the year ended September 30, 1999 are derived from the consolidated financial statements of the Company. The summary selected *pro forma* financial data for the year ended December 31, 2000 are derived from the unaudited pro-forma combined statement of operations of the Company, which gives effect to the acquisitions of Greco and Spectrum on August 31, 2000 as if such acquisitions had occurred on January 1, 2000. The data provided as at and for the three months ended March 31, 2000 and 2001 are unaudited. Interim results are not necessarily indicative of the results that may be achieved for the entire financial year.

	Three Months Ended March 31, 2001[(1)] (unaudited)	Three Months Ended March 31, 2000 (unaudited)	Year Ended December 31, 2000[(1)]	Three Months Ended December 31, 1999[(2)]	Year Ended September 30, 1999[(2)]	Year ended December 31, 2000 (*Pro forma*) (unaudited)
Statement of Operations Data:						
Revenue	$1,817,158	$135,315	$2,799,353	$234,791	$1,098,676	$6,550,239
Cost of sales	981,955	57,008	1,627,542	100,945	400,647	3,266,782
Gross profit	835,203	78,307	1,171,811	133,846	698,029	3,283,457
Research and development expenses	330,839	29,912	342,548	2,878	5,303	887,910
Sales and marketing expenses	594,325	92,676	1,110,424	48,873	169,191	2,158,549
General and administrative expenses	764,052	143,103	1,540,519	147,207	431,855	2,695,768
Amortization	244,267	5,245	334,716	4,729	24,291	791,502
Foreign exchange loss	172,766	2,325	90,309	-	-	90,309
Interest expense	104,738	741	129,670	698	5,683	438,787
Loss on disposal of assets	-	-	-	3,494	-	-
Other (income)	-	-	-	-	-	(15,034)
	2,210,987	274,002	3,548,186	207,879	636,323	7,047,791
Earnings (loss) before income taxes	(1,375,784)	(195,695)	(2,376,375)	(74,033)	61,706	(3,764,334)
Recovery of (provision for) income taxes	-	-	940,417	-	(8,200)	1,086,780
Net earnings (loss) for the period	$(1,375,784)	$(195,695)	$(1,435,958)	$(74,033)	$53,506	$(2,677,554)
EBITDA[(3)]	$(1,026,779)	$(189,709)	$(1,911,989)	$ (68,606)	$ (91,680)	$(2,534,045)
Basic and diluted earnings (loss) per share	$(0.06)	$(0.01)	$(0.08)	$(0.01)	$0.05	$(0.14)
Statement of Cash Flows Data:						
Cash provided by (used in):						
Operating activities	$(1,157,262)	$(199,515)	$(1,978,738)	$70,494	$(116,598)	
Financing activities	$1,401,622	$45,308	$2,312,813	$133,459	$107,287	
Investing activities	$(210,267)	$228,547	$(364,483)	$(15,498)	$(32,243)	

	As at March 31, 2001	As at December 31, 2000	As at December 31, 1999
Balance Sheet Data:			
Working capital (deficiency)	$(3,197,879)	$(2,688,694)	$211,563
Total assets	$12,609,606	$11,676,536	$551,423
Long-term debt	$3,044,232	$2,936,821	$33,320
Total liabilities	$7,483,609	$6,858,730	$148,974
Retained earnings (deficit)	$(2,779,393)	$(1,403,609)	$32,349
Shareholders' equity	$5,125,997	$4,817,806	$402,449
Total liabilities and shareholders' equity	$12,609,606	$11,676,536	$551,423

(1) Includes the results of operations of: (a) Greco acquired effective August 31, 2000; (b) Spectrum acquired effective August 31, 2000; and (c) IAS acquired effective March 2, 2001, as applicable.

(2) During 1999, the Company changed its financial year end from September 30 to December 31.

(3) EBITDA represents earnings (loss) before interest expense, amortization expense and provision for or recovery of income taxes. EBITDA is not intended to represent cash flow from operations as defined by generally accepted accounting principles and should not be used as an alternative to operating income or loss, or as an indicator of operating performance or cash flow as a measure of liquidity.

BUSINESS OF THE COMPANY

General

e-Manufacturing Networks Inc. ("e-MFG" or the "Company") has developed hardware and software to enable ethernet-based two-way communication between virtually all machine tools on a factory floor and management information systems, in order to identify, monitor and optimize production. This technology – known as "internetworking" – effectively allows the networking of the entire factory floor and the connection of machine tools to the Internet, corporate intranets and virtual private networks.

While the market for the Company's internetworking products is in its early stages, the Company's internetworking technology is an extension of its existing shop floor communications business. The Company, through its divisions, has been in the business of manufacturing and selling hardware and software products that are used to optimize the operation of and communication by the microcomputers inside machine tools, called "computerized numeric controls" or "CNCs", for many years.

In March 2001, e-MFG demonstrated its first generation internetworking hardware and software products, called the ION universal interface and the CORTEX gateway. These products have a number of distinctive features:

- they provide a common interface for virtually all makes and models of CNCs,
- they contain or will contain serial communication protocols that permit them to communicate with virtually any make and model of CNC,
- they support numerous common, open network protocols with the result that they can work with virtually all third party manufacturing and networking software,
- they work with a standard web browser and provide a connection to the Internet,
- they enhance and augment the features of most installed CNCs, among other things, permitting the CNC (and the machine tool) to operate faster and more accurately, and
- they provide ethernet connectivity which is faster and more secure than the traditional serial connection that is predominant on the factory floor.

The Company also plans to incorporate into the ION universal interface the Company's translation software, which permits a program written in one language for one make of machine tool to be used in other makes. As well, the ION universal interface will include optimization software, which accelerates the execution of a part program – the set of instructions to a machine tool that tell it how to make a particular part.

The Company's internetworking products are intended to take advantage of what the Company believes to be the manufacturing industry's growing awareness of the benefits associated with including the plant floor in enterprise-wide information systems. The Company believes that the potential benefits to manufacturers of real-time monitoring of production activities are a key part of an overall effort to bring greater integration to supply chain and sales initiatives and that internetworking technology has the potential to improve a manufacturer's productivity by facilitating the following:

- *Cost savings through better inventory management and CNC life extension.* Internetworking is expected to permit increased supply chain integration and resulting reductions in inventory levels. CNC life is also expected to be extended, with e-MFG's products functioning as an upgrade at a fraction of the cost of a new CNC.
- *Increased revenue from faster and more efficient production.* Internetworking is expected to optimize production by increasing speed of data transmission and execution of part programs and is expected to permit more accurate scheduling of production through more timely communication.

- *Cost savings and increased revenue from reduced machine tool downtime.* Internetworking is expected to reduce machine tool downtime as a result of improved service and repair through remote preventative and predictive diagnostics and repair of CNCs.

- *Better profitability from improved management decision-making.* Internetworking is expected to allow management to make better, more informed decisions by permitting direct links between CNCs and management information systems, including enterprise resource planning and accounting systems and enabling management to gather real-time data directly from the factory floor.

The Company completed three beta test installations of the ION universal interface and the CORTEX gateway during the second quarter of 2001. The Company also has completed two prototype demonstrations of its internetworking products in operation. The first was completed in March 2001 at the Westec Trade Show in Los Angeles, California where an ION universal interface was connected to two different makes of machine tools. Each machine was continuously monitored, real-time status reporting was provided and alarm notification was sent by way of wireless e-mail to a personal digital assistant. The second was conducted in April 2001 at the offices of Advanced Technology Services, Inc. where a CNC equipped with an ION universal interface sent a wireless e-mail event notification simultaneously to multiple staff present through both cellular phones and pagers. e-MFG is currently continuing to develop these products and, to date, has not realized revenue from them.

The Company continues to generate revenue from its existing business. Currently, e-MFG offers a full suite of products designed to upgrade and enhance the memory, communication and operation of CNCs. The Company's products include hardware and software including direct numerical control ("DNC") software that permits the user to organize, edit and transmit bidirectionally part programs to a CNC. The Company believes it is the largest supplier of DNC software in North America. In May 2001, the Spectrum division of the Company made its first sale of Multi-DNC software with the Company's recently developed software for machine event monitoring.

Corporate History

The Company is a corporation existing under the *Business Corporations Act* (Alberta) formed by the amalgamation of e-Manufacturing Networks Inc. and Memex Electronics Inc. ("Memex") on February 29, 2000. The head and principal office of the Company is located at 4046 Mainway Drive, Burlington, Ontario L7M 4B9.

Harrier Capital Corporation ("Harrier") was incorporated under the *Business Corporations Act* (Alberta) on November 19, 1996. Harrier became a reporting issuer in Alberta on April 2, 1997 under the Alberta Securities Commission ("ASC") Policy 4.11 – Junior Capital Pool Offerings (the "JCP Policy") (now replaced by ASC Rule 46-501). On January 17, 2000, Harrier filed articles of amendment to change its name to "e-Manufacturing Networks Inc."

Memex was incorporated under the *Business Corporations Act* (Ontario) on February 17, 1992. On January 17, 2000, Harrier acquired all of the outstanding common shares of Memex (the "Major Transaction") pursuant to a "reverse take-over bid". Harrier did not carry on any active business prior to the completion of the Major Transaction. The Major Transaction constituted Harrier's "major transaction" for the purposes of the JCP Policy.

On August 31, 2000, e-MFG acquired (through its direct wholly-owned California subsidiary, i-Manufacturing Networks Inc. ("i-MFG")), all of the outstanding shares of Greco Systems ("Greco") and Spectrum CNC Technologies, Inc. ("Spectrum"). On March 2, 2001, e-MFG acquired (through its direct wholly-owned California subsidiary JK Acquisition Corp.) all of the outstanding shares of Industrial Automation Solutions, Inc. ("IAS"), a New York corporation. Both Greco and Spectrum are now divisions of i-MFG, and IAS is now a direct wholly-owned subsidiary of JK Acquisition Corp., which is a direct wholly-owned subsidiary of e-MFG. i-MFG, JK Acquisition Corp. and IAS are e-MFG's only subsidiaries.

Industry Overview

Certain industry data presented in this prospectus is identified as having been compiled from a machine tool industry report – "2000 CNC Worldwide Outlook" – prepared by ARC Advisory Group, an independent research and advisory group (the "ARC Report"), and from a report – "The Factory-to-Business (F2B) Market – Segment for Industry" – prepared by Frost

& Sullivan, a marketing consulting company (the "Frost & Sullivan Report"). e-MFG has not independently verified any of the data contained in such reports.

CNCs are embedded microcomputers that are used to control machine tools. Machine tools are widely used in manufacturing to bend, stamp and cut metal and other materials into complex shapes and parts. CNCs trace their origin to the Numeric Controls ("NCs") created in the late 1940's to replace the manual operation of machine tools. The first CNCs were developed in the early 1970's. Computers were used to store and edit part programs, and part programs were delivered to the CNCs using serial technology. CNCs had limited memories and functionality. Over time, part programs became larger, as more powerful software (for example, computer-aided design and manufacturing software) was used to create them. The comparatively slow transmission speeds of serial technology, when combined with increasingly large programs and limited CNC memories, meant that machine tools often could execute the commands from the CNCs faster than the part programs could be loaded into the CNC for execution. In the 1980's and 1990's, faster serial technology transmission rates and protocols were developed, but machine tools could still process the instructions from CNCs faster than serial connections could provide them. This "data starvation" compromised quality and unduly lengthened cycle time, and is still a problem today.

The "data starvation" problem can be solved using ethernet technology, which permits data transmission rates of up to 100 million bits per second compared to the usual maximum data transmission rate of 9,600 bits per second for a serial connection. In the late 1990's, some CNC makers added ethernet ports and, in some cases, disk drives to CNCs. As a result, quality increased and cycle time decreased. However, these features are available only in newer CNCs. Further, even these newer ethernet ports typically do not support transmission control protocol/Internet protocol (TCP/IP), the communication standard required for two-way communication through the Internet. As a result, such CNCs cannot receive and transmit data simultaneously, or receive or transmit data over the Internet. Further, most are not capable of remote monitoring (that is, gathering information about the status, function, operation and history of the CNC and the machine tool to which it is connected) although some of the newest CNCs incorporate protocols that can work with custom third party software permitting the gathering of limited, simple information from the machine tool.

The existing stock of CNCs today is composed of models manufactured over the last 30 years. The Company estimates there are approximately two million CNCs currently in service worldwide, with approximately 110,000 new CNCs sold each year. The Company believes that approximately 60% of installed CNCs are more than five years old. While upgrades, retrofits and replacements have occurred, most CNCs in service still have limited memory and limited data transmission capabilities and are not capable of being connected to management information systems. According to the ARC Report, factories that use CNCs can be categorized as follows: (i) automotive (39%) of sales of CNC systems); (ii) fabricated metals (21%); (iii) heavy equipment (19%); (iv) aerospace (8%); (v) electronics (5%); and (vi) other (8%).

The ARC Report estimates that the aggregate worldwide sales of CNC hardware, software and services in 2000 were approximately U.S.$3.7 billion. Most machine tool manufacturers do not make the CNCs supplied with their machine tools. While there are currently more than 60 CNC manufacturers worldwide, four manufacturers (Siemens, Fanuc, Mitsubishi and Heidenhain) accounted for over 70% of global CNC sales in 2000.

Today, virtually all machine tools in use are "islands of technology" that do not share information over a network for a number of reasons. First, the installed base of CNCs is fragmented, with over 60 manufacturers worldwide, each producing a number of models over the years. Almost all such CNCs make use of proprietary protocols to communicate, and different models made by the same manufacturer often do not use the same protocols. Second, generally CNCs cannot transmit real-time operational information. Recently, some CNC manufacturers have developed an add-on option which enables certain CNCs to transmit limited, simple information to a personal computer. However, this technology relies on proprietary protocols and, as a result, only works with the particular CNC manufacturer's makes and models of CNCs and does not allow the information to be communicated to and integrated with management systems. Lastly, historically CNC manufacturers have been focussed on enhancing the productivity of their CNCs, rather than developing the means to network machine tools of all makes.

The Company believes that there is a need for internetworking technology that will enable fast two-way communication between CNCs and between CNCs and management information systems. The market for the Company's internetworking products is in its early stages and there are no third party estimates of the size of the Company's market. The Frost & Sullivan Report predicts that the aggregate realized market value of the portion of the factory-to-business market – which it defines as the market for products and services intended to connect equipment on the factory floor to other aspects of the enterprise, as well as suppliers and partners – representing factory floor Internet technology and software controls will be approximately U.S.$2 billion in 2001 and will grow to approximately U.S.$5.1 billion by 2006. The Frost & Sullivan Report predicts that the realized market value in 2001 of the factory-to-business market will be approximately U.S.$11 billion and will grow to approximately U.S.$21 billion by 2006. The Company's products are addressed to the portion of this market representing factory floor Internet technology and software controls.

e-MFG's Strengths and Strategy

Strengths

e-MFG believes that it has the potential to take a leading position in the development and sale of internetworking products and services. e-MFG also believes it is the first company to focus on developing universal internetworking products and services; it has extensive experience in developing CNC hardware and software solutions and an installed customer base of over 12,000 customers, including Fortune 500 companies in key industry sectors; its management has many years of experience in the CNC industry; its acquired businesses provide the Company with a well developed distribution network of over 200 distributors; its acquired businesses have reputations for innovation and quality; it has an extensive library of CNC communication protocols to achieve virtually universal communication; and it is working with industry leaders in developing open standards for use in the manufacturing process. The Company believes it will be first to market with a product that will permit almost any make of CNC, of almost any age, to be made part of an integrated network, effectively networking an entire factory floor of CNCs without requiring extensive retrofits or the outright replacement of CNCs. e-MFG expects that it will have a competitive advantage because its technology is a cost effective add-on, as opposed to a retrofit or replacement of CNCs (which is more expensive and time consuming).

The Company, through its divisions, has developed and distributed hardware and software to the CNC industry for over 23 years and has sold products to over 12,000 customers. e-MFG has thereby acquired extensive experience in shop floor communications and is knowledgeable of the workings of the installed base of CNCs and machine tools. As a result of selling its own hardware and software products, and learning to interface them with a wide variety of makes, models and ages of machines, the Company now has a library of over 1,000 different machine tool interfaces which e-MFG believes to be the most extensive library of communication protocols in the industry. This is significant because, while there are some commonly used standard communication protocols, most machine tool manufacturers use their own proprietary communication protocols, particularly for older CNCs and NCs.

e-MFG expects that its library of communications protocols will allow its internetworking products to be used with most makes of CNCs. Further, as a result of the IAS acquisition in March 2001 and the development work to be conducted by e-MFG's engineering staff, e-MFG expects to incorporate into the ION universal interface IAS software to provide translation features (permitting part program code used in one machine tool to be translated for use in other makes of machine tools) and optimization features (accelerating execution of the part program) that will enhance the universality and appeal of its products. Finally, as a result of its acquisitions of Greco and Spectrum, e-MFG believes it is the largest seller of DNC software in North America. See "– Recent Acquisitions" and "– Current Products".

Strategy

The Company's goal is to turn all makes of machine tools, new and old, into servers of real-time production information, supplying information to management, plant floor personnel, management information systems, and business and supply chain partners. The Company will seek to be at the forefront of the adoption of such technology by assisting in the development of a standard for internetworking products and services and selling internetworking products and services to its existing and new customers.

e-MFG's strategy to achieve its goal consists of the following key components:

Be Universal and Employ Open Architecture. As a result of their historical development, both the CNC industry and the factory floors on which the CNCs are located now comprise many different products of varying ages and employ different levels of technology, including network architecture. The Company believes that approximately 60% of CNCs are over five years old. The Company intends to exploit its extensive library of CNC communication protocols which it acquired through its acquisition of Greco to ensure that its internetworking products work with virtually all makes of CNCs despite this diversity. The Company believes that its universality will be appealing to end users because it will permit them to readily gather and communicate information simultaneously from virtually all their CNCs. While certain newer makes of CNCs permit limited information gathering, there is no common interface for all makes of CNCs that would permit information reporting. As a result, end users are unable to achieve the benefits of a common method and interface for communicating information to, and gathering information from, the factory floor. The acquisitions of Greco, Spectrum and IAS which gave the Company access to Greco's and Spectrum's library of communication protocols and IAS's translation and optimization software, are part of the Company's strategy of offering universal connectivity and a common interface in its internetworking products. The software that the Company is developing for the ION universal interface will allow third party software to be seamlessly integrated.

Use e-MFG's Distribution Network to Sell to Existing and New Customers. The Company currently has a direct sales and marketing team of 16 employees and has a distribution network composed of over 200 distributors for its current products. See "– Sales and Marketing". As a result of the acquisitions of Greco, Spectrum and IAS, e-MFG has an extensive customer list and approved vendor status in all industry sectors and at all sizes of firms. The Company believes that its customer list is among the most extensive in the industry and intends to take advantage of its history with these customers to accelerate introduction and sale of its internetworking products. The Company is able to offer customers of one of its divisions, products sold by its other divisions. The Company also intends to expand its direct sales team if and to the extent that its planned strategic alliances enable it to accelerate the roll out of its products. The Company will also seek to develop strategic alliances in order to enhance its distribution network.

Target Likely Early Adopters of Internetworking Technology. Based on the Company's knowledge of the various industries that use CNCs, and the buying habits, strategic objectives and various sizes of customers in each of these industries, the Company believes that the most likely early adopters of its technology will be medium-sized aerospace and automotive companies. The Company has engaged in discussions with a number of such companies about the use of the Company's internetworking products and services. In particular, the Company has non-binding letters of intent with two medium-sized North American aerospace companies contemplating test installations of the Company's internetworking products.

Form Strategic Alliances with CNC Industry Participants. The Company intends to pursue strategic alliances with CNC industry participants to add to its distribution network, enhance its credibility and create sales opportunities. The Company has entered into a non-binding letter of intent with Advanced Technology Services, Inc. to provide installation and various support services in respect of the Company's internetworking products, to assist in developing and providing the Company's planned internetworking service offerings and to cooperate in respect of sales and marketing efforts. The Company believes that its relationship with Advanced Technology Services, Inc. will increase its installation and maintenance capacity, permitting a more rapid roll-out of the Company's internetworking products than it could achieve on its own. The Company is currently engaged in discussions with various third parties about further strategic alliances. See "– Strategic Relationships".

Work with CNC Industry Groups and Participants to Develop an Internetworking Standard. e-MFG is working with the Open Modular Architecture Controls ("OMAC") industry group to develop the standards by which CNCs will describe a number of elements of their operations, including what type of machine tool they are, what tool they are using, whether they are currently working or stopped, and others. See "– Open Modular Architecture Controls Users Group". The Company has been asked to assist in drafting a standard human/machine interface for an OMAC working group. A worldwide industry-driven standard in this area is an important step in turning each machine tool into a node on a network and allowing a common interface to be used regardless of what make of machine tool or CNC is being used. The Company believes that the drafting of an open industry standard will drive demand for internetworking products, including e-MFG's products which will be manufactured to work with this standard.

Provide Complementary Internetworking Service Offerings. The Company intends to develop complementary internetworking products and services. To date, the Company has developed CNCPartsLocator.com, an Internet marketplace for buyers and sellers of CNC parts. Further, e-MFG intends to develop "Platinum Service", an internetworking service offering which is expected to include remote data gathering and analysis and to provide such services to its customers over a secure Internet connection to complement its internetworking products. The Company believes that the availability of such services will encourage adoption of e-MFG's internetworking hardware and software products, which will, in turn, drive demand for such services.

New Internetworking Products and Services

Internetworking Products

The Company has developed prototypes of the core products in its planned suite of internetworking hardware and software products: the ION universal interface and the CORTEX gateway.

ION Universal Interface

The ION universal interface is designed to be a universal link between CNCs and an ethernet network. The ION universal interface's principal hardware components are a single board computer, a minimum of 64 megabytes of working memory, ethernet and serial connections and discrete input/output channels, contained in a rugged aluminum case. The ION universal interface's computer functions as a co-processor for the CNC, reducing the load on the CNC and permitting it (and the machine tool) to operate faster. Linux-based software developed by the Company and software licensed from third parties is embedded in the ION universal interface. This software permits rapid loading of a part program into memory, communication of the program to the machine tool, gathering of data from the machine tool and communication of such data over the network using a number of common protocols.

The ION universal interface's ethernet connection enhances part program communication speed. Most CNCs in operation now communicate using serial, rather than ethernet, networks. Serial networks generally transmit data at 9,600 bits per second, and are forced to slow down considerably with the increased cable length often found on the factory floor. An ethernet connection can be up to 1,000 times faster and provides more accurate data transmission than a serial connection. The ION universal interface connects virtually any make of CNC to an ethernet network, by providing serial communication and discrete input/output channel communications to the CNC. The ION universal interface then allows ethernet connectivity to the outside. Its close proximity to the CNC (it attaches magnetically to the CNC) brings ethernet speeds, data accuracy and system security directly to the CNC. The resulting shortness of the serial cable means faster transmission to the CNC than installations that run serial cable from a personal computer to the CNC.

The ION universal interface also permits two-way communication between CNCs and management information systems. The ION universal interface will provide two-way communication with virtually any CNC, using standard application protocols. To permit a customer's existing software applications to use data gathered by the ION universal interface, it supports a number of common, open protocols. The use of open protocols helps ensure that the ION universal interface can communicate with and send information to as broad a base of existing management information systems as possible. In addition, the employment of open architecture in respect of the file system through the use of open protocols facilitates the customization of the ION universal interface both by original equipment manufacturers and by third parties, thereby allowing such manufacturers and third parties to develop software to work with the ION universal interface.

The critical element of the ION universal interface is a dynamic file system with configurable event "traps", which permits notification of specified events in the operation of the CNC, such as changes, whether certain values exceed specified thresholds, such as temperature, voltage or pressure, and whether specified items equal a specified value. The ION universal interface communicates over the network only when specified events occur. This is significantly more efficient than continuously querying the CNC to determine if the specified events have occurred, which is currently the common method of monitoring machine tools. The Company is pursuing the patentability of this technology.

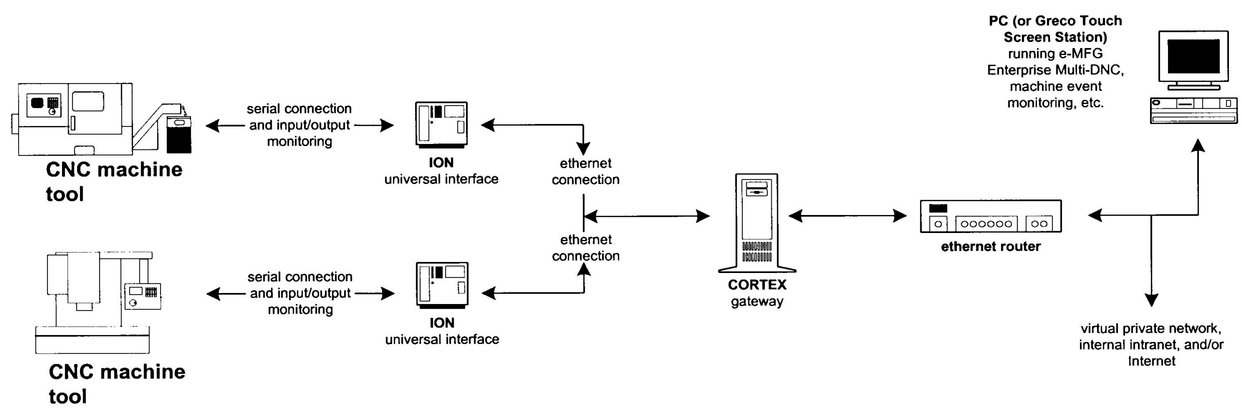
CORTEX Gateway

The CORTEX gateway is designed to connect many ION universal interfaces to a single point, and to provide a secure gateway to a corporate network and, in turn, controlled access by authorized users to shop floor information through any standard web browser connection to the Internet. For example, if its supplier's CNCs were internetworked, a worldwide automotive manufacturer could use the Internet to order and monitor production of that supplier's parts, right down to the machine tool level.

The CORTEX gateway's principal hardware components are a single board computer and a hard drive contained in a rugged aluminum case. Linux-based software developed by the Company and third-party software is embedded in the CORTEX gateway. This software permits storage of event data in an industry standard open structured query language database format. Standard security features ensure that only authorized users are permitted to gather and view the data. The use of industry standard protocols allows transmission of data over a network, intranet, virtual private network or the Internet.

The CORTEX gateway retrieves and stores data gathered from ION universal interfaces in a database on its hard drive. The security features of the CORTEX gateway are provided through well-known and well-respected secure protocols. The CORTEX gateway supports the same common, open protocols as the ION universal interface, offering similar advantages as the ION universal interface in this respect and permitting it to be integrated into existing corporate information technology networks.

The following diagram shows the layout of a typical installation of ION universal interfaces and a CORTEX gateway as envisioned by the Company (not to scale):



The alpha prototype of the ION universal interface (originally known as the machine tool interface board (MTIB) was completed in December 2000. e-MFG has arranged with three additional manufacturing companies to conduct beta installations of the ION universal interface and the CORTEX gateway during the second quarter of 2001. e-MFG also has entered into non-binding letters of intent with two companies in the aerospace industry. These letters of intent contemplate initial test installations in a few machines for evaluative purposes. e-MFG's goal in these relationships is to implement company-wide adoption of internetworking products for its customers. While e-MFG is in the process of completing beta installations of its ION universal interface and CORTEX gateway, it has received its first purchase order for and has delivered one ION universal interface and one CORTEX gateway.

The Company has completed two prototype demonstrations of its internetworking products in operation. The first was completed in March 2001 at the Westec Trade Show in Los Angeles, California where an ION universal interface was connected to two different makes of machine tools. Each machine was continuously monitored, real-time status reporting was provided and alarm notification was sent by way of wireless e-mail to a personal digital assistant. The second was conducted in April 2001 at the offices of Advanced Technology Services, Inc. where a CNC equipped with an ION universal interface sent a wireless e-mail notification simultaneously to multiple staff through both cellular phones and pagers.

The Company has completed the development of the first version of the ION universal interface and CORTEX gateway. The Company has determined all of the features that will be included in the first two versions of the ION universal interface and CORTEX gateway and has completed the first generation product. The immediate steps that are required to reach commercial production of the ION universal interface and the CORTEX gateway are completing production planning with suppliers and finalizing quality assurance programs. The Company also is currently negotiating a licence agreement for third party software to be embedded in the ION universal interface. The Company expects to complete these steps before the end of the third quarter of 2001 and estimates that the expenditures required to complete these steps will be less than $100,000.

While e-MFG has not completed any commercial installations of its internetworking products other than beta installations, the Company believes that a completed installation of the internetworking products' predecessor technology illustrates part of the productivity enhancing potential of internetworking. e-MFG completed a CNC networking installation at a Peoria, Illinois Caterpillar Inc. plant in 1998. e-MFG networked together four machines in one production cell using an ethernet connection, reducing the cycle time for these four machines by 17% by permitting optimized production scheduling and reducing downtime. Based on data provided by the customer, e-MFG calculated the related annual cost savings and productivity enhancements to be approximately U.S.$3.2 million, and the costs associated with the installation were recouped within six weeks through these cost savings. The improvements also permitted reduced staffing requirements to manufacture the same volume of parts. Caterpillar continues to utilize this installation today. e-MFG's planned internetworking standard involves offering this technology with the additional benefit of using the Internet for remote communication and achieving economies of scale, and providing additional features such as remote event monitoring and expedited part replacement.

To date, e-MFG has not realized any revenue from either the ION universal interface or the CORTEX gateway. However, the Company has received its first purchase order for and has delivered one ION universal interface and one CORTEX gateway.

Possible Future Applications

While e-MFG's focus is machine tools, it believes that the demand for Internet monitoring may extend beyond the machine tool industry. For example, e-MFG believes that utility companies could benefit from the ability to remotely monitor and control water purification. Further, while e-MFG's initial installations are expected to use ethernet cabling, its recent demonstrations also included demonstrations of wireless monitoring of machine tool activity, and the Company intends to explore applications of wireless machine tool activity monitoring.

CNC Parts Locator

In November 2000, the Company launched CNC Parts Locator ("CPL"), an Internet marketplace for buyers and sellers of CNC parts. There are over 60 makes of CNCs currently in use, and the Company believes that approximately 60% of installed CNCs are over five years old, and some are over 25 years old. The Company believes that this fact, combined with the fact that CNC manufacturers do not maintain an extensive inventory of parts for older machines, means that there exists a large after-market for parts and that no one firm represents a single, reliable source for such parts.

CPL links purchasers and vendors of after-market CNC parts. Vendors may register information about their after-market parts inventory on the CPL website. Potential purchasers enter requests for quotes for specific after-market parts on the CPL website, and CPL automatically sends a request to the appropriate registered vendors for a quote for the part. After the Company receives the vendors' quotes, it provides a quote to the purchaser at a mark-up over the underlying quote. If the purchaser agrees to purchase the part, e-MFG purchases the part from one of the vendors (typically the lowest cost vendor) to fill the order and arranges to have the part shipped to the purchaser.

To date, the Company has realized only nominal revenue from CPL. The Company has focussed its resources on the development of its internetworking hardware and software and has not yet actively marketed CPL.

Platinum Service

The Company is currently formulating its strategy and pursuing strategic alliances with respect to its internetworking service offerings, to be offered under the name "Platinum Service", to complement its internetworking products. Platinum Service is expected to include remote access, data gathering and analysis to be provided to manufacturers using internetworked CNCs. The Company plans to make such information and content provided by third parties available to its customers over a secure Internet connection. The Company believes that Platinum Service will allow its customers to obtain the benefits of internetworking through outsourcing while focussing on their core competencies.

The Company has had discussions with third parties concerning the possibility of integrating some of their software products in the Company's Platinum Service offering. e-MFG contemplates delivering Platinum Service using an application service provider model (that is, software and services accessed through the Internet that would otherwise have to be located on a customer's computers). The Company is also seeking larger premises, including premises that will offer the Company the ability to set up its own servers to provide the ability to initially host Platinum Service itself. e-MFG is targeting to commence marketing Platinum Service before the end of 2001. To date, the Company has not realized any revenue from Platinum Service.

Current Products

e-MFG currently develops, manufactures and sells hardware and software used with CNCs and NCs. The customers of each of the Company's three divisions include Fortune 500 companies. As a result of the acquisitions of Greco and Spectrum, e-MFG believes that it is the largest supplier of DNC software in North America. The internetworking hardware and software that the Company is developing builds on the CNC hardware and DNC software that the Company currently sells.

Memex Division Products

The Memex division is the successor to the business of Memex Electronics Inc., which was founded in 1992 by e-MFG's current Chief Executive Officer to provide memory upgrades for Fanuc CNCs. Its product lines have been extended to include other connectivity and productivity products, principally designed for Fanuc CNCs and two other manufacturers' CNCs. Its products are installed with approximately 1,000 customers worldwide.

The Memex division's products are: (i) low cost upgrades to the limited memory in Fanuc and Yasnac machine tool controls; (ii) behind the tape readers, microcontroller-based serial interface boards that emulate the paper tape readers found on older NCs and CNCs, effectively permitting these machines to load programs through a serial interface rather than a tape reader; and (iii) the high speed loader adapter and basic machine interface board, a Fanuc CNC memory upgrade coupled with ethernet connectivity that allows larger part programs to be loaded quickly to older Fanuc CNC machines.

Revenue of the Memex division's business for the year ended December 31, 2000 was $650,241. Prior to the acquisition of Spectrum on August 31, 2000, the Memex division also distributed Spectrum's DNC software. Revenue from the distribution of such software for the eight months ended August 31, 2000 was $85,804.

Greco Division Products

The Greco division is the successor to the business of Greco Systems, a supplier of hardware, software and networking products based near San Diego, California. Greco was founded in 1977 and acquired by e-MFG on August 31, 2000. Greco's hardware and software products are installed with approximately 8,000 customers primarily in the United States and Canada in virtually every manufacturing industry, including aerospace, automotive and heavy equipment. e-MFG believes that the Greco name is one of the best known third-party supplier brands in the CNC industry.

The Greco division's hardware products include: (i) the Machine Tool Interface Card, a serial to ethernet conversion device loaded with Greco protocols to allow operation with virtually any make of CNC; (ii) CNC Minifile™, a part program storage and transportation device, permitting the manual transportation of part programs from one CNC to another for subsequent download; and (iii) CNC Station, a CNC program storage and editing device that permits serial-networked loading of part programs and the creation, editing, storage and retrieval of part programs for CNCs and NCs.

The Greco division also assembles and distributes the Touch Screen Station, a computer built to withstand rugged manufacturing environments. This product may be connected to either token ring or ethernet local area networks and features a fully-integrated, expandable touch screen computer and high resolution display, permitting mouse-free operation of Windows™-based programs, and a swivel base permitting mounting on either a tabletop or machine side. The Greco division also distributes rugged computers for light industrial and heavy industrial/military applications.

The Greco division's software products include DNC software, marketed under the names WinDNC Software, WinDCS Software and Enterprise DNC Software, providing DNC software functionality, including part program storage, organization and editing involving multiple machine tools, and information exchange with management information systems, and working with virtually any make of CNC. The Greco division also distributes tool data management software, providing functions for the efficient day-to-day tracking and control of tools (such as drill bits) and auxiliary production equipment, including managing tool set-up and measurement and inspection of equipment as required by ISO 9001 standards.

Revenue of the Greco division's business for the four months ended December 31, 2000 was $1,833,743.

Spectrum Division Products

The Spectrum division is the successor to Spectrum CNC Technologies, Inc., a software development company based in Corona, near Los Angeles, California focussed on the CNC sector. The Spectrum division has been selling DNC software since 1992 and was acquired by e-MFG on August 31, 2000. Its products are installed with approximately 3,000 customers in the United States and Canada.

The principal product of the Spectrum division is Multi-DNC, a 32-bit shop floor communications software package that can transfer part programs to up to 128 CNCs simultaneously using a serial connection on a Windows platform. Multi-DNC is available in seven languages and is able to run on over 95% of existing CNCs. Bundled with Multi-DNC is third party software used to create, manage and use graphical and information files relevant to particular parts being manufactured. e-MFG believes that Spectrum's user interface on its DNC software is among the best in the industry. Prior to e-MFG's acquisition of Spectrum, the Memex division was Spectrum's largest distributor. e-MFG is currently working to integrate Multi-DNC with the DNC products sold by the Greco division to sell one integrated product offering for all existing customers, while fully supporting customers with existing products which were previously purchased.

The Spectrum division has developed machine event monitoring software which it has added to Multi-DNC, permitting customers to gather information that permits them to identify machine tools that are not productive. Data is retrieved using a combination of CNC macros and a programmable logic circuit installed in the CNC. The programmable logic circuit permits the tracking of machine events which the use of macros (that is, software) alone could not achieve, such as an error condition or idle-time. Reports can be viewed on a standard web browser and output to a printer as required. Any event can be configured to trigger an e-mail or a page to be sent to alert key personnel in real-time when machining processes are complete or when problems arise. In May 2001, the Company made its first sale of Multi-DNC software with the Company's recently developed software for machine event monitoring.

The Spectrum division developed the monitoring functionality in response to expressed interest from CNC original equipment manufacturers. On June 1, 2001, the Company entered into an agreement to supply the Spectrum division's DNC and machine event monitoring software to MachineMate, Inc., a CNC original equipment manufacturer. The agreement contemplates that MachineMate will install Spectrum's DNC and machine event monitoring software on CNCs that MachineMate sells to machine tool manufacturers. The Spectrum division is engaged in discussions with other original equipment manufacturers with respect to the installation of this technology in CNCs manufactured by them.

This type of monitoring supplies basic information to the customer in respect of the CNC, but less information than will be available through the ION universal interface. The Spectrum division has only recently begun offering this functionality. The Company believes that Spectrum's machine event monitoring software will appeal to those end users who are interested in limited monitoring of their CNCs but not in the enhanced functionality and power of the ION universal interface and CORTEX gateway. As a result, Spectrum's software forms part of a suite of the Company's networking products including, at the highest level, the ION universal interface and CORTEX gateway and which also includes the Spectrum division's DNC and machine event monitoring software and the Greco division's hardware networking products. The Company expects that some purchasers of the Spectrum division's DNC and machine event monitoring software will eventually upgrade to the Company's internetworking products.

Revenue of the Spectrum division's business for the four months ended December 31, 2000 was $315,369.

IAS Products

The Company's wholly-owned subsidiary IAS is a developer and distributor of CNC part program translation and optimization software founded in 1989. IAS, formerly based in Albany, New York, was acquired by the Company on March 2, 2001.

The principal products of IAS are: (i) CNC translation software, which enables seamless code portability between most makes of CNCs, essentially permitting an end user to move part programs from one make of CNC to another without taking the step of recoding or separately translating the part programs; and (ii) CNC optimization software, which deletes non-operational elements of the part program, resulting in accelerated execution speeds of part programs of up to 25%. The Company intends to embed IAS's translation and optimization software into its ION universal interface to provide additional functionality. In addition, the Company intends to combine the functionality of IAS's software with the Company's DNC software. Integrating IAS's software with the Company's internetworking products and DNC software will require some modifications and additions to the IAS software.

Revenue of IAS for the year ended December 31, 2000, prior to the acquisition of IAS by the Company, was less than $100,000.

Strategic Relationships

e-MFG has established formal and informal working relationships with a diverse group of developers and manufacturers, network operators and distribution channel partners, technology innovators and developers, and network infrastructure suppliers. The Company has entered into a letter of intent relating to a strategic relationship with Advanced Technology Services, Inc. ("ATS").

Advanced Technology Services, Inc.

The Company has entered into a non-binding letter of intent that contemplates a strategic alliance with ATS, a former division of Caterpillar Inc. based in Peoria, Illinois. ATS is North America's leading full-service factory maintenance company, with over 1,000 employees at three facilities and 90 site locations. The letter of intent contemplates that ATS will work with the Company to provide installation, maintenance, help desk and monitoring services in respect of the Company's internetworking products. The Company expects that ATS will assist in developing and providing Platinum Service. The letter of intent also contemplates that ATS and e-MFG will engage in co-operative sales and marketing efforts. The Company believes that its relationship with ATS will increase its installation and maintenance capacity, permitting a more rapid roll-out of the Company's internetworking products than could be accomplished on its own. While the Company anticipates entering into definitive agreements with ATS setting out the detailed terms of the relationship as the Company moves towards commercialization of its internetworking products by the end of this year, there can be no assurance that the Company and ATS will enter into such agreements by such time or at all.

ATS also has participated as both a vendor and a purchaser on the Company's CPL website. As a vendor, ATS has registered parts on the CPL website and has sold requested CNC parts to purchasers through the CPL website. As a purchaser, ATS has purchased after-market CNC parts through the CPL website. The Company and ATS are discussing the possibility of ATS providing, in connection with sales of after-market parts through the CPL website, a parts certification service for the benefit of and at a cost to purchasers to provide assurance of the condition of after-market parts.

Possible Future Strategic Relationships

The Company is currently engaged in discussions with various third parties about further strategic alliances. The Company believes that possible future strategic alliance partners include:

- enterprise resource planning, manufacturing execution systems and production planning firms, which could offer services to customers using real-time factory floor information,

- global manufacturing firms, which could use e-MFG's products to help monitor worldwide capacity, facilitating more efficient use of existing resources,

- telecommunications firms, which could provide services relating to Internet or wireless access to machine tools using e-MFG's products,

- manufacturing services firms, which could increase their customers' supply chain integration using e-MFG's products,

- CNC and machine tool original equipment manufacturers, which could install e-MFG's technology on their products,

- maintenance organizations, which could offer remote maintenance services using e-MFG's technology, and

- manufacturers of tools (for example, drill bits) and other consumables used in manufacturing, which could use e-MFG's technology to monitor how their products are used and when to ship more products to the customer.

e-MFG intends to pursue strategic relationships with these types of firms to drive demand for its products and enhance its channels to market.

Open Modular Architecture Controls Users Group

OMAC is an industry group that includes representatives from end users and CNC and machine tool manufacturers. End user members include global manufacturers such as The Boeing Company, Caterpillar Inc., Ford Motor Company and General Motors Corporation. OMAC's Global HMI API Working Group (the "Working Group") is chaired by former and current employees of The Boeing Company or its affiliates. The purpose of the Working Group is to define a common human/machine interface application/program interface for all makes of CNCs. An application/program interface is a specific method prescribed by a computer operating system or other application program to make requests of the operating system or other application program. Among other things, this working group of OMAC is developing standard ways for human operators to communicate with the machine tool.

At the request of OMAC, the Company has assisted in drafting a standard human/machine interface for the Working Group. The Company believes that an industry-driven standard in this area is essential to allowing a common interface to be used regardless of what make of machine tool or CNC is being used. At the International Machine Tool Show held in Chicago in September 2000, the Company introduced for review the first draft of the standard, which is based on Extensible Markup Language. Subsequently, the Company made presentations to members of counterpart committees in Europe and Japan, and believes based on the response of those to whom the presentations were made that the Extensible Markup Language-based approach is acceptable to and supported by the members of these committees.

The Company believes that an open standard will drive demand for internetworking products, including e-MFG's products, which will be manufactured to work with this standard. The Company intends to market its internetworking products as employing the OMAC Extensible Markup Language schema.

Recent Acquisitions

During late 2000 and early 2001, the Company acquired Greco, Spectrum and IAS. These acquisitions position the Company to successfully launch its new internetworking products by giving the Company:

- an extensive library of serial and parallel CNC communication protocols necessary to enable the Company to connect its hardware to virtually every make and model of CNC,
- a well-developed sales and distribution network,
- access to customer lists of over 12,000 customers, including Fortune 500 companies in key industry sectors,
- additional software and hardware development expertise, and
- ownership of CNC translation and optimization software.

The Company acquired Greco on August 31, 2000 by way of a merger between the Company's wholly-owned California subsidiary, i-MFG, and Greco. The aggregate consideration paid for the acquisition of Greco was 1,750,000 common shares of e-MFG and U.S.$1,375,000 under a promissory note, as amended, of which U.S.$175,000 was paid on February 23, 2001. The Company has entered into a debt amendment agreement with the former owner of Greco, conditional upon, among other things, the completion of this offering, to reschedule the payment of certain of the remaining amounts payable under the promissory note such that U.S.$200,000 is payable on each of the closing of this offering, January 1, 2002, March 1, 2002, June 1, 2002, September 1, 2002 and January 1, 2003. Pursuant to the debt amendment agreement, the Company agreed that if the employment agreement of any of Vito T. Greco, Toni Novak, Kim Burndred or Craig De Garmo is terminated other than in accordance with its terms, all amounts payable under the promissory note shall become payable. The promissory note bears interest at the rate of 6.3% per annum, payable on each of the principal payment dates. Pursuant to a pledge agreement, as amended in accordance with the debt amendment agreement, the Company has pledged approximately 80% of the shares of i-MFG, its wholly-owned subsidiary that owns the Greco and Spectrum divisions, to the former owner of Greco to secure the payment of the remainder of the purchase price. Pursuant to the amended pledge agreement, the Company has also agreed that if there is a default under the pledge agreement, the former owner of Greco can demand that the Company reconvey the assets of the Greco division to him.

The acquisition of Greco provided the Company with what it believes to be the most extensive library of CNC communication protocols in the industry. Greco acquired this extensive library of serial and parallel CNC protocols through its over 23 years of experience in connecting its hardware products to virtually every make and model of CNC. These communication protocols allow the Greco division's products to work with virtually all makes of CNCs, and the acquisition of

Greco has also provided the Company with its ability to offer near universality in its internetworking products' applicability. In addition, the acquisition of Greco has provided the Company with additional product development and roll-out experience to accelerate the development of the Company's ION universal interface. Greco has developed, tested and documented over 1,000 different machine tool interfaces from over 8,000 customers since 1977. The Company believes that the Greco name is one of the best known third-party supplier brands in the CNC industry.

The Company acquired Spectrum on August 31, 2000 by way of a merger between i-MFG and Spectrum. The aggregate consideration paid for the acquisition of Spectrum was 600,000 common shares of e-MFG and U.S.$600,000, of which U.S.$300,000 was paid at closing and U.S.$300,000 was payable under promissory notes. The Company has entered into a debt amendment agreement with the former owners of Spectrum, conditional upon, among other things, the completion of this offering, to reschedule the payment of certain of the remaining amounts payable under the promissory notes such that U.S.$150,000 is payable on the closing of this offering and U.S.$150,000 is payable on January 1, 2002. Pursuant to the debt amendment agreement, the Company agreed that if the employment agreement of any of Vito T. Greco, Toni Novak, Kim Burndred or Craig De Garmo is terminated other than in accordance with its terms, all amounts payable under the promissory notes shall become payable. The promissory notes bear interest at the rate of 6.5% per annum payable on January 1, 2002. Pursuant to pledge agreements, as amended in accordance with the debt amendment agreement, the Company has pledged approximately 20% of the shares of i-MFG to the former owners of Spectrum to secure the payment of the remainder of the purchase price. Pursuant to the amended pledge agreements, the Company has also agreed that if there is a default under the pledge agreements, the former owners of Spectrum can demand that the Company reconvey the assets of the Spectrum division to them.

Spectrum has developed and sells DNC software and software that permits basic monitoring of the functioning of CNCs. The Company believes that the user-interface of Spectrum's DNC software is among the best in the industry. The acquisition of Spectrum also provided the Company with additional DNC software development expertise in order to accelerate the development of the ION universal interface and an established software distribution network. Lastly, as revenues of $85,804 were attributable to the sale of Spectrum software during the eight months ended August 31, 2000, the acquisition also allowed e-MFG to enjoy greater margins in respect of the sale of DNC software.

The Company is working to integrate the DNC software of Greco and Spectrum in order to combine the best features of each. The Company is also continuing to work on providing customers of both Greco and Spectrum with an opportunity to upgrade easily to the combined product, as well as on further improvements in the combined software.

On March 2, 2001, the Company acquired IAS through a new wholly-owned subsidiary of the Company. The Company intends to continue to operate the acquired business under the name Industrial Automation Solutions, Inc. The Company acquired IAS for aggregate consideration consisting of 225,000 common shares of e-MFG and U.S.$200,000 under a promissory note. The Company has entered into debt amendment agreements with the former owner of IAS to reschedule the payment of the remaining amounts payable under the promissory note such that U.S.$100,000 is payable on the closing of this offering and before July 31, 2001, and the remaining U.S.$100,000 will be satisfied in full by the issuance by the Company of 150,000 common shares to the former owner of IAS on the closing of this offering. The promissory note bears interest at the rate of 5% per annum payable on the principal payment date. The Company has pledged all of its shares of JK Acquisition Corp., its wholly-owned subsidiary that owns IAS, to the former owner of IAS to secure the payment of the remainder of the purchase price.

IAS is a developer and distributor of CNC translation and optimization software formerly based in Albany, New York and founded in 1989. The CNC part program translation software of IAS enables seamless code portability between most makes of CNCs. The customers of IAS, like those of the Greco, Spectrum and Memex divisions, include large and small firms in virtually every industry.

The Company intends to embed IAS translation and optimization software into its ION universal interface to provide additional functionality to it. The end user will be able to move part programs from one make of CNC to another make of CNC quickly as the step of recoding or separately translating the programs that work in one machine to work with another will be eliminated. The optimization software, which functions similar to a zip compression function, eliminates comments, carriage returns and other unnecessary elements of the part program, typically increasing execution speeds up to 25%. By adding IAS software to the ION universal interface, the Company expects to offer its customers greater ease of use of part programs and faster execution. For similar reasons, the Company intends to combine the functionality of IAS software with the Company's DNC and internetworking software.

Manufacturing

The Company has used a third-party manufacturing services company to assemble its internetworking product prototypes, assembling hardware components purchased by the manufacturer, upon which software is embedded by the Company. The Company is in the process of selecting a manufacturing services company for commercial assembly of the Company's internetworking products. Testing of the assembled products and the manufacture of cables to be used with the Company's internetworking products is conducted at the Company's Burlington, Ontario facility.

The Memex division's hardware products are currently manufactured at the Burlington, Ontario facility, and the Greco division's manufactured hardware products are currently manufactured at the El Cajon, California facility. Copies of the Spectrum division's software are produced at the Corona, California facility. In addition, Spectrum has contracts with a third party to produce compact discs of its software at commercially determined rates.

Customers

As a result of the acquisitions of Greco, Spectrum and IAS, e-MFG has an extensive customer list and approved vendor status in all relevant industry sectors. The Memex division products are installed with approximately 1,000 customers worldwide. Greco's products are installed with approximately 8,000 customers primarily in the United States and Canada in virtually every manufacturing industry, including aerospace, automotive and heavy equipment. Spectrum has approximately 3,000 customers primarily in the United States and Canada. The Company believes that its customer list is among the most extensive in the industry. Customers include Moldflow Corporation, Caterpillar, Pratt & Whitney, Lockheed Martin, Allied Signal, GE Industrial and Daimler Chrysler. No customer accounted for more than 10% of the Company's revenue in 2000, except Moldflow Corporation (approximately 10.8%).

Most of the Company's traditional buyers of its current products are in its target market for its new internetworking products. The Company's anticipated customers for its internetworking products are in four categories: (i) CNC original equipment manufacturers; (ii) machine tool original equipment manufacturers; (iii) CNC end users; and (iv) maintenance service providers. These customers are engaged in a variety of manufacturing industries including automotive, heavy equipment, fabrication and aerospace. The Company's strategy is to take advantage of its extensive list of, and good relationship with, its traditional customers to accelerate the introduction and sale of its internetworking products.

Sales and Marketing

e-MFG's sales and marketing efforts consist of using its existing distribution channel relationships and its strategic partners to promote the sales of its products, and the use of direct sales and marketing teams. As at July 12, 2001, e-MFG's sales and marketing team consisted of 16 people. The Company also has a distribution network comprising over 200 distributors for its current products in North America, South America, Europe and the Pacific Rim. The Greco division has written agreements with its distributors and the Company is currently in the process of signing its distributors to revised, consolidated distribution agreements in respect of its full range of current products. The Company does not have any exclusive distribution arrangements. The Company intends to continue to use distributors as a key channel for distribution of its current products, as well as its internetworking products.

The Company also has an internal sales force. As at July 12, 2001, the Company had a total of 11 salespeople in the Memex, Greco and Spectrum divisions. The Company intends to expand its internal sales force as warranted by new strategic alliances and product launches.

In addition, the Company intends to use the sales forces of its strategic alliance partners, including ATS. For example, the Company has prepared a quote for a customer of ATS interested in acquiring the Company's networking products. The Company's alliance strategy includes co-marketing of the Company's and the alliance partner's products. To date, the Company has not generated any revenue from its alliances. See "– Strategic Relationships".

Research and Development

The Company's research and development strategy is to develop broad market applications for products derived from its technology base. As at July 12, 2001, e-MFG employed 14 engineers (most of whom are engaged in product development). Research and development expenditures for the year ended December 31, 2000, including such expenditures of Greco and Spectrum for the four months ended December 31, 2000 were $584,747. Giving effect to the acquisitions of Greco and Spectrum as if they had occurred on January 1, 2000, research and development expenditures for the year ended December 31, 2000 would have been $1,130,109. In 2000, the Company's product development activities qualified for government research and development tax credits of $65,703 in Canada.

The Company's research and development budget for 2001 is $800,000, and its budget for other engineering expenditures in 2001 is $700,000. The Company's research development efforts are focussed primarily on: (i) development of the Company's ION universal interface and CORTEX gateway; (ii) the integration of the DNC software product offerings of the Greco and Spectrum divisions; and (iii) the development and integration of machine event monitoring software.

The Company maintains informal relationships with McMaster University, Syracuse University and the National Research Council. These informal relationships benefit the Company by providing the Company with feedback on the Company's technology and access to technical assistance and personnel.

Competition

Internetworking Products and Services

There is no established market for the Company's internetworking products and services and, as a result, the competitive environment for such products and services is evolving. The Company expects that its internetworking products and services will compete with products and services provided by numerous companies currently engaged in various aspects of networking machine tools, including a number of companies that retrofit particular types of machine tools with personal computer-based controls.

The Company believes that the principal factors on which it will compete in the market for internetworking products and services will be universality and flexibility. The Company believes that it will compete favourably on these factors. The key elements of the Company's internetworking products and services are expected to be:

- universality,
- ethernet connectivity,
- part program translation,
- part program optimization,
- open standards,
- two-way communication/machine event monitoring,
- information technology infrastructure security, and
- lower cost and easier and faster installation compared to retrofits or replacements.

The Company is not aware of any other entity that is developing products combining all of these features at this time.

The Company believes that as the market for internetworking products and services develops, competition will intensify. Potential new entrants into the market for internetworking products and services include: (i) CNC original equipment manufacturers; (ii) machine tool original equipment manufacturers; and (iii) end users of machine tools. However, these potential competitors may not immediately enter the market for internetworking products and services. While CNC and machine tool original equipment manufacturers have sought to develop ways to bring ethernet connectivity and two-way communication to their products, they have focussed on providing such connectivity for their products only. These companies may want to enable networking of their machines to those of their competitors or to share their proprietary systems with their competitors, even though that has not been their historical practice. While some end users have been attempting to develop methods for networking the various makes of machine tools that they use, the Company believes that this is not a core competency of most end users and that they are not likely to market their solutions to others. Other potential new entrants into the market for internetworking products and services include data communications providers, telecommunications companies and DNC software companies.

Some of the CNC and machine tool original equipment manufacturers and other competitors that may enter the market for internetworking products and services have significantly greater name recognition, larger customer bases and greater financial, technical, marketing, public relations, sales, distribution and other resources than the Company does.

Current Products

The markets for the Company's current products are competitive and mature. The Company believes that the principal competitive factors affecting the market for the Company's current products are technology and quality, price, and after market service and support. The Company's competitors for its current products include: (i) DNC software companies; (ii) factory floor networking companies; (iii) computer hardware manufacturers; (iv) CNC original equipment manufacturers; and (v) machine tool original equipment manufacturers. Some of the Company's competitors for its current products have significantly greater name recognition, larger customer bases and greater financial, technical, marketing, public relations, sales, distribution and other resources than the Company does.

Intellectual Property Rights

The Company's success is dependent, in part, on its proprietary processes and other intellectual property rights. The Company relies on a combination of copyright, trademark, trade secret laws and contractual restrictions, such as confidentiality agreements, to establish and protect its intellectual property rights.

e-MFG has trademarks relating to its current products, including two registered trademarks, and has filed applications to register trademarks for the ION universal interface and the CORTEX gateway. In June 2001, e-MFG was contacted by a third party alleging that e-MFG's use of the word "ION" infringes that third party's registered trademarks, which relate to using the word "ION" in connection with its power monitoring system. The Company is currently assessing the merits of this claim and its response, which may include renaming the ION universal interface. Whether or not the claim has merit, responding to the claim could be time consuming and could result in costly litigation. If legal proceedings were commenced and then determined against the Company, it could be liable for damages and costs, enjoined from using the word "ION" in connection with the ION universal interface, or both. In that event, it would be necessary for the Company to either enter into a trademark licensing arrangement in respect of the use of the word "ION" or to change the name of the ION universal interface. If e-MFG chose to or was required to use a different trademark than "ION" in connection with its universal interface, it would incur costs relating to replacing marketing materials and would lose any goodwill associated with the ION universal interface brand. Absent a favourable resolution of this claim, the Company may be limited in its ability to market its universal interface product under the name ION.

While the Company has no patents, it is pursuing the patentability of one of the core elements of the ION universal interface. This element permits the ION universal interface to gather, organize and log events in a manner that is efficient and extremely flexible and to report only when specified events occur. The Company intends to pursue patents in respect of its technology where possible.

The Company has not registered copyrights in respect of any of its software although it is investigating the practicability of effecting such registrations in Canada, the United States and elsewhere.

Existing copyright, trademark and trade secret laws provide only limited protection to the Company. The Company typically enters into confidentiality and non-disclosure agreements with its employees. The Company also intends to incorporate technology in the ION universal interface and the CORTEX gateway that is designed to make copying the products' embedded software difficult. The Company believes that the rapid pace of technological change in the communications industry makes patent and trade secret protection important, but this protection must be supported by other factors including the ability to attract and retain qualified personnel, new product introductions and frequent product enhancements. There can be no assurance that the Company's means of protecting its proprietary rights will be adequate to deter misappropriation of its intellectual property, that the Company will be able to detect unauthorized use and take appropriate steps to enforce its intellectual property or that the Company's competitors will not independently develop similar technology, which could have a material adverse effect on the Company's results of operations, business, prospects and financial condition. See "Risk Factors".

Employees

As at July 12, 2001, e-MFG had 59 employees: 14 in engineering, most of whom are in product development; 16 in sales and marketing; 13 in production; four in finance; four in technical support; and eight in management and administration (69 total employees as of December 31, 2000). None of e-MFG's employees is represented by a labour union or subject to a collective bargaining agreement. The Company considers its relationship with its employees to be good. All of the Company's qualified full-time permanent employees currently hold options to acquire common shares of the Company and/or own common shares of the Company.

Legal Proceedings

The Company is involved from time to time in routine legal proceedings incidental to the conduct of its business. The Company is not a party to any legal proceedings that, if decided adversely, could reasonably be expected to have a material adverse effect on the results of operations, business, prospects or financial condition of the Company.

Facilities

The following table sets forth summary information with respect to the Company's facilities:

	Approximate Square Footage				
Locations	**Total**	**Warehouse**	**Manufacturing**	**Office**	**Owned or Leased**
Burlington, Ontario	2,930	600	370	1,960	Leased(1)
Corona, California	2,600	–	–	2,600	Leased(1)
El Cajon, California	18,430	2,880	4,320	10,480	Leased(1)
Total	**23,960**	**3,480**	**4,690**	**15,040**	

(1) Month-to-month leases with third-party lessors. Each such lease is in good standing.

The Company has entered into an agreement to a lease a 7,000 square foot facility in Burlington, Ontario to replace its current Burlington, Ontario facility. This lease will have a five-year initial term, commencing before the end of 2001, and will be renewable, at the option of the Company, for a further five-year period.

The Company has used a third party manufacturing services company to assemble its internetworking product prototypes. The Company is in the process of selecting a manufacturing services company for commercial assembly of the Company's internetworking products. See "– Manufacturing".

Supplies

The Company purchases hardware components on a purchase order basis. The components used in the ION universal interface and CORTEX gateway are available from a number of sources, as are the components used in the manufacture of the Company's current products. The Company has not experienced any prolonged shortages of components used in the manufacture of its current products. At various times, there have been industry-wide shortages of electronic components, particularly memory. In addition, changes in the Company's suppliers' products and production schedules have occasionally required that the Company use substitutes for certain components of its current products. While the Company's results of operations have not been materially adversely affected by supply shortages in the past, there can be no assurance that future supply shortages will not have a material adverse effect on the Company's results of operations, business, prospects or financial condition.

Some of the software programs used by the Company in connection with its internetworking products and its current products are licensed from third parties. Other third party substitute software is available for all of such licensed software used by the Company. The loss of, or inability to maintain, any of the software licences could result in delays or reductions in product shipments until equivalent software could be developed, identified, licensed and integrated, which could materially adversely affect the Company's results of operations, business, prospects and financial condition. The Company's licence agreement relating to the third party software bundled with the Spectrum divisions's Multi-DNC software to provide additional features that are not essential to such software's functioning has expired, and the Company does not intend to renew it. Spectrum has received permission to continue to use this software and is currently exploring alternatives, including the possibility of developing its own replacement software.

USE OF PROCEEDS

The estimated net proceeds to the Company from the sale of Units hereunder will be approximately $3,947,500 for the maximum offering hereunder (the "Maximum Offering") and $3,017,500 for the minimum offering hereunder (the "Minimum Offering") calculated as follows:

	Maximum Offering	**Minimum Offering**
Gross proceeds to the Company	$5,000,000	$4,000,000
Agent's commissions	$350,000	$280,000
Agent's work fee	$112,500	$112,500
Stand-by commitment fee	$75,000	$75,000
Expenses of issue	$515,000	$515,000
Net proceeds to the Company	$3,947,500	$3,017,500

The Company will use the net proceeds of the offering (i) to pay a portion (approximately $790,500) of the deferred portion of the purchase price for the Company's acquisitions of Greco (approximately $348,750), Spectrum (approximately $271,250) and IAS (approximately $170,500) (see "Business of the Company – Recent Acquisitions"); (ii) to reduce by approximately $532,385 the indebtedness of the Company's wholly-owned subsidiary i-MFG under its short-term revolving line of credit with a U.S. bank (See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources"); (iii) to fund further development of the Company's internetworking products and related infrastructure growth (approximately $300,000); (iv) to fund the immediate steps that are required to reach commercial production of the ION universal interface and the CORTEX gateway (approximately $100,000) (See "Business of the Company – New Internetworking Products and Services – Internetworking Products"); and (v) for working capital and general corporate purposes. Pending these uses, the net proceeds to the Company will be added to the Company's cash resources. The Company intends to spend the funds available to it as stated in this prospectus. There may be circumstances, however, where for sound business reasons, a reallocation of funds may be necessary.

This prospectus also qualifies the distribution of 3,645,328 units ("Units"), each consisting of one common share and one-half of a common share purchase warrant (a "Share Purchase Warrant"), issuable on the exercise or deemed exercise of 3,036,850 outstanding special warrants (the "Special Warrants") of the Company. The Company will not receive any cash proceeds from the issuance of the Units on the exercise or deemed exercise of the Special Warrants. After deducting agent's fees and the expenses of the sale by the Company of the Special Warrants on September 15, 2000, December 14, 2000, January 16, 2001, January 24, 2001, February 26, 2001 and July 11, 2001 (the "Special Warrant Offerings") (estimated to be approximately $165,268), the net proceeds to the Company from the Special Warrant Offerings were approximately $3,717,751. These net proceeds were used to fund operating expenses of the Company, including expenses related to the hiring of additional staff and product development expenses, and to pay a portion of the purchase price for the acquisitions of Greco and Spectrum.

CAPITALIZATION

The following table and notes set forth the consolidated capitalization of the Company as at December 31, 2000, as at March 31, 2001 and as at March 31, 2001 after giving effect to the Maximum Offering and the Minimum Offering, respectively, and after giving effect to the Company's agreements, conditional upon, among other things, the completion of this offering, with the former owners of Greco, Spectrum and IAS to reschedule the payment of certain of the remaining amounts payable under the promissory notes issued in payment of a portion of the purchase price for the acquisitions of Greco, Spectrum and IAS described under "Business of the Company – Recent Acquisitions" and the Maximum Offering and the Minimum Offering, respectively:

		As at March 31, 2001				
	As at December 31, 2000	**Actual**	**As Adjusted(1)(2) (Maximum Offering)**	**As Adjusted(1)(2) (Minimum Offering)**	**As Adjusted(1)(2)(3) (Maximum Offering)**	**As Adjusted(1)(2)(3) (Minimum Offering)**
Cash and short-term investments	$36,804	$11,348	$2,635,963	$1,705,963	$2,635,963	$1,705,963
Short-term bank indebtedness	$1,126,204	$1,284,985	$752,600	$752,600	$752,600	$752,600
Current portion of long-term debt	$2,094,152	$2,489,081	$1,698,581	$1,698,581	$938,081	$938,081
Long-term debt	$842,669	$555,151	$555,151	$551,151	$1,163,551	$1,163,551
Shareholders' Equity:						
Common Shares (authorized: unlimited)	$3,656,264 (18,405,337 shares)	$4,001,314 (19,354,337 shares)	! (! shares)	! (! shares)	! (! shares)	! (! shares)
Common share purchase warrants	$2,565,151	$3,904,076	!	!	!	!
Retained earnings (deficit)	$(1,403,609)	$(2,779,393)	$(2,779,393)	$(2,779,393)	$(2,779,393)	$(2,779,393)
	$4,817,806	$5,125,997	$9,073,497	$8,143,497	$9,225,597	$8,295,597
Total Capitalization	$8,880,831	$9,455,214	$12,079,829	$11,149,829	$12,079,829	$11,149,829

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(1) After giving effect to the offering, the expenses of the offering and the use of proceeds to pay approximately $790,500 of the deferred portion of the purchase price for the Company's acquisitions of Greco, Spectrum and IAS and to reduce by approximately $532,385 the indebtedness of the Company's wholly-owned subsidiary i-MFG under its short-term revolving line of credit with a U.S. bank, as described under "Use of Proceeds".

(2) Includes 3,645,328 common shares issuable upon the exercise of Special Warrants and 240,000 common shares issuable upon the exercise of special warrants issued in August 2000.

(3) After giving effect to the Company's agreements, conditional upon, among other things, the completion of this offering, with the former owners of Greco, Spectrum and IAS to reschedule the payment of certain of the remaining amounts payable under the promissory notes issued in payment of a portion of the purchase price for the acquisitions of Greco, Spectrum and IAS described under "Business of the Company – Recent Acquisitions", including the issuance of 150,000 common shares to be issued on the closing of this offering to the former owner of IAS to pay a portion of the purchase price for the Company's acquisition of IAS.

In July 2001, the Company issued 584,600 Tranche 3 Special Warrants for consideration of $1.00 per Special Warrant. Each Tranche 3 Special Warrant is exercisable for one Unit consisting of one common share and one-half of a Share Purchase Warrant. Giving effect to such issuance as if it had occurred on March 31, 2001, shareholders' equity would have been approximately $525,000 higher.

SELECTED CONSOLIDATED FINANCIAL DATA

The following table should be read in conjunction with the consolidated financial statements of the Company, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the pro forma financial statements and other information in this prospectus. The summary selected financial data as at and for the three months ended March 31, 2001 and March 31, 2000 are derived from the interim consolidated financial statements of the Company, and the summary selected financial data as at and for the year ended December 31, 2000, as at and for the three months ended December 31, 1999 and as at and for the year ended September 30, 1999 are derived from the consolidated financial statements of the Company. The summary selected *pro forma* financial data for the year ended December 31, 2000 are derived from the unaudited pro-forma combined statement of operations of the Company which gives effect to the acquisitions of Greco and Spectrum on August 31, 2000 as if such acquisitions had occurred on January 1, 2000. The data provided as at and for the three months ended March 31, 2000 and 2001 are unaudited. Interim results are not necessarily indicative of the results that may be achieved for the entire financial year.

	Three Months Ended March 31,		**Year Ended December 31,**	**Three Months Ended December**	**Year Ended September 30,**		**Year Ended December 31, 2000**
	2001[1]	**2000**	**2000[1]**	**31, 1999[2]**	**1999[2]**	**1998**	**(*Pro Forma*)**
	(unaudited)						**(unaudited)**
Statement of Operations Data:							
Revenue	$1,817,158	$135,315	$2,799,353	$234,791	$1,098,676	$806,095	$6,550,239
Cost of sales	981,955	57,008	1,627,542	100,945	400,647	290,326	3,266,782
Gross profit	835,203	78,307	1,171,811	133,846	698,029	515,769	3,283,457
Research and development expenses	330,839	29,912	342,548	2,878	5,303	38,761	887,910
Sales and marketing expenses	594,325	92,676	1,110,424	48,873	169,191	161,662	2,158,549
General and administrative expenses	764,052	143,103	1,540,519	147,207	431,855	393,670	2,695,768
Amortization	244,267	5,245	334,716	4,729	24,291	-	791,502
Foreign exchange loss	172,766	2,325	90,309	-	-	-	90,309
Interest expense (income)	104,738	741	129,670	698	5,683	(1,480)	438,787
Loss on disposal of assets	-	-	-	3,494	-	-	-
Other (income)	-	-	-	-	-	-	(15,034)
	2,210,987	274,002	3,548,186	207,879	636,323	-	7,047,791
Earnings (loss) before income taxes	(1,375,784)	(195,695)	(2,376,375)	(74,033)	61,706	(76,844)	(3,764,333)
Recovery of (provision for) income taxes	-	-	940,417	-	(8,200)	20,004	1,086,780
Net earnings (loss) for the period	$(1,375,784)	$(195,695)	$(1,435,958)	$(74,033)	$53,506	$(56,840)	$(2,677,554)
EBITDA[3]	$(1,026,779)	$(189,709)	$(1,911,989)	$(68,606)	$91,680	$(76,844)	$(2,534,045)
Basic and diluted earnings (loss) per share	$(0.06)	$(0.01)	$(0.08)	$(0.01)	$0.05	$(16.49)	$(0.14)

	Three Months Ended March 31, 2001[(1)]	Three Months Ended March 31, 2000	Year Ended December 31, 2000[(1)]	Three Months Ended December 31, 1999[(2)]	Year Ended September 30, 1999[(2)]	Year Ended September 30, 1998
	(unaudited)					
Statement of Cash Flows Data:						
Cash provided by (used in):						
Operating activities	$(1,157,262)	$(199,515)	$(1,978,738)	$70,494	$(116,598)	$37,974
Financing activities	$1,401,622	$45,308	$2,312,813	$133,459	$107,287	$42,927
Investing activities	$(210,267)	$228,547	$(364,483)	$(15,498)	$(32,243)	$(130,645)

	As at March 31, 2001	As at December 31, 2000	As at December 31, 1999	As at March 31, 2001[(4)] As Adjusted (Maximum Offering)	As at March 31, 2001[(4)] As Adjusted (Minimum Offering)
Balance Sheet Data:					
Working capital (deficiency)	$(3,197,879)	$(2,688,694)	$211,563	$749,621	$(180,379)
Total assets	$12,609,606	$11,676,536	$551,423	$15,234,221	$14,304,221
Long-term debt	$3,044,232	$2,936,821	$33,320	$3,044,232	$3,044,232
Total liabilities	$7,483,609	$6,858,730	$148,974	$6,160,724	$6,160,724
Retained earnings (deficit)	$(2,779,393)	$(1,403,609)	32,349	$(2,779,393)	$(2,779,393)
Shareholders' equity	$5,125,997	$4,817,806	$402,449	$9,073,497	$8,143,497
Total liabilities and shareholders' equity	$12,609,606	$11,676,536	$551,423	$15,234,221	$14,304,221

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(1) Includes the results of operations of: (a) Greco acquired effective August 31, 2000; (b) Spectrum acquired effective August 31, 2000; and (c) IAS acquired effective March 2, 2001.

(2) During 1999, the Company changed its financial year end from September 30 to December 31.

(3) EBITDA represents earnings (loss) before interest expense, amortization expense and provision for or recovery of income taxes. EBITDA is not intended to represent cash flow from operations as defined by generally accepted accounting principles and should not be used as an alternative to operating income or loss, or as an indicator of operating performance or cash flow as a measure of liquidity.

(4) As adjusted to give effect to the offering, the expenses of the offering and the application of proceeds of the offering to pay approximately $790,500 of the deferred portion of the purchase price for the Company's acquisitions of Greco, Spectrum and IAS and to reduce by $532,385 the indebtedness of the Company's wholly-owned subsidiary i-MFG under its short-term revolving line of credit with a U.S. bank, as described under "Use of Proceeds".

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

The following management's discussion and analysis of financial condition and results of operations should be read in conjunction with the accompanying consolidated financial statements and related notes thereto.

The Company's predecessor corporation, Memex, was founded in 1992 and has been engaged in the business of developing, manufacturing and selling memory upgrades for machine tool controllers and other networking hardware for CNCs. On January 17, 2000, Memex was acquired by Harrier by way of a "reverse takeover". As a result of the transaction, control of Harrier passed to the shareholders of Memex. On February 29, 2000, Memex and Harrier were amalgamated to form the Company. Memex now operates as a division of e-MFG.

Effective August 31, 2000, the Company acquired Greco and Spectrum. Greco and Spectrum were subsequently merged with and into i-MFG, a wholly owned California subsidiary of the Company, and now operate as divisions of i-MFG. The Greco division, founded in 1977, is a leading supplier of hardware and software productivity and management solutions for machine shops of all sizes. Greco has a large customer base in virtually every manufacturing industry sector, and a rich library of CNC communication protocols. Its operations are based in El Cajon, California. The Spectrum division, founded in 1990, is a market leader in the development and sale of DNC software, which is used with CNCs. Its operations are based in Corona, California.

On March 2, 2001, the Company completed the acquisition of all the outstanding shares of IAS. IAS has developed universal real-time machine tool translation and optimization software solutions for the CNC industry. IAS's revenues were nominal.

These three acquisitions were accounted for using the purchase method of accounting, with the results of Greco and Spectrum included in the consolidated statement of operations from September 1, 2000 and the results of IAS included in the consolidated statement of operations from March 2, 2001.

The Company is developing hardware and software to enable ethernet-based, two-way communication between machine tools on a factory floor and a manufacturer's information system. This technology is known as "internetworking", and, while the market for the Company's internetworking products is in its early stages, this technology is an extension of the Company's existing business. The Company's first generation internetworking hardware and software products are currently in the demonstration and test installation stage. Accordingly, no revenue from these products has been realized to date. The Company continues to generate revenue from its existing business.

As at December 31, 2000, the Company had a deficiency of $2,688,694 ($3,197,879 as at March 31, 2001) in working capital and an accumulated deficit of $1,403,609 ($2,779,393 as at March 31, 2001). The December 31, 2000 audited consolidated financial statements and the March 31, 2001 unaudited interim consolidated financial statements were prepared by the Company on a going concern basis which assumes that the Company is able to obtain additional funding to complete the development and launch of its internetworking products and to cover ongoing expenditures, working capital requirements and debt repayments. The Company has entered into agreements conditional upon, among other things, the completion of this offering, to reschedule certain of the remaining payments under the promissory notes issued by the Company to the former owners of Greco, Spectrum and IAS in connection with the Company's acquisitions of those companies. As a result, upon the completion of this offering, U.S.$400,000 ($608,440) of current liabilities as at March 31, 2001 would be rescheduled to long-term liabilities and U.S.$100,000 ($152,110) would be reclassified from current liabilities as at March 31, 2001 to common shares, effectively reducing the Company's working capital deficiency as at March 31, 2001 by $760,550 to $2,437,329. These anticipated funding arrangements include the completion of the offering contemplated hereby and the closing of agreements to reschedule the remaining payments under the promissory notes payable to the vendors of Spectrum, Greco and IAS. If the Company is unable to complete these arrangements and is unable to secure alternative financing, there would be doubt about the appropriateness of the going concern assumption.

In 1999, the Company changed its fiscal year end from September 30 to December 31.

Results of Operations

Three Months Ended March 31, 2001 Compared to Three Months Ended March 31, 2000

e-MFG, recorded a net loss for the three months ended March 31, 2001 of $1,375,784 ($0.06 per share), compared to a net loss of $195,695 ($0.01 per share) for the three month period ended March 31, 2000. The increased loss was primarily a result of increased expenditures incurred in connection with the development and planned commercial launch of the ION universal interface and the CORTEX gateway before the end of the third quarter of 2001, infrastructure development and a net loss of $600,644 in the aggregate for Greco and Spectrum which were acquired effective August 31, 2000. The Company's focus in the first two quarters of 2001 continues to be on engineering development, marketing initiatives and infrastructure development to facilitate internetworking product adoption, and targeted market and industry awareness campaigns. The Company has not yet realized revenues from these internetworking products.

The Company's Memex, Greco and Spectrum divisions incurred net losses of $775,140, $574,270 and $26,374, respectively, for a total net loss of $1,375,784 for the three months ended March 31, 2001. The Memex division, the Company's only operation for comparative periods, incurred a loss of $195,695 for the three months ended March 31, 2000.

e-MFG acquired Greco and Spectrum effective August 31, 2000. The Company's consolidated financial results for the three months ended March 31, 2001 include the results of the Greco and Spectrum divisions for this period.

Revenues

Revenues for the three months ended March 31, 2001 were $1,817,158, an increase of $1,681,843 compared to the three months ended March 31, 2000. This increase was primarily a result of the acquisitions of Greco and Spectrum, which accounted for revenues of $1,694,201. Memex divisional revenues decreased primarily due to the redeployment of internal resources to new product development and corporate administration responsibilities in 2001, and the elimination of intercompany sales of $13,779 in the revenues for the three months ended March 31, 2001.

Gross Profit

Gross profit for the three months ended March 31, 2001 was $835,203 or 46% of revenue compared to $78,307 or 58% of revenue for the three months ended March 31, 2000, an increase of $756,896. This dollar increase from the prior three month period was primarily a result of the acquisitions of Greco and Spectrum, which accounted for an increase of $762,649 for the three months ended March 31, 2001. The gross profit percentage decrease from 58% in the three months ended March 31, 2000 to 46% in 2001 is primarily a result of the weighted average effect of increased sales of lower profit hardware sales from the Greco division in the 2001 three month period.

Expenses

Research and development expenses, net of investment tax credits, increased $300,927 compared to the three months ended March 31, 2000 to $330,839. This increase was primarily the result of the acquisitions of Greco and Spectrum, which accounted for an increase of $212,607 and increased Memex division expenses of $88,320 over the three months ended March 31, 2000. Memex division expenses increased due to engineering staff increases, from two individuals in the first quarter of 2000 to seven individuals by the end of 2000, in order to advance the development of the technology for the ION universal interface and the CORTEX gateway.

Compared to the three months ended March 31, 2000, sales and marketing expenses increased by $501,649 in 2001 to $594,325, of which $440,353 was as a result of the acquisitions of Greco and Spectrum. Memex division expenses increased $61,296 over the three month ended March 31, 2000. This increase was due to higher advertising expenses and costs incurred in connection with the 2001 Westec Machine Tool Trade Show at which prototypes of the ION universal interface and the CORTEX gateway were demonstrated. In addition, increased personnel costs also contributed to the variance due to the hiring of an additional sales manager and a sales support person in August 2000 and January 2001, respectively.

General and administrative expenses increased by $620,949 in 2001 over the three months ended March 31, 2000, to $764,052. Of this increase, $440,182 is attributable to the acquisitions of Greco and Spectrum. Memex division expenses increased $180,767 over the three months ended March 31, 2000, in large part due to audit fees and legal expenses incurred by the Company in discharging its filing and reporting obligations as a public company and due to the increase in general and administrative personnel from three individuals in the first quarter of 2000 to five individuals in the first quarter of 2001. Consulting expenses and other administrative and office expenses accounted for the remaining increase.

Depreciation and amortization expenses for the three months ended March 31, 2001 were $244,267, compared to $5,245 for the three months ended March 31, 2000, an increase of $239,022. Amortization of capital assets acquired during 2001 as a result of the acquisitions of Greco and Spectrum contributed to $81,756 of the increase. Amortization of goodwill relating to the 2000 acquisitions and reorganization amounted to $80,382. In addition, the amortization of deferred product development costs of $25,531 was expensed in the three months ended March 31, 2001, compared to no amortization recorded in the three months ended March 31, 2000.

Foreign exchange losses of $172,766 were incurred in the three months ended March 31, 2001, compared to $2,325 for the three months ended March 31, 2000. From the year ended December 31, 2000, the Canadian dollar further weakened against the U.S. dollar by approximately 800 basis points. The foreign exchange loss was the result of the translation of the U.S. dollar-denominated debt which remains owing to the vendors of Greco and Spectrum, approximating U.S.$1,500,000, adjusted to the three month-end foreign exchange rate, and the translation of the i-MFG financial statements which are classified as integrated for accounting purposes.

Interest expenses increased by $103,997 in the three months ended March 31, 2001, to a total of $104,738, compared to the three months ended March 31, 2000. This increase is attributable to interest arising on notes payable relating to the acquisitions of Greco and Spectrum and interest expense related to the indebtedness of i-MFG.

Year Ended December 31, 2000 Compared to Year Ended September 30, 1999

e-MFG, in its first year as a public company, recorded a net loss for the year ended December 31, 2000 of $1,435,958 ($0.08 per share), compared to a net loss of $74,033 for the three month fiscal period ended December 31, 1999, and net income of $53,506 for the year ended September 30, 1999. There were no transactions or trends of particular significance during the three months ended December 31, 1999.

The Company's Memex, Greco and Spectrum divisions incurred net losses of $811,697, $524,782 and $99,479, respectively, of the total net loss of $1,435,958 for the year ended December 31, 2000. The Memex division, the Company's only operation for comparative periods, incurred a loss of $74,033 for the three months ended December 31, 1999, and net earnings of $53,506 for the year ended September 30, 1999. The change from net income of $53,506 for the Memex division for the year ended September 30, 1999 to a loss of $811,697 for the year ended December 31, 2000 was primarily a result of increased expenditures incurred in connection with the development of its new products, as well as a decline in the volume of product sales from the Memex division in 2000. The Company's focus in 2000 was on engineering development, strategic acquisitions and alliances to facilitate more rapid product adoption, infrastructure growth and targeted market and industry awareness campaigns, all focussed on the Company's commercial launch of its internetworking products that is expected before the end of the third quarter of 2001. The Company has not yet realized revenues from these products.

e-MFG acquired Greco and Spectrum effective August 31, 2000. The Company's consolidated financial results for the year ended December 31, 2000 include the results of the Greco and Spectrum divisions for the four months ended December 31, 2000.

Revenues

Revenues for the year ended December 31, 2000 were $2,799,353, an increase of $1,700,677 or 155% from the year ended September 30, 1999. This increase was primarily a result of the acquisitions of Greco and Spectrum, which accounted for revenues of $2,149,112, partially offset by a decrease of $448,435 or 41% in the Memex division revenues in 2000, compared to the year ended September 30, 1999. Memex divisional revenues decreased primarily due to the discontinuance of certain product lines and related machine tool retrofit business, and because of significant non-recurring revenues in 1999 related to customers' needs to upgrade DNC software to Year 2000 compliant systems. In addition, the redeployment of internal resources to new product development and corporate administration responsibilities resulted in decreased sales activities in the Memex division in 2000.

Of the Company's total revenue of $2,799,353 for the year ended December 31, 2000, $222,315 or 8% was generated in Canada, $2,212,355 or 79% was generated in the United States and $364,683 or 13% was generated from customers in other countries. Of the Company's total revenue of $1,098,676 for the year ended September 30, 1999, $430,678 or 39% was generated in Canada, $540,243 or 49% was generated in the United States and $127,755 or 12% was generated from customers in other countries.

Gross Profit

Gross profit for the year ended December 31, 2000 was $1,171,811 or 42% of revenues compared to $698,029 or 64% of revenues for the year ended September 30, 1999, an increase of $473,782 or 68%. This dollar increase from the prior year was primarily a result of the acquisitions of Greco and Spectrum, which accounted for an increase of $811,914. The Memex division's gross profit decreased by $338,132 or 48% in 2000 compared to the year ended September 30, 1999. The gross profit percentage decrease from 64% of revenues in fiscal 1999 to 42% in 2000 is primarily a result of decreased high profit labour content associated with the machine tool retrofit business that was discontinued in the 2000 year. Gross margin percentage for the three months ended December 31, 1999 was 57% of revenues, reflecting the declining margin trend.

Expenses

Research and development expenses, net of investment tax credits, amounted to $342,548 in 2000, an increase of $337,245 over fiscal 1999 expenses of $5,303. This increase was primarily the result of the acquisitions of Greco and Spectrum, which accounted for an increase of $167,218, and increased Memex division expenses of $170,027 over the year ended September 30, 1999. In 2000, the Memex engineering staff was increased from two to seven individuals, with increased development of the technology for the ION universal interface and the CORTEX gateway.

Compared to the year ended September 30, 1999, sales and marketing expenses increased by $941,233 or 556% in 2000 to $1,110,424, of which $610,642 was as a result of the acquisitions of Greco and Spectrum. Memex division expenses increased $330,591 or 195% over the year ended September 30, 1999 due primarily to increased advertising expenses and costs incurred by the Company at the bi-annual International Machine Tool Show in 2000 at which the Company demonstrated its internetworking technology. In addition, increased personnel costs also contributed to the variance.

General and administrative expenses increased by $1,108,664 or 257% in 2000 over the year ended September 30, 1999, to $1,540,519. An amount of $619,173 of this variance is attributable to the acquisitions of Greco and Spectrum in 2000. Memex division expenses increased $489,491 over the year ended September 30, 1999, in large part due to financial reporting, legal, filing fees and administrative costs incurred as a result of requirements associated with the Company's change in status from a private to public company. In addition, general and administrative personnel increased from six to 10 individuals in 2000. Consulting expenses and other administrative and office expenses accounted for the remaining increase.

Depreciation and amortization expenses for the year ended December 31, 2000 were $334,716, compared to $24,291 for the year ended September 30, 1999, an increase of $310,425. Amortization of capital assets acquired during 2000 as a result of the acquisitions of Greco and Spectrum accounted for $109,308 of the increase. In the Memex division, increased expenditures on computer hardware and software required to support the growth of the Company contributed to additional amortization. Amortization of goodwill relating to the 2000 acquisitions amounted to $119,788.

Foreign exchange losses of $90,309 were realized in 2000, with no corresponding amount in 1999. From the date of the acquisitions of Greco and Spectrum, effective August 31, 2000, the Canadian dollar weakened against the U.S. dollar by approximately 300 basis points. The foreign exchange loss was the result of the translation of the U.S. dollar-denominated debt which remains owing to the vendors of Greco and Spectrum (U.S.$1,675,000 at December 31, 2000), adjusted to the year-end foreign exchange rate, and the translation of the Company's U.S. operations as integrated for accounting purposes.

Interest expenses increased by $123,987 in fiscal 2000 to a total of $129,670, compared to the year ended September 30, 1999. This increase is attributable to interest arising on notes payable relating to the acquisitions of Greco and Spectrum and interest expense incurred in respect of the bank indebtedness of the acquired businesses, partially offset by interest income earned by the Memex division on the reinvested proceeds of financings during 2000.

Future income tax assets of $940,417 were recorded for the year ended December 31, 2000, consisting of deductible temporary differences and unused tax losses. The Company believes that these tax assets are likely to be realized as a result of the launch of its new products.

Year ended September 30, 1999 Compared to Year ended September 30, 1998

The Company's fiscal year ended September 30, 1999 pre-dated the amalgamation of Memex and Harrier that occurred in February 2000, the acquisitions of Greco and Spectrum that occurred effective August 31, 2000 and the acquisition of IAS that occurred in March 2001. Pursuant to the purchase method of accounting, the Company's financial statements for periods prior to these acquisitions have not been restated to include the results of operations of the acquired businesses. Accordingly, the following discussion and analysis of the Company's results of operations for the two fiscal years ended September 30, 1999 and 1998 pertains only to the business of the Company's predecessor corporation, Memex.

The Company recorded a net profit of $53,506 ($0.05 per share) for the year ended September 30, 1999, compared to a net loss for the year ended September 30, 1998 of $56,840. The Company's return to profitability in fiscal 1999 was primarily due to the Company's entry into the business of selling retrofit CNCs.

Revenues

Revenues for the year ended September 30, 1999 were $1,098,676, an increase of $292,581 or 36% over the year ended September 30, 1998. This increase was primarily a result of both sales of retrofit CNCs and greater sales of DNC software supplied by Spectrum. The retrofit business was new for Memex in the year ended September 30, 1999, and increased DNC software sales were principally the result of customer desire to upgrade software to avoid Year 2000 issues. Of the Company's total revenue of $1,098,676 for the year ended September 30, 1999, $540,243 or 49% was generated in the United States, $430,678 or 39% was generated in Canada and $127,755 or 12% was generated from customers in other countries.

Gross Profit

Gross profit for the year ended September 30, 1999 was $698,029 or 64% of revenue, compared to gross profit of $515,769 or 64% of revenue for the year ended September 30, 1998. The dollar increase from the prior year was the result of increased sales of CNC retrofits and DNC software.

Expenses

Research and development expenses, net of investment tax credits, decreased by $33,458 or 86% in 1999 to $5,303 from $38,761 in 1998. The lower amount in the year ended September 30, 1999 was largely attributable to a reduction in the number of engineering staff and the completion of qualified projects in fiscal 1999.

Sales and marketing expenses for the year ended September 30, 1999 were $169,191, an increase of $7,529 or 5% over the year ended September 30, 1998.

General and administrative expenses increased by $63,270 or 17% in 1999 over the year ended September 30, 1998, to $431,854. The increase was largely due to greater administrative costs incurred as a result of the hiring of additional personnel.

Liquidity and Capital Resources

For the three months ended March 31, 2001, the Company had a net cash outflow of $1,157,262 from operations, reflecting the continued investment in research and development and infrastructure growth incurred in anticipation of the product launch in 2001. The Company raised $1,483,724 in cash through the issuance of common shares and Special Warrants during the three months ended March 31, 2001 to fund operations and finance capital and development expenditures.

The Company had a net cash outflow from operating activities of $1,978,738 for the year ended December 31, 2000 and $116,598 for the year ended September 30, 1999 and a net cash inflow from operating activities of $37,974 for the year ended September 30, 1998. The net cash outflow for the year ended December 31, 2000 reflected the substantial investment in the development of new products ready for commercial launch in 2001. During the year ended December 31, 2000, the Company raised $2,536,166 in cash through the issuance of common shares and special warrants to fund its operations and finance capital expenditures. During the 15 months ended December 31, 1999, the Company raised $370,000 through the issuance of common shares by private placements to fund operations. During fiscal 1998, the Company funded its operations through loans from shareholders and the issuance of long-term debt in an aggregate amount of $42,927.

Investing activities for the three months ended March 31, 2001 included capital asset additions of $56,446, including computer equipment and assets to support infrastructure growth and the Company's participation in the Westec Machine Tool Trade Show. For the year ended December 31, 2000, investing activities included capital asset additions of $336,994, the most significant of which was $222,939 invested in the development of the CPL, launched in December 2000. The remaining increase was primarily attributable to increased expenditures on computer hardware and software required to support the growth of the Company.

As at March 31, 2001, the Company had short-term bank indebtedness of $1,284,985 and long-term debt of $3,044,232, including a current portion of $2,489,081. Long-term debt of $306,108 was incurred on the Company's acquisition of IAS on March 2, 2001. Long-term debt incurred as a result of the Company's acquisitions of Greco and Spectrum effective August 31, 2000 was U.S. $1,675,000. In May 2001, the Company entered into a debt amendment agreement, conditional upon, among other things, the completion of this offering, with the former owners of Greco and Spectrum to reschedule certain of the remaining payments under the promissory notes issued by the Company in connection with the acquisition of Greco and Spectrum. In May and June 2001, the Company entered into amending agreements with the former owner of IAS to reschedule and reclassify the remaining payments under the promissory note issued by the Company in connection with the acquisition of IAS. As a result, upon the completion of this offering, U.S.$400,000 ($608,440) of current liabilities as at March 31, 2001 will be rescheduled to long-term liabilities and U.S.$100,000 ($152,110) will be reclassified from current liabilities as at March 31, 2001 to common shares, effectively reducing the Company's working capital deficiency as at March 31, 2001 by $760,550 to $2,437,329. The Company is currently in default under the promissory notes issued in connection with the acquisition of Greco and Spectrum, however, upon the satisfaction of all conditions under the debt amendment agreement, all defaults under the promissory notes existing out of or in connection with any prior non-payment of any principal or interest will be waived. The Company is also currently in default under the promissory note issued in connection with the acquisition of IAS, however, as long as e-MFG makes the required payments and issues the shares as contemplated by the amending agreements, all defaults under the promissory note will be waived.

Giving effect to the debt amendment agreement, the promissory note issued in connection with the acquisition of Greco will be required to be repaid as follows:

Date	Amount
Closing of this offering	U.S.$200,000 ($304,220)
January 1, 2002	U.S.$200,000 ($304,220)
March 1, 2002	U.S.$200,000 ($304,220)
June 1, 2002	U.S.$200,000 ($304,220)
September 1, 2002	U.S.$200,000 ($304,220)
January 1, 2003	U.S.$200,000 ($304,220)

The promissory note is secured by a pledge to the former owner of Greco of approximately 80% of the shares of i-MFG, the Company's wholly-owned subsidiary that owns the Greco and Spectrum divisions. The promissory note bears interest at the rate of 6.3% per annum payable on each of the principal payment dates.

Giving effect to the debt amendment agreement, the promissory notes issued in connection with the acquisition of Spectrum are required to be repaid as follows:

Date	**Amount**
Closing of this offering	U.S.$150,000 ($228,165)
January 1, 2002	U.S.$150,000 ($228,165)

The promissory notes are secured by pledges, as amended, to the former owners of Spectrum of approximately 20% of the shares of i-MFG, the Company's wholly-owned subsidiary that owns the Greco and Spectrum divisions. The promissory notes bear interest at the rate of 6.5% per annum payable on January 1, 2002.

Giving effect to the debt amendment agreement, the promissory note issued in connection with the acquisition of IAS is repayable as to U.S.$100,000 by the issuance of 150,000 common shares of the Company on the closing of this offering, and the balance of U.S.$100,000 is payable in cash on the closing of this offering. The promissory note is secured by a pledge to the former owner of IAS of all of the Company's shares in JK Acquisition Corp., its wholly-owned subsidiary that owns IAS. The promissory note bears interest at the rate of 5% per annum payable on the principal payment date.

The Company's wholly-owned subsidiary i-MFG has a short-term revolving line of credit with a U.S. bank. Under the terms of the line of credit, i-MFG is permitted to borrow up to the lesser of U.S.$1,000,000 or 80% of the amount of eligible receivables. To secure the indebtedness under the line of credit, i-MFG has granted to the bank a security interest in substantially all of its property. In addition, the Company and Vito T. Greco, the former owner of Greco, have each guaranteed i-MFG's indebtedness to the bank. In connection with the acquisition of Greco, Thomas M. Gaasenbeek, the Chief Executive Officer of the Company, agreed to personally indemnify Vito T. Greco in respect of his obligations under his guarantee to the bank. As at June 30, 2001, the outstanding indebtedness under the line of credit was approximately U.S. $832,000. The line of credit expires August 10, 2001. The Company is currently negotiating to renew the line of credit and expects that the line of credit will be renewed. The bank providing the line of credit had a 20-year relationship with Greco prior to its acquisition by the Company, and the line of credit has been renewed four times since the Company acquired Greco on August 31, 2000. The bank has advised the Company that, in connection with the renewal of the line of credit, it will seek to amend the lending ratios under the line of credit. As a result, the Company expects to be required to reduce i-MFG's indebtedness to the bank by approximately U.S.$350,000 ($532,385). The Company intends to use a portion of the proceeds of this offering to reduce such indebtedness. See "Use of Proceeds".

The Company has a short-term revolving demand loan with a Canadian chartered bank. Under the terms of the demand loan, the Company is permitted to borrow up to a maximum of $150,000, subject to margin requirements. As at June 30, 2001, the Company was permitted to borrow up to approximately $85,000 under the short-term revolving demand loan. As collateral security for the loan, e-MFG has entered into a general security agreement covering all fixed assets except real property, and Thomas M. Gaasenbeek, the Chief Executive Officer of the Company, has provided the bank with a guarantee and postponement of claim up to a maximum of $250,000. As at June 30, 2001, the outstanding indebtedness under the short-term revolving demand loan was approximately $50,000.

The Company has completed its current acquisition plan and expects that capital expenditures will not exceed $200,000 in each of 2001 and 2002. Spending for the remainder of 2001 will be directed principally to completing the steps necessary to bring into commercial production the ION universal interface and the CORTEX gateway in the third quarter of 2001. These expenditures are expected to be less than $100,000 in the second half of 2001.

Management recognizes the Company will need to raise additional funds in order to continue the execution of its business strategy as a result of:

- additional expenses to be incurred in internetworking product development,
- continuing costs associated with effectively integrating recent acquisitions, and
- having to provide additional working capital for infrastructure growth, the launch of new products (and the associated sales cycle) and marketing efforts.

Cash as at March 31, 2001 had decreased to a level not sufficient to meet reasonably foreseeable expenditures. The net current working capital balance represented a deficiency as at March 31, 2001 of $3,197,879 ($2,688,694 as at December 31, 2000).

To address these funding requirements, the Company: (a) raised gross proceeds of $584,600 in July 2001 through the sale of the Tranche 3 Special Warrants; (b) initiated this public offering of Units expected to raise gross proceeds of between approximately $4 million and $5 million; and (c) rescheduled certain of the remaining payments under the promissory notes issued by the Company to the former owners of Greco, Spectrum and IAS in connection with the Company's acquisition of these companies. These debt amendment agreements are conditional on, among other things, the closing of this offering. In addition, during early 2001, the Company undertook certain restructuring measures in its U.S. operations to reduce overhead costs.

The closing of the agreements to reschedule the Company's acquisition debt and the completion of this offering will improve the short term liquidity of the Company. The amount of financing that the Company will require to continue to fund operations and product development, provide sufficient working capital, meet debt obligations and make capital expenditures is dependent on the actual levels of revenues and expenses during 2001. The Company anticipates that it will achieve increased sales during the year ended December 31, 2001 from existing products and the internetworking products to be commercially launched in 2001. However, there is no assurance that these anticipated levels of revenues and expenses will prove to be accurate. The Company believes that cash from operations together with the proceeds of the offering will be sufficient to fund operations and product development, meet debt obligations and fund capital expenditures through the first quarter of 2002 if the maximum proceeds are raised, or through the fourth quarter of 2001 if the minimum proceeds are raised. If, however, the Company has overestimated anticipated revenues or underestimated anticipated expenses, the Company will require additional financing in the form of equity or debt and there can be no assurance that such financing will be available to the Company in those circumstances on satisfactory terms, or at all.

Future Outlook

The Company expects to report a net loss for the year ended December 31, 2001. The Company expects to reduce operating losses by the end of 2001, through a combination of increased revenues from the sale of new products (including its internetworking products) and existing products, and through cost savings, largely as a result of the restructuring of its U.S. operations. Revenues from sale of the Memex division's traditional product lines are expected to stabilize. Revenues from the sale of the Greco and Spectrum division's traditional product lines, in aggregate, are expected to increase marginally. Expenses are expected to increase substantially as the Company rolls out its internetworking products and services and restructures and expands its direct sales team and incurs increased sales and marketing expenses associated with the planned commercial launch of the ION universal interface and CORTEX gateway in 2001.

e-MFG has begun to generate incremental revenues in 2001 on the sale of its new machine event monitoring software product, developed through i-MFG. The Company completed three beta test installations of the ION universal interface and the CORTEX gateway during the second quarter of 2001. If the Company is successful in obtaining purchase orders for these products arising from these test installations, the Company expects to begin commercial production of the ION universal interface and CORTEX gateway by the end of the third quarter of 2001. The Company is generating nominal revenue from its CNCPartsLocator.com website. This business is intended to take advantage of the large and fragmented after-market CNC parts business. In addition, the Company expects to begin earning revenue by the end of 2001 from Platinum Service, using an application service provider model to allow customers to obtain the benefits of internetworking through outsourcing, so that they may focus on their core competencies. The Company intends that Platinum Service will be provided on a basis that generates an on-going revenue stream for the Company.

The restructuring of the Company's U.S. operations was initiated in early 2001. It consisted of a 25% reduction in the workforce at the Greco division, a reduction of discretionary spending, the reallocation of resources to focus on products with potential for sales growth, better sourcing of components and the renegotiation of pricing for certain service contracts. The Company expects to take a restructuring charge of approximately U.S.$40,000 in the second quarter of 2001.

During 2001, the Company intends to pursue further strategic alliances. The Company intends that its focus in alliances will be on firms that will assist in generating demand for the Company's internetworking products and enhance its channels to market. Finally, while e-MFG's focus is machine tools, it believes that the demand for internet monitoring extends beyond the machine tool industry. For example, e-MFG believes that utility companies would benefit from the ability to remotely monitor and control energy and water consumption. Thus, the Company intends to pursue opportunities in other industries to the extent that they arise, provided that doing so does not require the Company to shift its focus from CNCs and machine tool internetworking.

Risks and Uncertainties

The Company's ability to achieve profitability is dependent on its ability to successfully launch its internetworking products on a commercial basis in 2001. Due to the risks inherent in transition to new products, the Company must accurately forecast demand, release quality products on a timely basis, and provide sufficient levels of customer support. This includes providing for the continued compatibility of its products with evolving computer hardware and software platforms, operating environments and communication protocols. The Company’s results could be impacted by the ability of its competitors to introduce new products that have technological and/or pricing advantages. With the Company's new internetworking products, there can be no assurance that delays in the implementation process will not have an adverse effect on the Company's ability to fulfil its obligations to the customer, affecting the operations and financial condition of the Company. See "Risk Factors – No Established Market for Internetworking Products or Services" and "Risk Factors – New Internetworking Products and Services in Development Stage."

The Company's success depends on its ability to obtain sufficient funding to execute its business plan. Although the Company believes that if the minimum proceeds are raised the proceeds of this offering together with the expected cash from operations will be adequate to fund operations and product development, meet debt obligations and fund capital expenditures through the fourth quarter of 2001, the Company expects to require additional funding thereafter. In addition, the Company may require additional financing at an earlier stage if it has overestimated anticipated revenues or underestimated future expenses. There can be no assurance that such financing would be available to the Company on satisfactory terms, or at all.

The Company anticipates that, as the internetworking market develops, additional competitors, including CNC original equipment manufacturers and DNC software companies, will enter the market. Some of these potential competitors, including Siemens, Fanuc, Mitsubishi and Heidenhain which account for over 70% of global CNC sales, have significantly greater name recognition, larger customer bases and greater financial, technical, marketing, public relations, sales, distribution and other resources than the Company does and may be able to develop universality in their products or sufficiently broad appeal to materially affect the Company. If any of the competing products of the Company's competitors gain market acceptance, the demand for the Company's internetworking products may not develop or, once developed, may be diminished, which could have a material adverse effect on the Company's results of operations, business, prospects and financial condition.

The Company reports its results in Canadian dollars and is exposed to transaction and translation gains or losses because of currency fluctuations between the U.S. and Canadian dollars. Currently the Company does not enter into hedging transactions, such as options and forward exchange contracts.

Quarterly Statement of Operations Data

	Three Months Ended			
	December 31, 2000	**September 30, 2000**	**June 30, 2000**	**March 31, 2000**
Revenue	$1,786,745	$698,505	$178,788	$135,315
Net income (loss)	$(674,339)	$(323,841)	$(242,083)	$(195,695)
Net income (loss) per share (basic and diluted)	$(0.03)	$(0.02)	$(0.02)	$(0.01)

	Three Months Ended			
	December 31, 1999	**September 30, 1999**	**June 30, 1999**	**March 31, 1999**
Revenue	$234,791	$305,572	$377,377	$199,006
Net income (loss)	$(74,033)	$65,957	$81,237	$(16,402)
Net income (loss) per share (basic and diluted)	$(0.01)	$0.01	$0.02	$(0.01)

MANAGEMENT

Directors and Officers

The following table sets forth the names and municipalities of residence, the position held with the Company, the principal occupation, the period served as a director or officer of the Company and the number of common shares of the Company beneficially owned, controlled or directed for each of the directors and officers of the Company. Each director is elected to hold office until the Company's next annual shareholders' meeting or until his successor is elected or appointed.

Name and Municipality of Residence	Office	Principal Occupation	Period Served as a Director or Officer	Number of Common Shares Beneficially Owned, Controlled or Directed
Thomas M. Gaasenbeek Burlington, Ontario	Chief Executive Officer and Director	Chief Executive Officer of e-MFG	December 23, 1999 to present	11,800,000
Barrie R. Boatman Dundas, Ontario	Chairman and Director	Chairman, Creation Technologies Inc. (electronics manufacturer)	December 23, 1999 to present	122,200
David M. Reese Hillsburgh, Ontario	Director	Managing Director, Head of Structured Products, National Bank Financial Inc. (investment dealer)	March 6, 2000 to present	20,000

Name and Municipality of Residence	Office	Principal Occupation	Period Served as a Director or Officer	Number of Common Shares Beneficially Owned, Controlled or Directed
Daniel J. Merkle San Juan Capistrano, California	Director	Self-employed; prior to that Founding Partner, Hunter Wise Financial Group, LLC (investment and merchant bank)	March 6, 2001 to present	0
Bradley J. Dixon London, Ontario	Director	Information technology consultant	June 27, 2000 to present	15,000
Brent W. Bere Waterdown, Ontario	President, Chief Operating Officer and Chief Financial Officer	President, Chief Operating Officer and Chief Financial Officer of e-MFG	November 1, 2000 to present	14,700
Joel T. Kissack Oakville, Ontario	Senior Vice President, Business Development	Senior Vice-President, Business Development of e-MFG	December 12, 2000 to present	51,300
Peter J. Bolger Oakville, Ontario	Vice President, Sales	Vice-President, Sales of e-MFG	December 29, 2000 to present	0
David N. Fiaschetti Abrill Park, New York	Chief Technology Officer	Chief Technology Officer of e-MFG	July 11, 2001 to present	228,000

As at July 12, 2001, the directors and officers of the Company, as a group, beneficially owned 12,251,200 common shares representing 62.2% of the issued and outstanding common shares before the completion of the offering. Such shares represent ! % and ! % of the issued and outstanding common shares after the completion of the Maximum Offering and the Minimum Offering, respectively, assuming the issuance of 3,645,328 common shares issuable upon the exercise of Special Warrants, 240,000 common shares issuable upon the exercise of special warrants issued in August 2000 and 150,000 common shares to be issued on the closing of this offering to the former owner of IAS to pay a portion of the purchase price for the Company's acquisition of IAS.

The following is a brief biography of each of the Company's directors and officers:

Thomas M. Gaasenbeek is the Chief Executive Officer and a director of the Company. Mr. Gaasenbeek founded Memex in 1992 and served as its President. Before founding Memex, Mr. Gaasenbeek was an embedded software designer for Tulip Electronics Inc. where he was responsible for the operating system firmware development on the first third party Fanuc bubble memory replacement board ever developed. Mr. Gaasenbeek has conducted extensive research and has authored articles in the area of Fanuc control, communications and design and, as a result, is regarded as an authority in this area. Mr. Gaasenbeek holds a Bachelor of Arts degree in political science from the University of Western Ontario.

Barrie R. Boatman is the Chairman of the board of directors of the Company. In addition, since 2000, Mr. Boatman has been, and currently is, Chairman of the board of directors of Creation Technologies Inc., a contract electronics manufacturer. Mr. Boatman also currently serves as a director and advisor to several other technology-related companies, particularly in the business-to-business e-commerce industry. Mr. Boatman has been the principal of Boatman Associates, a management consulting organization, from 1991 to present. From 1989 to 1991, Mr. Boatman was President and Chief Operating Officer of Linear Technology Corporation (now Gennum Corporation), an integrated circuit manufacturer. Mr. Boatman is a Chartered Accountant.

David M. Reese has been Managing Director, Head of Structured Products at National Bank Financial Inc. since 1999. From 1998 to 1999, Mr. Reese was a Partner of Longview Capital, a corporate finance boutique. From 1994 to 1998, Mr. Reese was a Managing Director at TD Securities Inc., an investment dealer, and from 1992 to 1994, he was a Managing Director at CIBC Wood Gundy Securities Inc., an investment dealer. Mr. Reese holds a Master of Business Administration degree from the Richard Ivey School of Business at the University of Western Ontario.

Daniel J. Merkle was, until recently, Founding Partner of Hunter Wise Financial Group, LLC, which he co-founded in 1999. From 1998 to 1999, Mr. Merkle was President, Chief Executive Officer and a director of Gentry Mineral Products, Inc., a minerals and specialty chemicals producer. From 1988 to present, Mr. Merkle has been Chief Executive Officer and Chairman of the board of directors of Pacific Century Inc., an investment holding company. Mr. Merkle has also served as a director for several U.S. companies and agencies, is a founding member of the Dean's Advisory Board of the Argyros School of Business and Economics at Chapman University and is a former Chairman of the Forum for Corporate Directors. Mr. Merkle holds a Bachelor of Science degree in chemistry from Chapman University, California.

Bradley J. Dixon is currently self-employed as a management consultant to venture funds and start-up software companies. Mr. Dixon has been a consultant to such funds and companies since 1990. From 2000 to 2001, Mr. Dixon was Interim Chief Technology Officer of InfoWard Technologies, a distributor of portal software. In 1998, Mr. Dixon founded ThinkTank Technologies, a company he remained with until 1999. Mr. Dixon holds a Master of Business Administration degree from the Richard Ivey School of Business at the University of Western Ontario.

Brent W. Bere is the President, Chief Operating Officer and Chief Financial Officer of the Company. Before joining the Company, Mr. Bere was General Manager and Finance Officer of an operating division of Wajax Industries, a distributor and servicer of heavy equipment. Prior to that, Mr. Bere was Corporate Controller of Champion Road Machinery Ltd., a manufacturer and distributor and servicer of road construction equipment. Prior to that, Mr. Bere was a tax professional with Price Waterhouse, Chartered Accountants (now PricewaterhouseCoopers LLP). Mr. Bere has extensive experience in finance, operations, mergers and acquisitions, investor relations, taxation and strategic planning. Mr. Bere is a Chartered Accountant and holds a Bachelor of Science degree from the University of Western Ontario and a Master of Business Administration degree from Wilfred Laurier University.

Joel T. Kissack is the Senior Vice President, Business Development of the Company. Before joining the Company, Mr. Kissack was a senior partner with the law firm Davies, Ward & Beck (now Davies Ward Phillips & Vineberg LLP), where his practice included advising some of Canada's largest public companies in the areas of securities, mergers and acquisitions, antitrust and information technology. Mr. Kissack holds a Bachelor of Laws degree from the University of Toronto.

Peter J. Bolger is the Vice President, Sales of the Company. Before joining the Company, Mr. Bolger co-founded and was Vice President, Sales of Cimatron Technologies Inc. where he gained over 13 years of sales and marketing management experience, including experience in global product positioning in the machine tool sector and in implementing marketing strategies. Mr. Bolger holds a Bachelor of Engineering degree from the University of Waterloo.

David N. Fiaschetti is the Chief Technology Officer of the Company. Before joining the Company, Mr. Fiaschetti founded IAS and served as its President since its inception in 1989. Over the course of his career, Mr. Fiaschetti has gained 25 years of experience in the CNC and metalworking industries. Mr. Fiaschetti's experience includes various roles as a U.S. Department of Defence manager, as an author of an award-winning submission on Strategic Planning for Automation and as a member of the Department of Defence Manufacturing Technology Advisory Committee.

Audit Committee

The Company's board of directors has an audit committee. The audit committee is responsible for reviewing, reporting and, where appropriate, making recommendations to the board of directors on matters concerning the Company's external audit plan, the terms of engagement and fees of the Company's external auditors, the adequacy of the Company's processes for identifying and managing risk, the integrity of the Company's financial reporting system and the adequacy of the Company's system of internal controls. The members of the audit committee are Barrie R. Boatman, David M. Reese and Thomas M. Gaasenbeek.

Compensation Committee

The Company's board of directors has a compensation committee. The compensation committee is responsible for the design and administration of all compensation and benefit plans and policies of the Company, including the compensation policy for the Company's senior management team. The compensation committee is also responsible for ensuring that an effective senior management team is in place and is meeting required performance standards, and that proper management development and succession planning programs are in place. The members of the compensation committee are Barrie R. Boatman, David M. Reese, Bradley J. Dixon and Thomas M. Gaasenbeek (non-voting member).

Executive Compensation

The following table sets forth all of the compensation of the Chief Executive Officer of the Company and the four executive officers of the Company with the highest current salaries (the "Named Executive Officers") during each of 2000, 1999 and 1998, in the case of the Chief Executive Officer, and during 2000, in the case of the other Named Executive Officers. No executive officer of the Company earned compensation in excess of $100,000 in connection with his employment with the Company in any of 2000, 1999 or 1998.

Summary Compensation Table

		Annual Compensation		Long-Term Compensation
Name and Principal Position[1]	Year	Salary	Bonus	Securities Under Options Granted (#)
Thomas M. Gaasenbeek Chief Executive Officer	2000	$33,594	–	684,600
	1999	$32,200	–	–
	1998	$33,600	–	–
Vito T. Greco President and Chief Executive Officer, Greco Division	2000	U.S.$50,000[2]	–	–
Toni Novak President and Director of Sales, Spectrum Division	2000	U.S.$45,000[3]	–	–
Peter J. Bolger Vice-President, Sales	2000	$58,560[4]	–	10,000

		Annual Compensation		Long-Term Compensation
Name and Principal Position[1]	**Year**	**Salary**	**Bonus**	**Securities Under Options Granted (#)**
Brent W. Bere President, Chief Operating Officer and Chief Financial Officer	2000	$16,250[5]	–	15,000

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(1) In connection with the acquisition of IAS in March 2001, the Company agreed to enter into an employment agreement with David N. Fiaschetti, the former owner of IAS and now the Chief Technology Officer of the Company, pursuant to which Mr. Fiaschetti will receive an annual salary of U.S.$75,000 and bonuses in the aggregate amount of U.S.$165,000 to U.S.$185,000, based, in part, upon the Company achieving targets to be established by the President of the Company. Mr. Fiaschetti's employment agreement was approved by the shareholders of the Company at the annual general and special meeting of shareholders of the Company held on June 25, 2001.
(2) For the period from September 1 to December 31, 2000. Mr. Greco joined the Company on September 1, 2000 in connection with the Company's acquisition of Greco. Mr. Greco's current salary is U.S.$150,000 per year.
(3) For the period from September 1 to December 31, 2000. Ms Novak joined the Company on September 1, 2000 in connection with the Company's acquisition of Spectrum. Ms Novak's current salary is U.S.$135,000 per year.
(4) For the period from August 8 to December 31, 2000. Mr. Bolger joined the Company on August 8, 2000. Mr. Bolger's current salary is $150,000 per year.
(5) For the period from November 1 to December 31, 2000. Mr. Bere joined the Company on November 1, 2000. Mr. Bere's current salary is $130,000 per year.

Stock Options

The following table sets out options to purchase common shares granted by the Company to the Named Executive Officers during the year ended December 31, 2000.

Name	Common Shares Under Options Granted (#)	% of Total Options Granted to Employees in 2000	Exercise Price ($/share)	Market Value of Common Shares on the Date Preceding Grant ($/share)	Expiry Date
Thomas M. Gaasenbeek	684,600[1]	41.5%	$0.20	$ –	January 17, 2005
Peter J. Bolger[2]	10,000[1]	0.6%	$1.24	$1.49	November 24, 2005
Brent W. Bere[3]	15,000[1]	0.9%	$1.24	$1.55	October 20, 2005

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(1) Options vest in full on the date of grant.
(2) Options to acquire an additional 15,000 common shares at an exercise price of $1.28 per share were granted to Mr. Bolger on January 30, 2001. These options expire January 30, 2006. 10% of these options vested in full on the date of grant, and the remaining 90% of these options will vest in three equal annual installments.
(3) Options to acquire an additional 130,000 common shares at an exercise price of $1.28 per share were granted to Mr. Bere on January 30, 2001. These options expire January 30, 2006. 10% of these options vested in full on the date of grant, and the remaining 90% of these options will vest in three equal annual installments.

The following table sets out certain information with respect to common shares under option to the Named Executive Officers as at December 31, 2000. No options to purchase common shares were exercised by the Named Executive Officers during the year ended December 31, 2000.

	Unexercised Options at December 31, 2000		Value of Unexercised in-the-Money Options at December 31, 2000(1)	
Name	**Exercisable**	**Unexercisable**	**Exercisable**	**Unexercisable**
Thomas M. Gaasenbeek	684,600	–	$889,980	$ –
Peter J. Bolger	10,000	–	$13,000	$ –
Brent W. Bere	15,000	–	$19,500	$ –

(1) Based on the CDNX closing price of the Company's common shares on December 29, 2000 of $1.50.

Compensation of Directors

At the time of their election or appointment, each of the directors of the Company who are not officers or employees of the Company was issued options to purchase 100,000 common shares. These options were granted pursuant to the Stock Option Plan. See "– Stock Option Plan".

Directors of the Company do not receive any cash compensation for their services as directors. Directors of the Company are reimbursed for any out-of-pocket expenses incurred in connection with their activities as directors.

Stock Option Plan

e-MFG's Board of Directors has adopted a stock option plan dated as of January 22, 1997 (the "Stock Option Plan"). Pursuant to the Stock Option Plan, the board may allocate non-transferable options to purchase common shares to directors, officers and employees of the Company and to consultants retained by the Company.

The aggregate number of common shares to be reserved at any time for issuance on the exercise of options granted under the Stock Option Plan may not exceed 10% of the issued shares of the Company. Further, the aggregate number of the common shares to be reserved at any time for issuance on exercise of options granted under the Stock Option Plan to any one individual shall not exceed 5% of the issued shares of the Company. Options granted under the Stock Option Plan shall have an exercise price not less than that from time to time permitted by the stock exchange on which the common shares are listed.

As at July 12, 2001, 64 persons held options to acquire an aggregate of 1,918,523 common shares. All outstanding options were issued by the Company pursuant to the Stock Option Plan. The following table sets forth information with respect to options outstanding as at July 12, 2001. The CDNX closing price of the common shares on July 11, 2001 was $1.00.

Outstanding Options

Holders	No. of Common Shares under Option	Exercise Price	Grant Date	Expiry Date	Market Value on Date Preceding Grant
Executive officers of the Company (5 in total)	464,600	$0.20	January 17, 2000	January 17, 2005	–
	25,000	$0.20	January 28, 2000	January 28, 2005	–
	15,000	$1.24	October 20, 2000	October 20, 2005	$1.55
	10,000	$1.24	November 24, 2000	November 24, 2005	$1.49
	345,000	$1.28	January 30, 2001	January 30, 2006	$1.50
Executive officers of subsidiaries of the Company (1 in total)	12,000	$1.20	March 23, 2001	March 23, 2006	$1.35
Directors who are not also executive officers of the Company (3 in total)	100,000	$2.35	August 10, 2000	August 10, 2005	$2.50
	100,000	$1.24	November 24, 2000	November 24, 2005	$1.49
	100,000	$1.20	March 23, 2001	March 23, 2006	$1.35
All other employees of the Company (14 in total)	66,923	$0.20	January 17, 2000	January 17, 2005	–
	10,000	$1.24	October 20, 2000	October 20, 2005	$1.55
	173,000	$1.28	January 30, 2001	January 30, 2006	$1.50
	10,000	$1.20	March 23, 2001	March 23, 2006	$1.35
	10,000	$0.80	July 11, 2001	July 11, 2006	$1.00
All other employees of subsidiaries of the Company (38 in total)	20,000	$0.20	January 17, 2000	January 17, 2005	–
	8,000	$1.28	January 30, 2001	January 30, 2006	$1.50
	190,000	$1.20	March 23, 2001	March 23, 2006	$1.35
	25,000	$0.80	July 11, 2001	July 11, 2006	$1.00
All consultants (1 in total)	50,000	$1.24	October 20, 2000	October 20, 2005	$1.55
	125,000	$0.80	July 11, 2001	July 11, 2006	$1.00
Others (2 in total)	10,000[(1)]	$0.20	January 17, 2000	January 17, 2005	–
	49,000[(2)]	$1.28	January 30, 2001	January 30, 2006	$1.50

(1) Options granted to Dirk Van Dalen in connection with advisory services and indirect loan Mr. Van Dalen made to the Company.
(2) Options granted, subject to CDNX approval, to Thomas Smeenk in connection with the termination of a consulting contract between Mr. Smeenk and the Company.

Directors and Officers Indemnification

Under the *Business Corporations Act* (Alberta), the Company is permitted to indemnify its directors and officers and former directors and officers against costs and expenses, including amounts paid to settle an action or satisfy a judgment in a civil, criminal or administrative action or proceeding to which they are made parties because of their position as directors or officers, including an action against the Company. In order to be entitled to indemnification under this Act, the director or officer must act honestly and in good faith with a view to the best interests of the Company, and in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the director or officer must have reasonable grounds for believing that his or her conduct was lawful.

Under the Company's by-laws, the Company shall indemnify, to the maximum extent permitted under the *Business Corporations Act* (Alberta), the Company's current and former directors, any person who acts or has acted at the Company's request as a director or officer of a body corporate of which the Company is or was a shareholder or creditor, and his heirs and legal representatives against all costs, charges and expenses, including any amount paid to settle an action or satisfy a judgement, reasonably incurred by him in respect of any civil, criminal or administrative action or proceeding to which he is made a party by reason of being or having been a director or officer of the Company or such body corporate. In addition, the Company carries insurance in respect of its directors and officers.

Indebtedness of Directors and Senior Officers

No director or officer of the Company is indebted to the Company or was indebted to the Company at any time during the year ended December 31, 2000 and no such indebtedness exists at the date of this prospectus.

PRINCIPAL SHAREHOLDERS

Share Ownership

As at July 12, 2001, the only person or company who owned of record, or who to the knowledge of the Company owned beneficially, directly or indirectly, more than 10% of the common shares is as set out below.

Name	Number of common shares	Percentage of outstanding common shares before completion of the Offering	Percentage of common shares after completion of the Maximum Offering[1]	Percentage of common shares after completion of the Minimum Offering[1]
Thomas M. Gaasenbeek	11,800,000[2]	59.9%	! %	! %

(1) Assuming the issuance of 3,645,328 common shares issuable upon the exercise of Special Warrants, 240,000 common shares issuable upon the exercise of special warrants issued in August 2000 and 150,000 common shares to be issued on the closing of this offering to the former owner of IAS to pay a portion of the purchase price for the Company's acquisition of IAS.

(2) 10,288,000 of these common shares are subject to escrow arrangements. See "– Escrowed Common Shares".

Escrowed Common Shares

As of the date hereof, the following securities of the Company are deposited with Computershare Trust Company of Canada (the "Escrow Agent") pursuant to the escrow arrangements described below:

Designation of Class	No. of Securities Held in Escrow	Percentage of Class
common shares	10,288,000	52.2%

Of these common shares, 9,288,000 common shares are subject to an escrow agreement dated January 17, 2000 (the "Performance Escrow Agreement") between the Company, the Escrow Agent and Thomas M. Gaasenbeek. The common shares subject to the Performance Escrow Agreement may only be released from escrow with the consent of CDNX. The Performance Escrow Agreement provides that, if CDNX receives a written application from the securityholder requesting the release of common shares from escrow, CDNX will generally consent to the release of one common share for each $0.20 of cash flow generated by the Company. For this purpose, the term "cash flow" is defined to mean the net income of the Company, as shown on the Company's audited financial statements or confirmed by the Company's auditors, plus (i) depreciation; (ii) depletion; (iii) deferred taxes; (iv) amortization of goodwill; and (v) amortization of research and development costs. The Performance Escrow Agreement limits applications for the release of common shares from escrow to one application per year relating to the cash flow for the preceding fiscal year or since the last release of common shares from escrow and limits the maximum number of shares that may be released from escrow in any calendar year to one-third of the number of common shares originally deposited in escrow. The Performance Escrow Agreement also includes provisions allowing for the transfer within escrow or hypothecation of the escrowed common shares, with the consent of CDNX, if the transferee or mortgagee agrees to be bound by the terms of the agreement.

The remaining 1,000,000 common shares held in escrow are subject to an escrow agreement dated April 2, 1997 (the "JCP Policy Escrow Agreement") between the Company's predecessor, Harrier, the Escrow Agent, Robert R. Dunstan, Gary L. Lee, Warren D. Steckley and David M. Fitzpatrick. The ASC consented on December 24, 1999 to the transfer within escrow of the common shares subject to the JCP Policy Escrow Agreement to Thomas M. Gaasenbeek. The common shares subject to the JCP Policy Escrow Agreement may only be released from escrow with the consent of the Executive Director of the ASC. The JCP Policy provides that such consent will be granted to the release of one-third of the shares subject to such an escrow arrangement on each of the first, second and third anniversary of Harrier's completion of a "major transaction" for the purposes of the JCP Policy. Harrier completed its "major transaction" for the purposes of the JCP Policy on January 17, 2000 – see "Business of the Company – Corporate History". Accordingly, one-third of the common shares held in escrow pursuant to the JCP Policy Escrow Agreement became eligible for release on January 17, 2001 and one-third of such common shares will be eligible for release, with the consent of the Executive Director of the ASC, on each of January 17, 2002 and January 17, 2003. The JCP Policy Escrow Agreement also includes provisions allowing for the transfer within escrow or hypothecation of the escrowed common shares, with the consent of the Executive Director of the ASC, if the transferee or mortgagee agrees to be bound by the terms of the agreement.

PRIOR ISSUANCES

The following table sets forth the date of issue, number of securities and the issue price for all common shares or securities convertible into or carrying rights to acquire common shares (other than stock options granted pursuant to the Stock Option Plan) during the past 12 months:

Date of Issue	Number of Securities	Aggregate Issue Price	Issue Price Per Security
July 11, 2001	584,600 Special Warrants(1) (2)	$584,600	$1.00
July 6, 2001	236,000 common shares(3)	–	–
July 6, 2001	118,000 common share purchase warrants(3)	–	–
April 11, 2001	100,000 common shares(4)	$20,000	$0.20
March 1, 2001	225,000 common shares(5)	–	–
February 26, 2001	1,153,850 Special Warrants(6) (7)	$1,500,005	$1.30
February 16, 2001	4,000 common shares(4)	$800	$0.20
January 24, 2001	14,400 Special Warrants (6)	$18,720	$1.30
January 22, 2001	406,000 common shares (4)	$81,200	$0.20
January 17, 2001	424,000 common shares(8)	–	–
January 16, 2001	50,000 Special Warrants(6)	$65,000	$1.30
January 8, 2001	10,000 common shares(4)	$2,000	$0.20
December 14, 2000	310,000 Special Warrants(6)	$403,000	$1.30
December 14, 2000	10,000 common shares(4)	$2,000	$0.20
November 20, 2000	10,000 common shares(4)	$2,000	$0.20
September 15, 2000	924,000 Special Warrants(9) (10)	$1,570,800	$1.70
August 31, 2000	2,350,000 common shares(11)	–	–
August 2, 2000	240,000 special warrants (12)	$408,000	$1.70

(1) Special Warrants exercisable for one Unit consisting of one common share and one-half of a Share Purchase Warrant at no additional cost at any time prior to 4:30 p.m. (Calgary time) on the date that is the earlier of (i) July 11, 2002; and (ii) the date that is five business days after the date on which a receipt

is issued by the Ontario Securities Commission for a (final) prospectus of the Company qualifying the distribution of the Units to be issued on the exercise of the Special Warrants. Each whole Share Purchase Warrant entitles the holder to purchase one additional common share at the price of $1.30 at any time before 4:30 p.m. (Calgary time) on the first anniversary of the issuance of the Share Purchase Warrant. See "Plan of Distribution – Special Warrant Offerings".

(2) In connection with the July 11, 2001 Special Warrant Offering, the Company issued to the Agent, as additional compensation, non-assignable broker warrants entitling the Agent to acquire, for no additional consideration, compensation options, entitling the Agent to acquire up to 24,000 Units at a price of $1.00 per Unit at any time prior to 4:30 p.m. (Calgary time) on the first anniversary of the issuance of such compensation options.

(3) Common shares and common share purchase warrants issued upon the deemed exercise of 236,000 special warrants issued by the Company on July 6, 2000. Each common share purchase warrant entitles the holder to purchase one common share at the price of $2.00 at any time before 4:30 p.m. (Calgary Time) on July 6, 2002.

(4) Common shares issued on the exercise of options granted under the Stock Option Plan.

(5) Common shares issued as partial consideration for the acquisition of all of the shares of IAS.

(6) 374,400 of the Special Warrants are each exercisable for 1.3 Units, each consisting of one common share and one-half of a Share Purchase Warrant, at no additional cost at any time prior to 4:30 p.m. (Calgary time) on the first anniversary of the date of the issuance of the Special Warrant. 1,153,850 of the Special Warrants are each exercisable for 1.43 Units, each consisting of one common share and one-half of a Share Purchase Warrant, at no additional cost at any time prior to 4:30 p.m. (Calgary time) on the earlier of February 26, 2002 or the date that is five business days after the date on which a receipt is issued by the Ontario Securities Commission for a (final) prospectus of the Company qualifying the distribution of the Units to be issued on the exercise of such Special Warrants. See "Plan of Distribution – Special Warrant Offerings".

(7) In connection with the February 26, 2001 Special Warrant Offering, the Company issued to the Agent, as additional compensation, 115,385 non-assignable broker warrants entitling the Agent to acquire, for no additional consideration, compensation options, entitling the Agent to acquire up to 165,001 Units at a price of $1.30 per Unit at any time prior to 4:30 p.m. (Calgary time) on the first anniversary of the issuance of such compensation options.

(8) Common shares issued for no additional consideration on the exercise of special warrants issued to Yorkton Securities Inc. in connection with the Major Transaction.

(9) 824,000 of the Special Warrants are each exercisable for one Unit consisting of one common share and one-half of a Share Purchase Warrant at no additional cost at any time prior to 5:00 p.m. (Calgary time) on the date that is the earlier of (i) March 15, 2002; and (ii) the date that is five business days after the date on which a receipt is issued by the last of the securities commissions in Ontario and Alberta for a (final) prospectus qualifying the distribution of Units to be issued on the exercise of the Tranche 1 Special Warrants. 100,000 of the Tranche 1 Special Warrants are each exercisable for one such Unit at no additional cost at any time prior to 4:30 p.m. (Calgary time) on September 15, 2001. Each whole Share Purchase Warrant entitles the holder to purchase one additional common share at the price of $2.00 at any time before 4:30 p.m. (Calgary time) on the first anniversary of the issuance of the Share Purchase Warrant. See "Plan of Distribution – Special Warrant Offerings".

(10) In connection with the September 15, 2000 Special Warrant Offering, the Company issued to Taurus a special broker's warrant entitling Taurus to acquire, for no additional consideration, compensation options entitling Taurus to acquire up to 82,400 Units at a price of $1.90 per Unit at any time prior to the earlier of (i) the first anniversary of the date of the issuance of a receipt by the Ontario Securities Commission for a (final) prospectus qualifying the issuance of common shares of the Company issuable on the exercise of the related Special Warrants; and (ii) September 15, 2002.

(11) Common shares issued as partial consideration for the acquisition of all of the outstanding shares of Greco and Spectrum.

(12) Special warrants exercisable for one Unit consisting of one common share and one-half of a Share Purchase Warrant at no additional cost at any time prior to August 2, 2001. Each whole Share Purchase Warrant entitles the holder to purchase one additional common share at the price of $1.70 at any time before 4:30 p.m. (Calgary time) on the first anniversary of the issuance of the Share Purchase Warrant. See "Plan of Distribution – Special Warrant Offerings".

The Company entered into an agreement with a public relations firm in January 2001 for the first quarter of 2001. The agreement contemplates that the Company will issue 15,000 common shares to the public relations firm every three months as partial payment for services rendered. The agreement was renewed by the Company in April 2001 and expired June 30, 2001. The Company is currently engaged in discussions with the public relations firm regarding whether this agreement will be extended. To date, no common shares have been issued pursuant to this agreement.

The Company is finalizing the terms of an agreement in respect of finder's fees to be paid in connection with the offering of Tranche 1 Special Warrants. The Company expects that no more than 106,000 common shares will be issued in respect of such finder's fees.

The Company is finalizing the terms of an agreement with a service provider in respect of fees for services rendered. The Company expects that 20,000 common shares will be issued, on the basis of $1.00 per share, in partial payment of such service provider fees.

DESCRIPTION OF SHARE CAPITAL

The authorized capital of the Company consists of an unlimited number of common shares, of which 19,690,337 common shares are issued and outstanding as of the date hereof and an unlimited number of preferred shares, issuable in series, of which none are issued and outstanding as of the date hereof.

Common Shares

Holders of common shares are entitled to dividends on a *pro rata* basis if, as and when declared by the Company's board of directors. In the event of any liquidation, dissolution or winding-up of the Company, holders of common shares are entitled to share rateably in any distribution of such assets of the Company as are available for distributions, after full payment to the holders of preferred shares of the Company ranking prior to the common shares in the distribution of the assets of the Company to which they are entitled. Holders of common shares are entitled to one vote per share held of record at all annual and special meetings of e-MFG's shareholders.

Preferred Shares

The articles of the Company permit the issuance of an unlimited number of preferred shares in series, without further approval of shareholders. The number of preferred shares of each series and the designation, privileges, rights, restrictions and conditions attaching to the shares of such series of preferred shares including, but without in any way limiting or restricting the generality of the foregoing, the issue price, the rate, amount or method of calculation of preferential dividends (if any), whether such rate, amount or method or calculation shall be subject to change or adjustment in the future, the date or dates and place or places of payment thereof, conversion rights (if any), any sinking fund, purchase fund or other provisions and the rights of retraction (if any), shall be determined by the board of directors. The preferred shares of each series shall, with respect to the payment of dividends and the distribution of assets in the event of liquidation, dissolution or winding up of e-MFG, whether voluntary or involuntary, or any other distribution of the assets of e-MFG among its shareholders for the purposes of winding up its affairs, rank on a parity with the preferred shares of every other series of preferred shares and shall be entitled to preference over the common shares and the shares of any class ranking junior to the preferred shares.

DESCRIPTION OF THE UNITS

Each Unit to be issued pursuant to this offering consists of one common share and one-half of a Share Purchase Warrant. Each whole Share Purchase Warrant to be issued pursuant to this offering entitles the holder to purchase one additional common share at the price of $! at any time before 4:30 p.m. (Calgary time) on the first anniversary of the issuance of the Share Purchase Warrant.

DESCRIPTION OF THE SHARE PURCHASE WARRANTS

The Share Purchase Warrants issued pursuant to this offering will be issued pursuant to an indenture to be entered into on the date of closing of this offering between the Company and !, as trustee for holders of Share Purchase Warrants (the "Warrant Indenture"). The following summary of the material attributes and characteristics of the Warrant Indenture and the terms of the Share Purchase Warrants to be issued pursuant to this offering is not complete. For a more complete description, prospective investors should refer to the Warrant Indenture and the terms of the Share Purchase Warrants to be issued pursuant to this offering, which the Company will file with the Ontario Securities Commission.

Each whole Share Purchase Warrant issued pursuant to this offering will entitle the holder to purchase one common share at the price of $! at any time before 4:30 p.m. (Calgary time) on the first anniversary of the issuance of the Share Purchase Warrant, subject to adjustment on the occurrence of certain events.

The Warrant Indenture will contain anti-dilution provisions including, among other things, provisions for appropriate adjustments in the number and/or price of common shares issuable on the exercise of the Share Purchase Warrants issued pursuant to this offering upon the occurrence of certain events, including any subdivision, consolidation or reclassification of the common shares, the payment of stock dividends, the issuance of rights, options or warrants to holders of common shares, the distribution of any property or assets other than cash to holders of common shares, the amalgamation or merger of the Company with another entity or the transfer by the Company of all or substantially all of its assets to any other entity.

No fractional common shares will be issued upon the exercise of any Share Purchase Warrant issued pursuant to this offering. The holding of a Share Purchase Warrant issued pursuant to this offering will not constitute the holder a shareholder of the Company or entitle the holder to any rights or interest as shareholder except upon exercise of the Share Purchase Warrant in accordance with its terms.

PRICE RANGE AND TRADING VOLUME OF COMMON SHARES

The common shares are listed and posted for trading on the CDNX under the symbol "MFG". The following table sets forth the reported high and low prices and trading volume for the common shares on the CDNX for the periods indicated.

	Price Range		
Period	**High $**	**Low $**	**Trading Volume**
1998			
Fourth quarter	$0.10	$0.05	51,500
1999			
First quarter(1)	no trades	no trades	no trades
2000			
First quarter(2)	$6.00	$1.85	1,179,623
Second quarter	3.24	1.50	632,465
Third quarter	3.00	1.70	490,598
Fourth quarter	1.99	1.00	593,760
2001			
January	$1.76	$1.11	143,500
February	2.00	1.10	277,500
March	1.75	1.00	176,288
April	1.31	1.00	100,900
May	1.15	1.00	97,115
June	1.05	0.80	86,400
July 1 - 11	1.05	0.97	33,500

(1) Common shares of Harrier, a predecessor to e-MFG, traded on the Alberta Stock Exchange under the symbol "HRI" until January 27, 1999. On January 27, 1999 trading was suspended because Harrier had not completed a Major Transaction as defined in the JCP Policy.

(2) Harrier completed its Major Transaction, the acquisition of Memex, on January 17, 2000 and changed its name to "e-Manufacturing Networks Inc." on January 17, 2000. See "Business of the Company – Corporate History." The common shares commenced trading on CDNX under the symbol "MFG" on January 31, 2000.

The closing price of the Company's common shares on CDNX on July 11, 2001 was $1.00.

DIVIDEND POLICY

The Company has not declared or paid any dividends to its shareholders. Earnings will be retained by the Company for general corporate purposes to promote future growth. As such, the board of directors does not anticipate paying any dividends for the foreseeable future. The Company's board of directors will review this policy from time to time having regard to the Company's financial condition, financing requirements and other relevant factors.

RISK FACTORS

Investing in the Units of the Company involves a high degree of risk. In addition to the other information contained in this prospectus, investors should carefully consider the risk factors set out below in making an investment decision with respect to the Company and the Units.

Product Line Transition

The Company is in the process of transitioning to a developer and distributor of internetworking products and services and cannot be certain when, or if, it will ever have significant sales of such products and services. To date, the Company has principally been engaged in the development and distribution of its current products and research and development in respect of its internetworking products and services. The Company has not received any revenue from sales of internetworking products and services, and the Company may not be able to successfully market its internetworking products and services. The Company intends to focus its initial marketing efforts on companies that it expects to be early adopters of internetworking technology, including medium-sized aerospace and automotive companies. The Company's ability to successfully market its products to its initial target market will depend on the existence of customer demand for internetworking products. Prospective investors should consider the Company's business prospects in light of the risks, expenses and difficulties that the Company faces as it transitions to becoming a developer and distributor of internetworking products and services. These risks and uncertainties include the Company's dependence on a technology that has not achieved market acceptance and lack of experience in managing growth. The Company may not successfully address these risks, and the Company's failure to do so could disrupt its operations, prevent it from attracting and retaining customers and limit its growth.

Capital and Revenues Not Sufficient to Meet Operating Needs

The Company had a working capital deficiency as at March 31, 2001 and December 31, 2000 of $3,197,879 and $2,688,694, respectively. The Company, from time to time, may generate a working capital deficiency. The Company will require additional financing to fund its operating losses and for capital expenditures, payment obligations in respect of the recently completed acquisitions of Greco, Spectrum and IAS and working capital. Except as described elsewhere in this prospectus, the Company currently has no commitments for additional financing, and there can be no assurance that additional financing will be available when required on terms acceptable to the Company or at all. The Company has a short-term revolving line of credit with a U.S. bank which expires August 10, 2001. The Company also has a short-term revolving demand loan with a Canadian chartered bank. The Company is not currently able to borrow further amounts pursuant to the line of credit with the U.S. bank. The lenders may demand repayment at any time. If the Company were unable to obtain interim equity or debt financing or complete further financings, the Company would be unable to fund its ongoing operations, which would have a material adverse effect on the Company's results of operations, business, prospects and financial condition.

History of Losses and Negative Cash Flow

The Company and its recently acquired business have a history of net losses. The Company has not been profitable since the year ended September 30, 1999. It incurred losses of $1,375,784 for the three months ended March 31, 2001, $1,435,958, for the year ended December 31, 2000 and $74,033 for the three months ended December 31, 1999. In addition, its acquired businesses Greco and Spectrum have incurred losses since the year ended March 31, 1998 and the year ended December 31, 1999. As of March 31, 2001, the Company had an accumulated deficit of $2,779,393. In addition, the Company had negative cash flow from operations for the three months ended March 31, 2001, the year ended December 31, 2000 and the year ended September 30, 1999. The Company expects to continue to incur net losses and experience negative cash flow from operations for the balance of 2001. The Company anticipates that its expenses will increase substantially as it rolls out its internetworking products and services and restructures and expands its direct sales team and incurs increased sales and marketing expenses associated with the planned commercial launch of the ION universal interface and CORTEX gateway in 2001. These initiatives will increase the Company's expenses and may prove more expensive than the Company currently anticipates. The Company cannot be sure when or if it will ever achieve profitability or positive cash flow from operations and, if it does so, it may not be able to sustain or increase its profitability or cash flow from operations.

Substantial Financial Leverage

The total long-term debt of the Company as at March 31, 2001 was $3,044,232. In addition, bank indebtedness of the Company was $1,284,985 as at March 31, 2001. The high financial leverage of the Company poses risks to the Company, including the risk that the Company may not generate sufficient cash to service the debt and to adequately fund the Company's operations and capital expenditure program. In addition, the Company's high leverage could impair its ability to obtain additional financing in the future which may make it more vulnerable in the event of a downturn in its business. In addition, the Company's debt service obligations reduce its flexibility to respond to changing business, technological and economic conditions. The Company's debt service requirements for the year ended December 31, 2000 and the three months ended March 31, 2001 (excluding principal repayments on the promissory notes issued to the former owners of Greco and Spectrum) were $140,405 and $106,069, respectively.

The Company's bank credit agreements require the Company to comply with certain financial covenants, including the maintenance of certain financial ratios. The ability of the Company to comply with these covenants is dependent on the future performance of the Company. Failure to comply with these covenants could result in an event of default under the bank credit agreements which could result in acceleration of the debt under such agreement and acceleration of debt under other instruments that contain cross-default or cross-acceleration provisions.

Security Granted to Secure Indebtedness

The Company is currently indebted to the former owners of Greco, Spectrum and IAS for amounts owing under promissory notes issued as part of the consideration paid in connection with the acquisitions of these companies. The Company has pledged approximately 80% and 20% of the shares of i-MFG, its wholly-owned subsidiary that owns the Greco and Spectrum divisions, to the former owners of Greco and Spectrum, respectively, and has pledged all of the shares of JK Acquisition Corp., its wholly-owned subsidiary that owns IAS, to the former owner of IAS, to secure the payment of the remainder of the purchase price for the acquired companies. Pursuant to the pledge agreements made in favour of the former owners of Greco and Spectrum, as amended, the Company has agreed that if there is a default under the pledge agreements, the former owners of Greco and Spectrum can respectively demand that the Company reconvey the assets of the Greco division and the Spectrum division to them. If the Company defaults on any of its obligations in respect of its indebtedness under the promissory notes, the former owners of Greco, Spectrum and IAS would have the right to exercise their security including seizing and selling the shares of i-MFG or JK Acquisition Corp. in order to satisfy the indebtedness or, in the case of Greco and Spectrum, demanding that the Company reconvey the assets of the Greco division and/or the Spectrum division to their respective former owners. Any such seizure, sale or reconveyance would materially adversely affect the Company's results of operations, business, prospects and financial condition. The Company intends to repay a portion of such indebtedness from the net proceeds of this offering. See "Business of the Company – Recent Acquisitions" and "Use of Proceeds".

No Established Market for Internetworking Products or Services

The Company's planned internetworking products and services are new technology, and there is no established market for them. Demand and market acceptance for new products and services are subject to a high level of uncertainty. There can be no assurance that the Company will be successful in developing an internetworking standard or that, if such an internetworking standard is developed, that widespread acceptance of that standard and/or the Company's internetworking products and services will occur. If the market for internetworking products and services fails to develop, or develops more slowly than the Company currently anticipates, or if the Company is unable to establish product markets for its new internetworking products and services, the Company's results of operations, business, prospects and financial condition could be materially adversely affected.

New Internetworking Products and Services in Development Stage

The Company's internetworking technology is still in the development stage and has not yet been widely tested. Further testing or use by actual customers may reveal inadequacies that could cause the products not to meet the expectations and demands of end users. The Company may need to make product modifications to incorporate improvements and to respond to product defects and inadequacies. The Company may not be successful in correcting any defects or inadequacies that may arise. Because the Company is introducing new technology and products, any problem with its internetworking products or services may significantly damage its reputation, impair its relationships with customers and hinder the roll out or market acceptance of its products and services.

Product Development and Technological Change

The Company believes that its future success depends on its ability to develop internetworking products and to enhance current products. The Company's inability, for technological or other reasons, to develop and introduce products in a timely manner in response to changing market conditions or customer requirements could have a material adverse effect on the Company's results of operations, business, prospects and financial condition. The ability of the Company to compete successfully will depend in large measure on its ability to maintain a technically competent research and development staff and to adapt to technological changes and advances in the industry. There can be no assurance that the Company will be successful in these efforts.

Competitors May Develop Similar or Superior Products

Many companies are seeking to develop improvements to their CNCs or CNC products that may match or outperform the Company's planned internetworking products. The Company anticipates that, as the internetworking market develops, additional competitors, including CNC original equipment manufacturers and DNC software companies, will enter the market. Some of these potential competitors, including Siemens, Fanuc, Mitsubishi and Heidenhain which account for over 70% of global CNC sales, have significantly greater name recognition, larger customer bases and greater financial, technical, marketing, public relations, sales, distribution and other resources than the Company does and may be able to develop universality in their products or sufficiently broad appeal to materially affect the Company. If any of the competing products of the Company's competitors gain market acceptance, the demand for the Company's internetworking products may not develop or, once developed, may be diminished, which could have a material adverse effect on the Company's results of operations, business, prospects and financial condition.

Product Liability Claims

Any defects, errors or failures in the Company's planned internetworking products or current products could lead to product liability claims against the Company. Whether or not such claims have merit, responding to such claims could be time consuming and could result in costly litigation. The Company currently does not maintain product liability insurance in respect of its products, and there can be no assurance that, if sought, such insurance would be available on terms acceptable to the Company, or at all. The costs of defending product liability claims, the negative publicity surrounding such claims and any adverse determinations made in respect of such claims could have a material adverse effect on the Company's results of operations, business, prospects and financial condition.

Dependence on the Company's Proprietary Technology

The Company's success is dependent, in part, on its proprietary technology and other intellectual property rights. The Company has no patents on any of its technology. The Company is investigating the patentability of one of the core elements of the ION universal interface. However, no assurance can be given that the Company will be successful in obtaining a patent in respect of this aspect of the ION universal interface technology. If the Company is unable to obtain a patent on the basis that the technology is covered by patents issued to third parties, it could be necessary for the Company to enter into licensing or royalty agreements with the owner of the technology, or develop alternative technology. Technology licences, if necessary, may not be available on terms acceptance to the Company, or at all. If the Company is unable to develop alternative technology or to obtain the necessary licences, it could be prevented from offering the ION universal interface in those jurisdictions where the technology is covered by patents issued to third parties.

The Company has not registered copyrights in respect of any of its software although it is currently investigating the practicability of effecting such registrations in Canada, the United States and elsewhere. The Company relies on a combination of copyright and trade secret laws and contractual restrictions, such as confidentiality agreements, to protect its intellectual property rights. Existing trade secret and copyright laws provide only limited protection to the Company. In addition, the Company does not have non-disclosure or confidentiality agreements with all of its employees. As a result, there may not be a sufficient deterrent against the unauthorized disclosure of trade secrets and know-how which may jeopardize the protection of such information. Although the Company has obtained confidentiality agreements from most of its employees, there can be no assurance that the confidentiality agreements will not be breached, or that the Company would have adequate remedies for any breach or that its trade secrets and know-how will not otherwise become known or be independently developed by competitors through a reverse engineering process or otherwise.

Despite the Company's efforts to protect its proprietary rights, unauthorized parties may attempt to copy aspects of the Company's products and services, or obtain and use information that the Company regards as proprietary. The laws of certain countries in which the Company's products are sold or licensed do not protect its products and intellectual property rights to the same extent as the laws of Canada or the United States. In addition, an adverse change in the laws protecting intellectual property could harm the Company's business. There can be no assurance that the Company's means of protecting its proprietary rights will be adequate to deter misappropriation of its intellectual property, that the Company will be able to detect unauthorized use and take appropriate steps to enforce its rights in its intellectual property or that the Company's competitors will not independently develop similar technology, which could have a material adverse effect on the Company's results of operations, business, prospects and financial condition.

Risk of Third Party Claims for Infringement

Patents are held by third parties which include elements in respect of machine tool connection, communications, event monitoring and networking. It is possible that third parties may claim infringement of their patent rights by the Company with respect to current or future products. Any such claims, whether or not they have merit, could be time consuming and result in costly litigation. If any such proceedings are determined against the Company, the Company could be enjoined from selling the infringing product and be liable for damages (in cases of wilful infringement in the United States, treble damages), and if the Company's products were found to infringe the patents of others, the Company might be required to enter into royalty or licensing agreements with the patent holders which could result in additional costs and delays in product shipment. In addition, there can be no assurance that such royalty or licensing agreements will be available on terms acceptable to the Company, or at all. If claims are made against the Company, proceedings are determined against the Company or the Company is unable to obtain a required licence from a patent holder on commercially reasonable terms, the Company's results of operations, business, prospects and financial condition may be materially adversely affected.

In June 2001, e-MFG was contacted by a third party alleging that e-MFG's use of the word "ION" infringes that third party's registered trademarks, which relate to using the word "ION" in connection with its power monitoring system. The Company is currently assessing the merits of this claim and its response, which may include renaming the ION universal interface. Whether or not the claim has merit, responding to the claim could be time consuming and could result in costly litigation. If legal proceedings were commenced and then determined against the Company, it could be liable for damages and costs, enjoined from using the word "ION" in connection with the ION universal interface, or both. In that event, it would be necessary for the Company to either enter into a trademark licensing arrangement in respect of the use of the word "ION" or to change the name of the ION universal interface. If e-MFG chose to or was required to use a different trademark than "ION" in connection with its universal interface, it would incur costs relating to replacing marketing materials and would lose any goodwill associated with the ION universal interface brand. Further, there can be no assurance that a trademark licensing agreement, should one be required, would be available on terms acceptable to the Company, or at all. Absent a favourable resolution of this claim, the Company may be limited in its ability to market its universal interface product under the name ION. If legal proceedings for trademark infringement were brought or determined against the Company, or if the Company were unable to obtain a required licence on commercially reasonable terms, or if the Company were required to change the name of the ION universal interface and significant goodwill were associated with such trademark, the Company's results of operations, business, prospects and financial condition may be materially adversely affected.

Reliance on Third Party Licences

The Company relies on certain software that it licenses from third parties, including software that is integrated with internally developed software, embedded in the Company's internetworking products and used in its current products to perform key functions. There can be no assurance that these third-party software licences will continue to be available to the Company on commercially reasonable terms or at all. The Company is currently negotiating a licence agreement for third party software to be embedded in the ION universal interface. There can be no assurance that the Company will be able to secure this licence on commercially reasonable terms or at all. If the Company is unable to secure this licence, it will be required to license alternative software or to develop such software itself. The Company's licence agreement relating to the third party software bundled with the Spectrum division's Multi-DNC software as a non-essential, add-on component has expired and is not expected to be renewed by the licensor. Spectrum has received permission to continue to use this software and is currently exploring alternatives, including the possibility of developing its own replacement software. The loss of, or inability to maintain, any of the Company's software licences could result in delays or reductions in product shipments until equivalent software could be developed, identified, licensed and integrated, which could materially adversely affect the Company's results of operations, business, prospects and financial condition.

Limited Operating History as a Combined Entity

The Company's predecessor Memex was founded in 1992, the acquisitions of Greco and Spectrum were completed on August 31, 2000 and the acquisition of IAS was completed on March 2, 2001. Accordingly, there is a limited operating history of the combined entity on which to base an evaluation of the Company and its business and future prospects. The Company's business and prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in this stage of development, particularly companies in new and rapidly evolving markets. There can be no assurance that the Company will be successful in doing what is required to address such concerns.

Evolving Distribution Channels and Dependence on Third Party Vendors

The Company's distribution strategy is to develop multiple distribution channels. The Company has historically sold its products through non-exclusive distributors and its own sales force. Accordingly, the success of the Company will be dependent, in large part, on third party relationships and on the performance and success of these third parties, which is outside of the Company's control. The Company's relationships with some distributors and resellers have been established recently, and the Company cannot predict the extent to which distributors and resellers will be successful in marketing the Company's internetworking products. The loss of any of the Company's key distributors as a result of competing products offered by other companies or due to failure of that distributor to perform could have a material adverse effect on the Company's results of operations, business, prospects and financial condition. The Company's distribution agreements are not exclusive and in many cases may be terminated by other parties without cause. Consequently, the Company may be adversely affected if any such distributor fails to adequately penetrate its market segment. The inability to attract or retain important distributors, or their inability to penetrate their respective market segments, could materially adversely affect the Company's results of operations, business, prospects and financial condition.

The Company has plans to significantly expand its sales force for direct market support of its resellers as warranted by new strategic alliances and product launches. To the extent that the Company is unable to do so, the Company's results of operations, business, prospects and financial condition would be adversely affected. There can be no assurance that the expansion will result in a sales force which can effectively perform direct sales and market support nor that the costs associated with the expansion will not exceed the revenues generated nor that the Company's sales and marketing organization will be able to successfully compete against more extensive and well-funded sales and marketing operations of many of the Company's current and potential competitors. The Company's inability to effectively manage its sales expansion could have a material adverse effect on the Company's results of operations, business, prospects and financial condition.

Cost of Acquisitions; Ability to Integrate Acquired Businesses

The Company acquired Greco and Spectrum on August 31, 2000 and IAS on March 2, 2001. The Company is experiencing certain financial, operational and managerial challenges in integrating these acquired companies. To the extent that the Company's management is required to devote significant time, attention and resources to the integration of technology, operations and personnel as a result of these acquisitions, the Company's ability to service current customers and sell its products to new customers may suffer. In addition, the Company's management faces the difficult and potentially time-consuming challenge of implementing uniform standards, controls, procedures and policies across each of the Company's divisions.

The Company could also experience financial or other setbacks if the acquired businesses experienced a problem in the past of which the Company's management is not presently aware. For example, if an acquired business had dissatisfied customers or had any performance problems, the Company's reputation could suffer as a result of its association with that business. The Company's management is unaware of any material legal liabilities of the acquired companies. However, to the extent any customer or third party has asserted any material legal claims against any of the acquired companies, the Company's results of operations, business, prospects and financial condition could be materially adversely affected.

The Company may acquire other businesses in the future, which may further complicate management tasks. The Company may need to integrate widely-dispersed operations with distinct corporate cultures. Such integration efforts may not succeed or may distract the Company's management and divert the Company's resources from product development, servicing existing customers and selling to new customers. The Company's failure to manage acquisitions successfully could seriously harm the Company's operating results. Also, acquisition costs could cause the Company's quarterly operating results to vary significantly. Furthermore, the Company's shareholders will be diluted if the Company finances acquisitions by issuing equity or equity-linked securities.

Need to Enhance Management Systems

The Company expects a period of significant growth in sales and personnel that will place a strain on its management systems and resources. In the future, the Company will be required to continue to improve its financial and management controls, reporting systems and procedures on a timely basis and to expand, train and manage its employee work force. There can be no assurance that the Company will be able to effectively manage such growth. The Company's failure to do so could have a material adverse effect on the Company's results of operations, business, prospects and financial condition.

Potential Fluctuations of Quarterly Results

The Company's quarterly operating results have in the past, and may in the future, fluctuate significantly depending on factors such as demand for the Company's products, the size and timing of orders, the number, timing and significance of new product announcements by the Company and its competitors, the ability of the Company to develop, introduce and market new and enhanced versions of the Company's products on a timely basis, the level of product and price competition, changes in operating expenses, changes in average selling prices and product mix, changes in the Company's sales incentive strategy, sales personnel changes, the mix of direct and indirect sales, product returns and general economic factors, among others. Further, the Company intends to embark on a new marketing and distribution strategy that involves the expansion of its current internal sales force. Obstacles encountered during the implementation of the new strategy may potentially delay revenues. Accordingly, estimates of the Company's results prior to the end of a quarter may be uncertain. In particular, the Company's quarterly results may be affected by the timing of new releases of its products and upgrades. The Company's operating costs are based on anticipated revenue levels in the short term and are relatively fixed and incurred throughout the quarter. As a result, if revenues are not realized in the expected quarter, the Company's results of operations could be materially adversely affected. Quarterly results in the future may be influenced by these and other factors, including possible delays in the shipment of new products, and, accordingly, there may be significant variations in the Company's quarterly operating results.

Dependence on Key Personnel

The success of the Company is dependent on the performance of its key employees. Loss of the services of key employees or the failure to attract and retain additional key employees with necessary skills could have a material adverse impact on the Company's growth and profitability. Competition for highly skilled management, technical, research and development and other employees is intense in information technology and engineering industries, and the Company may not be able to attract or retain highly qualified personnel in the future. None of the Company's officers or key employees is bound by an employment agreement. The Company does not maintain key person life insurance policies on any of its employees. The departure or death of any of the Company's key employees could have a material adverse effect on the Company's results of operations, business, prospects and financial condition.

Control of the Company by Controlling Shareholder

After the completion of this offering, Thomas M. Gaasenbeek, the Chief Executive Officer of the Company, will hold a minimum of ! % and a maximum of ! % of the outstanding common shares of the Company, assuming in each case the exercise of all outstanding Special Warrants, the special warrants issued by the Company in August 2000 and the issuance of 150,000 common shares to be issued on the closing of this offering to the former owner of IAS to pay a portion of the purchase price for the Company's acquisition of IAS. See "Principal Shareholders – Share Ownership". Accordingly, Mr. Gaasenbeek likely will be able to elect the directors of the Company and determine the outcome of any matter submitted to a vote of shareholders, excluding matters requiring a special shareholders' resolution such as amendments to the Company's articles, mergers, amalgamations and the sale of all or substantially all of the Company's assets.

Financial Risks Due to Currency Exchange Rate Fluctuations

The principal currencies in which the Company conducts its operations are the U.S. dollar and the Canadian dollar. As certain of the Company's operations are currently based in Canada, a substantial portion of its expenses are in Canadian dollars. However, the Company currently generates a substantial portion of its revenues in U.S. dollars, and it is expected that a majority of its revenues for the foreseeable future will be generated in U.S. dollars. The Company reports its results in Canadian dollars. There can be no assurance that changes in the rate of exchange between the Canadian dollar and the U.S. dollar will not materially adversely affect the Company's results of operations.

Dilution

Based on the net tangible asset value of the Company as at December 31, 2000 after giving effect to the Maximum Offering, and assuming the exercise of each Special Warrant and each Share Purchase Warrant into one common share, purchasers will suffer an immediate and substantial dilution of $! per Unit representing dilution of ! % of the offering price. Giving effect to the Minimum Offering, and assuming the exercise of each Special Warrant and each Share Purchase Warrant into one common share, purchasers will suffer an immediate and substantial dilution of $! per Unit representing dilution of ! % of the offering price.

INTEREST OF MANAGEMENT IN MATERIAL TRANSACTIONS

On January 17, 2000, Harrier, a predecessor of the Company, completed its Major Transaction, the acquisition of Memex. Thomas M. Gaasenbeek, now the Chief Executive Officer of the Company, was the principal shareholder of Memex. On the completion of the Major Transaction, each shareholder of Memex, including Mr. Gaasenbeek, received common shares of the Company in exchange for their Memex shares. See "Business of the Company – Corporate History".

The Company issued promissory notes to Vito T. Greco, Toni Novak, Kim Burndred, Craig De Garmo and David N. Fiaschetti, the former owners of Greco, Spectrum and IAS, in connection with the Company's acquisition of these companies. See "Business of the Company – Recent Acquisitions". These individuals are now employees of the Company or i-MFG. The Company has entered into agreements, conditional upon the closing of this offering, with the former owners of Greco, Spectrum and IAS to reschedule certain of the remaining payments under the promissory notes and to convert some of the debt incurred in connection with the acquisition of IAS into equity. Giving effect to these agreements, U.S. $1,600,000 remains payable under the promissory notes to these officers and employees of the Company. Pursuant to the debt amendment agreements with Vito T. Greco, Toni Novak, Kim Burndred and Craig De Garmo, the Company agreed that each such employee's employment agreement will, at the option of the employee, be renewed for successive six-month periods if any amounts remain owing to such employee under the promissory notes at the time of the expiry of such employee's employment agreement. The Company has also agreed that if the employment agreement of any of Vito T. Greco, Toni Novak, Kim Burndred or Craig De Garmo is terminated other than in accordance with its terms, all amounts payable under the promissory notes issued to such employees shall become immediately payable.

In March 2001, the Company borrowed U.S.$50,000 from Craig De Garmo, an employee of the Company and a former owner of Spectrum. In connection with this loan, the Company issued a promissory note dated March 27, 2001 to Mr. De Garmo in the amount of U.S.$50,000. The promissory note bears interest at the rate of 8% per annum. The outstanding principal and all accrued and unpaid interest on the note became payable on June 30, 2001.

The Company issued and sold 584,600 Tranche 3 Special Warrants on July 11, 2001 for consideration of $1.00 per Special Warrant. The spouses of Brent W. Bere, the President, Chief Operating Officer and Chief Financial Officer of the Company, and Joel T. Kissack, the Senior Vice-President, Business Development of the Company, each purchased 10,000 Tranche 3 Special Warrants.

PLAN OF DISTRIBUTION

Offering

Pursuant to an agency agreement dated !, 2001 (the "Agency Agreement") between Burgeonvest Securities Limited (the "Agent") and the Company, the Agent has agreed to offer Units for sale in Ontario, as agent of the Company, on a best efforts basis, if, as and when issued by the Company at a price of $! per Unit. Each Unit consists of one common share and one-half of a common share purchase warrant. Each whole Share Purchase Warrant issued pursuant to this offering entitles the holder to purchase one additional common share at the price of $! at any time before 4:30 p.m. (Calgary time) on the first anniversary of the issuance of the Share Purchase Warrant. The Agent will receive a commission equal to $! for each Unit sold and will be reimbursed for certain out-of-pocket expenses incurred by it. The Agent may form a sub-agency group including other qualified investment dealers and determine the fee payable to the members of such group, which fee will be paid by the Agent out of its commissions. While the Agent has agreed to use its best efforts to sell the Units offered hereby, the Agent will not be obligated to purchase Units which are not sold.

Burgeonvest Financial Corporation ("BFC"), which is related to the Agent, has agreed, provided that the Company receives orders for Units with an aggregate subscription price of $2 million pursuant to this offering and subject to certain other conditions, to purchase, as principal, under this offering that number of Units that are not otherwise sold pursuant to this offering to enable the Company to sell Units with an aggregate subscription price of $4 million pursuant to this offering, up to a maximum purchase commitment of $2 million (the "Stand-by Commitment"). In connection with the Stand-by Commitment, the Company has agreed to pay to BFC a stand-by fee of $75,000, payable on the closing of this offering in cash and/or Units, at the option of BFC. This prospectus also qualifies the distribution of the Units issuable pursuant to this option.

As additional compensation, the Company has agreed to grant to the Agent non-assignable options (the "Compensation Options") to purchase, from time to time, within two years of the date of the final receipt for this prospectus, up to a number of common shares equal to 10% of the Units sold under this prospectus at a price of $! per Unit. This prospectus qualifies the distribution of the Compensation Options. In addition, the Company has agreed to pay to the Agent a $112,500 work fee, of which $37,500 was paid on February 26, 2001, $37,500 was paid prior to the closing of this offering and the balance is payable on the closing of this offering.

Under the terms of the Agency Agreement, the Agent may, at its discretion on the basis of its assessment of the state of the financial markets and on the occurrence of certain stated events, terminate the Agency Agreement.

Subscriptions for Units will be received subject to rejection or allotment in whole or in part, and the right is reserved to close the subscription books at any time without notice. If subscriptions for a minimum of ! Units have not been received within 90 days following the date of issuance of a final receipt for this prospectus, such offering may not continue without the consent of each person who has subscribed on or before such date. Funds from subscriptions will be held by the Agent pending the closing of the offering. If the Minimum Offering is not subscribed for within 90 days following the issuance of a final receipt for this prospectus and the necessary consents are not obtained, the proceeds will be returned by the Agent to the subscribers without interest or deduction. It is expected that certificates in definitive form representing the common shares and common share purchase warrants issued pursuant to the offering will be available for delivery at closing. Closing will take place on !, 2001 or such later date as may be agreed on by the Company and the Agent that is on or before !, 2001.

The Company has agreed to indemnify the Agent against certain liabilities pursuant to the Agency Agreement. The Company has agreed in favour of the Agent that the Company will not issue or announce the issuance of any common shares or other securities convertible into or exchangeable for common shares for a period of 120 days following the closing of this offering without the prior written consent of the Agent, which consent is not to be unreasonably withheld or delayed; provided however that the Company may (i) issue common shares pursuant to the exercise or conversion of any outstanding commitments, options, warrants or other convertible securities; (ii) issue stock options pursuant to the Stock Option Plan; (iii) issue securities in circumstances where the securities being issued are being issued as consideration, in whole or in part, to acquire assets or services; and (iv) issue securities in a private debt or equity financing so long as such securities are subject to restrictions on transfer for a period of 120 days following the closing of this offering. The Company also has granted to the Agent a right of first refusal to act as exclusive merger and acquisition advisor to the Company in respect of any acquisitions by the Company of substantially all of the assets or common shares of any company and in respect of any sale of substantially all of the assets or common shares of the Company during the period from September 16, 2001 to September 15, 2002.

The Units have not been and will not be registered under the *United States Securities Act of 1933*, as amended (the "1933 Act") and may not be offered or sold in the United States. The Agent has agreed that it will not offer or sell the Units within the United States. In addition, until 40 days after the commencement of the offering of common shares pursuant to this prospectus, an offering or sale of Units within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the 1933 Act.

The ownership of securities in the Company by the Agent, its affiliates and subsidiaries, and its and their respective directors, officers and employees is as follows: (i) 692,310 Tranche 2 Special Warrants exercisable for 990,003 Units owned by an entity related to the Agent and certain officers and employees of the Agent; (ii) non-assignable broker compensation warrants granted to and entitling the Agent to acquire, for no additional consideration, compensation options entitling the Agent to acquire up to 165,001 Units at a price of $1.30 per 1.43 Units at any time prior to 4:30 p.m. (Calgary time) on the first anniversary of the issuance of such compensation options; and (iii) non-assignable broker compensation warrants granted to and entitling the Agent to acquire, for no additional consideration, compensation options entitling the Agent to acquire up to 24,000 Units at a price of $1.00 per Unit at any time prior to 4:30 p.m. (Calgary time) on the first anniversary of the issuance of such compensation options. BFC, which is related to the Agent, owns 240,000 Tranche 3 Special Warrants, has agreed to provide the Stand-by Commitment to purchase up to $2 million of Units pursuant to the offering and may elect to receive payment of all or part of its stand-by fee in Units. In addition, in connection with the Tranche 3 Special Warrant offering, Thomas M. Gaasenbeek, the Chief Executive Officer of the Company, has agreed to sell 240,000 common shares to BFC for consideration of $0.20 per common share.

Pursuant to a policy statement of the Ontario Securities Commission, the Agent may not, throughout the period of distribution, bid for or purchase common shares. The foregoing restriction is subject to certain exceptions, on the conditions that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the common shares. Such exceptions include a bid or purchase permitted under applicable by-laws and rules of the relevant self-regulatory authorities relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Pursuant to the first mentioned exception, in connection with this offering, the Agent may over-allot or effect transactions which stabilize or maintain the market price of the common shares at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

Special Warrant Offerings

This prospectus also qualifies the distribution of 3,645,328 Units issuable on the exercise or deemed exercise of 3,036,850 outstanding Special Warrants of the Company. 584,600 of the Special Warrants (the "Tranche 3 Special Warrants") were issued by the Company on July 11, 2001. 1,528,250 of the Special Warrants (the "Tranche 2 Special Warrants") were issued by the Company on December 14, 2000, January 16, 2001, January 24, 2001 and February 26, 2001 for consideration of $1.30 per Special Warrant. On July 11, 2001, the Company amended the terms of the Tranche 2 Special Warrants to reduce the effective issue price of the underlying Units to $1.00 per Unit. 924,000 of the Special Warrants (the "Tranche 1 Special Warrants") were issued by the Company on September 15, 2000 for consideration of $1.70 per Special Warrant.

The Company sold 584,600 Tranche 3 Special Warrants on July 11, 2001 for consideration of $1.00 per Special Warrant to purchasers in Ontario and outside Canada under applicable securities legislation prospectus exemptions. 240,000 Tranche 3 Special Warrants were sold pursuant to an agency agreement dated July 11, 2001 between the Company and the Agent. The gross proceeds from the sale of the Tranche 3 Special Warrants were $584,600, and the Agent's fee, finder's fee and estimated expenses for the sale of such Tranche 3 Special Warrants were $24,000, $19,476 and $16,124, respectively. In connection with the sale of Tranche 3 Special Warrants, Thomas M. Gaasenbeek, the Chief Executive Officer of the Company, has agreed to sell to certain purchasers of Tranche 3 Special Warrants, as an inducement for such purchasers' purchases of Tranche 3 Special Warrants, an aggregate of 564,600 common shares for consideration of $0.20 per common share. The Company also granted options to purchase 125,000 common shares at an exercise price of $0.80 per share under the Stock Option Plan to a purchaser of Tranche 3 Special Warrants in respect of consulting services. In addition to the cash fee, the Company granted to the Agent non-assignable broker warrants entitling the Agent to acquire, for no additional consideration, compensation options (the "Agent's Tranche 3 Options") entitling the Agent to acquire up to 24,000 Units at a price of $1.00 per Unit at any time prior to 4:30 p.m. (Calgary time) on the first anniversary of the issuance of the Agent's Tranche 3 Options. This prospectus also qualifies the distribution of the Agent's Tranche 3 Options.

Each Tranche 3 Special Warrant is exercisable for one Unit consisting of one common share and one-half of a Share Purchase Warrant, at no additional cost at any time prior to 4:30 p.m. (Calgary time) on the date that is the earlier of (i) July 11, 2002; and (ii) the date that is five business days after the date on which a receipt is issued by the Ontario Securities Commission for a (final) prospectus of the Company qualifying the distribution of the Units to be issued on the exercise of the Tranche 3 Special Warrants (the "Tranche 3 Prospectus Qualification Date"). Any Tranche 3 Special Warrants not exercised prior to such expiry time shall be deemed to have been exercised immediately prior to such expiry time without any further notice or action on the part of the holder. Each whole Share Purchase Warrant issuable on the exercise of the Tranche 3 Special Warrants entitles the holder to purchase one additional common share at the price of $1.30 at any time before 4:30 p.m. (Calgary time) on the first anniversary of the date of issuance of the Share Purchase Warrant.

In the event that the Tranche 3 Prospectus Qualification Date has not occurred prior to November 8, 2001, then each Tranche 3 Special Warrant and Agent's Tranche 3 Option will become exercisable for 1.1 common shares and 0.55 of a Share Purchase Warrant.

The Company has agreed to indemnify the Agent against certain liabilities pursuant to the agency agreement dated July 11, 2001 between the Company and the Agent. In connection with the July 11, 2001 sale of Tranche 3 Special Warrants, the Company agreed in favour of the Agent that the Company will not amend the attributes of the common shares or issue or announce the issuance of any common shares or other securities convertible into or exchangeable for common shares for a period of 120 days commencing on the Tranche 3 Prospectus Qualification Date without the prior written consent of the Agent, which consent is not to be unreasonably withheld or delayed; provided however that the Company may: (i) issue common shares pursuant to the exercise or conversion of any outstanding commitments, options, warrants or other convertible securities (provided that the same have been disclosed in writing to the Agent or are within the scope of (ii), (iii) or (iv) below); (ii) issue stock options pursuant to the Stock Option Plan, the particulars of which have been disclosed in advance to the Agent in writing; (iii) issue securities of circumstances where the securities being issued or being issued as consideration whole or in part, to acquire assets or services; (iv) issue securities in a private debt or equity financing so long as such securities are subject to restrictions on transfer that would prevent such securities from being publicly traded for 120 days following the Tranche 3 Prospectus Qualification Date; and (v) issue Units pursuant to this offering.

The Company sold 1,153,850 Tranche 2 Special Warrants on February 26, 2001 for consideration of $1.30 per Special Warrant to purchasers in Ontario under applicable securities legislation prospectus exemptions pursuant to an agency agreement dated February 26, 2001 between the Company and the Agent. The Company directly sold 310,000 Tranche 2 Special Warrants on December 14, 2000, 50,000 Tranche 2 Special Warrants on January 16, 2001 and 14,400 Tranche 2 Special Warrants on January 24, 2001 for consideration of $1.30 per Special Warrant to purchasers outside Canada. On July 11, 2001, the Company amended the terms of the Tranche 2 Special Warrants to reduce the effective issue price of the underlying Units to $1.00 per Unit and to reduce the exercise price of the underlying Share Purchase Warrants from $1.70 to $1.30 per common share. The gross proceeds from the sale of the Tranche 2 Special Warrants were $1,986,725, and the aggregate Agent's fee, finder's fee and expenses for the sale of such Tranche 2 Special Warrants were $105,000, $20,150 and $77,500, respectively. In connection with the sale of Tranche 2 Special Warrants, Thomas M. Gaasenbeek, the Chief Executive Officer of the Company, sold to a purchaser of Tranche 2 Special Warrants, as an inducement for such purchaser's purchase of Tranche 2 Special Warrants, 120,000 common shares for consideration of $0.20 per common share. In addition to the cash fee, the Company granted to the Agent 115,385 non-assignable broker warrants entitling the Agent to acquire, for no additional consideration, compensation options (the "Agent's Tranche 2 Options") entitling the Agent to acquire up to 165,001 Units at a price of $1.30 per 1.43 Units at any time prior to 4:30 p.m. (Calgary time) on the first anniversary of the issuance of the Agent's Tranche 2 Options. The 165,001 Units issuable upon the exercise of the Agent's Tranche 2 Options include 34,616 Units and 15,000 Units, respectively, issuable upon the exercise of the Agent's Tranche 2 Options as a result of the amendment to the terms of the Tranche 2 Special Warrants referred to above and because the Tranche 2 Prospectus Qualification Date (as defined below) did not occur prior to June 26, 2001. This prospectus also qualifies the distribution of the Agent's Tranche 2 Options.

374,400 of the Tranche 2 Special Warrants are each exercisable for 1.3 Units, each consisting of one common share and one-half of a Share Purchase Warrant, at no additional cost at any time prior to 4:30 p.m. (Calgary time) on the first anniversary of the date of the issuance of the Special Warrant. The 486,720 Units issuable upon the exercise of such 374,400 Tranche 2 Special Warrants include 112,320 Units issuable upon the exercise of such Special Warrants as a result of the amendment to the terms of the Tranche 2 Special Warrants referred to above. 1,153,850 of the Tranche 2 Special Warrants are each exercisable for 1.43 Units, each consisting of one common share and one-half of a Share Purchase Warrant, at no additional cost at any time prior to 4:30 p.m. (Calgary time) on the earlier of February 26, 2002 or the date that is five business days after the date on which a receipt is issued by the Ontario Securities Commission for a (final) prospectus of the Company qualifying the distribution of the Units to be issued on the exercise of such Tranche 2 Special Warrants (the "Tranche 2 Prospectus Qualification Date"). The 1,650,008 Units issuable upon the exercise of such 1,153,850 Tranche 2 Special Warrants include 346,157 Units and 150,001 Units, respectively, issuable upon the exercise of such Special Warrants as a result of the amendment to the terms of the Tranche 2 Special Warrants referred to above and because the Tranche 2 Prospectus Qualification Date did not occur prior to June 26, 2001. Any Tranche 2 Special Warrants not exercised prior to such expiry time shall be deemed to have been exercised immediately prior to such expiry time without any further notice or action on the part of the holder. Each whole Share Purchase Warrant issuable on the exercise of the Tranche 2 Special Warrants entitles the holder to purchase one additional common share at the price of $1.30 at any time before 4:30 p.m. (Calgary time) on the first anniversary of the date of issuance of the Share Purchase Warrant.

The Company has agreed to indemnify the Agent against certain liabilities pursuant to the agency agreement dated February 26, 2001 between the Company and the Agent. In connection with the February 26, 2001 sale of Tranche 2 Special Warrants, the Company agreed in favour of the Agent that the Company will not amend the attributes of the common shares or issue or announce the issuance of any common shares or other securities convertible into or exchangeable for common shares for a period of 120 days commencing on the Tranche 2 Prospectus Qualification Date without the prior written consent of the Agent, which consent is not to be unreasonably withheld or delayed; provided however that the Company may: (i) issue common shares pursuant to the exercise or conversion of any outstanding commitments, options, warrants or other convertible securities (provided that the same have been disclosed in writing to the Agent or are within the scope of (ii), (iii) or (iv) below); (ii) issue stock options pursuant to the Stock Option Plan, the particulars of which have been disclosed in advance to the Agent in writing; (iii) issue securities of circumstances where the securities being issued or being issued as consideration whole or in part, to acquire assets or services; (iv) issue securities in a private debt or equity financing so long as such securities are subject to restrictions on transfer that would prevent such securities from being publicly traded for 120 days following the Tranche 2 Prospectus Qualification Date; and (v) issue Units pursuant to this offering.

The Company sold the Tranche 1 Special Warrants on September 15, 2000 for consideration of $1.70 per Special Warrant to purchasers in Ontario and British Columbia under applicable securities legislation prospectus exemptions pursuant to an agency agreement dated September 15, 2000 between the Company and Taurus Capital Markets Ltd. ("Taurus"). The gross proceeds from the sale of the Tranche 1 Special Warrants were $1,570,800, and the aggregate agent's fee and expenses for the sale of such Special Warrants were $109,956 and $61,644, respectively. The agent's fee included a fee of $11,900 paid by the Company to TL Capital Finance Inc. in connection with the sale of 100,000 Tranche 1 Special Warrants to a purchaser outside of Ontario. In addition to the cash fee, the Company granted to Taurus a special broker's warrant entitling Taurus to acquire, for no additional consideration, compensation options (the "Taurus Options") entitling Taurus to acquire up to 82,400 Units at a price of $1.90 per Unit at any time prior to the earlier of (i) the first anniversary of the date of the issuance of a receipt by the Ontario Securities Commission for a (final) prospectus qualifying the issuance of the common shares of the Company issuable on the exercise of the related Tranche 1 Special Warrants; and (ii) September 15, 2002. This prospectus also qualifies the distribution of the Taurus Options.

Each Tranche 1 Special Warrant is exercisable for one Unit consisting of one common share and one-half of a Share Purchase Warrant, at no additional cost at any time prior to 5:00 p.m. (Calgary time) on the date that is the earlier of (i) March 15, 2002; and (ii) the date that is five business days after the date on which a receipt is issued by the last of the securities commissions in Ontario and Alberta for a (final) prospectus qualifying the distribution of Units to be issued on the exercise of the Tranche 1 Special Warrants. Any Tranche 1 Special Warrants not exercised prior to such expiry time shall be deemed to have been exercised immediately prior to such expiry time without any further notice or action on the part of the holder. Each whole Share Purchase Warrant issuable on the exercise of Tranche 1 Special Warrants entitles the holder to purchase one additional common share at the price of $2.00 at any time before 4:30 p.m. (Calgary time) on the first anniversary of the issuance of the Share Purchase Warrant.

The Company has agreed to indemnify Taurus against certain liabilities pursuant to the agency agreement dated September 15, 2000 between the Company and Taurus. The Company also granted to Taurus a right of first refusal to act as lead agent of any offering of securities by the Company before September 15, 2001. Taurus has waived its right to act as lead agent in respect of this offering.

The Special Warrants were issued pursuant to the exemptions from the prospectus requirements of applicable securities legislation. The distribution of the common shares and Share Purchase Warrants to be issued on the exercise of the Special Warrants is qualified by this prospectus. In accordance with applicable securities laws, if Special Warrants are exercised prior to the issuance of receipts for this prospectus, the common shares and Share Purchase Warrants issued on the exercise of such Special Warrants may be subject to a hold period or other restriction on resale.

Certificates representing the common shares and common share purchase warrants issuable on the exercise of the Special Warrants will be available for delivery on the exercise or deemed exercise of the Special Warrants and will be delivered upon the surrender by the holders of the certificate or certificates representing such Special Warrants.

MATERIAL CONTRACTS

Except for agreements entered into in the ordinary course of business of the Company, the only agreements that are material to the Company and which the Company has entered into during the two-year period prior to the date hereof are the following:

(a) the Warrant Indenture referred to under "Description of the Share Purchase Warrants";

(b) the Agency Agreement referred to under "Plan of Distribution – Offering";

(c) the Stand-by Commitment Agreement referred to under "Plan of Distribution – Offering";

(d) the Agency Agreement dated July 11, 2001 between the Company and the Agent referred to under "Plan of Distribution – Special Warrant Offerings";

(e) Debt Amendment Agreement dated as of May 25, 2001 between the Company, i-MFG, Vito T. Greco, Toni Novak, Kim Burndred and Craig De Garmo referred to under "Management's Discussion and Analysis of Financial Condition and Results of Operations – Overview";

(f) Debt Amendment Agreement dated as of May 21, 2001, as amended, between the Company and David N. Fiaschetti referred to under "Management's Discussion and Analysis of Financial Condition and Results of Operations – Overview";

(g) Acquisition and Merger Agreement and Plan of Reorganization dated as of March 1, 2001 between the Company, JK Acquisition Corp., IAS and David N. Fiaschetti relating to the Company's acquisition of IAS, referred to under "Business of the Company – Recent Acquisitions";

(h) the Agency Agreement dated February 26, 2001 between the Company and the Agent referred to under "Plan of Distribution – Special Warrant Offerings";

(i) the Agency Agreement dated September 15, 2000 between the Company and Taurus referred to under "Plan of Distribution – Special Warrant Offerings";

(j) Acquisition and Merger Agreement and Plan of Reorganization dated as of August 31, 2000 between the Company, i-MFG, Greco and Vito T. Greco relating to the Company's acquisition of Greco, referred to under "Business of the Company – Recent Acquisitions";

(k) Acquisition and Merger Agreement and Plan of Reorganization dated as of August 31, 2000, as amended by a Letter Amendment dated August 31, 2000, between the Company, i-MFG, Spectrum, Toni Novak, Kim Burndred and Craig De Garmo relating to the Company's acquisition of Spectrum , referred to under "Business of the Company – Recent Acquisitions"; and

(l) the Escrow Agreement dated January 17, 2000 between the Company, the Escrow Agent and Thomas M. Gaasenbeek referred to under "Principal Shareholders – Escrowed Common Shares".

Copies of each of the foregoing agreements, in the case of the Warrant Indenture in draft form prior to the closing of this offering, may be inspected at the head office of the Company during normal business hours during the period of distribution of the Units and for 30 days thereafter.

LEGAL MATTERS

Certain legal matters relating to the issue and sale of the Units qualified hereby will be passed on by Davies Ward Phillips & Vineberg LLP on behalf of the Company and by Cassels Brock & Blackwell LLP on behalf of the Agent. Partners and associates of Davies Ward Phillips & Vineberg LLP and Cassels Brock & Blackwell LLP as a group own beneficially, directly or indirectly, less than 1%, respectively, of the common shares of the Company.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Company are PricewaterhouseCoopers LLP, Royal Trust Tower, 77 King Street West, Suite 3000, Toronto, ON M5K 1G8.

The transfer agent and registrar for the common shares is Computershare Trust Company of Canada at its principal office in Calgary, Alberta.

PURCHASER'S STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment thereto. In several of the provinces and territories, securities legislation further provides the purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus or any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of his or her province or territory. A purchaser should refer to any applicable provisions of the securities legislation of his or her province or territory for particulars of these rights or consult with a legal advisor.

CONTRACTUAL RIGHTS OF ACTION FOR RESCISSION FOR HOLDERS OF SPECIAL WARRANTS

In the event that a holder of Special Warrants who acquires common shares and Share Purchase Warrants on the exercise of the Special Warrants as provided for in this prospectus is or becomes entitled under applicable securities legislation to the remedy of rescission by reason of this prospectus or any amendment thereto containing a misrepresentation, such holder shall be entitled to rescission not only of the holder's exercise of its Special Warrants but also of the private placement transaction pursuant to which the Special Warrants were initially acquired, and shall be entitled in connection with such rescission to a full refund of all consideration paid to the Company on the acquisition of the Special Warrants. In the event such holder is a permitted assignee of the interest of the original Special Warrant subscriber, such permitted assignee shall be entitled to exercise the rights of rescission and refund granted hereunder as if such permitted assignee were such original subscriber. The foregoing rights are in addition to any other right or remedy available to a holder of the Special Warrants under section 130 of *The Securities Act* (Ontario) or otherwise at law and are subject to the defences, limitations and other provisions of such legislation.

GLOSSARY OF TECHNICAL TERMS

The following glossary includes definitions of terms as they are generally employed within the computerized numeric control and machine tool manufacturing industries; however, certain generalizations have been made to assist the reader of this prospectus and these definitions may not be universally accepted for all purposes.

alpha test	The first test of newly developed hardware or software in a laboratory setting or under similar circumstances. The next step is beta testing with actual users.
behind the tape reader	A microcontroller-based serial interface board that emulates the punched paper tape readers found on older NCs and CNCs, effectively permitting these machines to load programs through a serial interface rather than a tape reader.
beta testing	Testing of hardware or software in normal working environments by actual users. A beta test is carried out following the alpha test and prior to the general release of the hardware or software as a product.
bits per second	A speed of data transmission based on the signalling rate of a line, which is the number of transitions (voltage or frequency changes) that are made per second.
CNCs	"Computerized numeric controls." The hardware and software products that are used with and by the microcomputers inside machine tools to control the machine tools.
computer-aided design/computer-aided manufacturing (CAD/CAM) . .	Computer-Aided Design (CAD): the application of computer technology to the design of a product or the design itself. Computer-Aided Manufacturing (CAM): the automation of manufacturing systems and techniques, including numerical control, process control, robotics and materials requirements planning. CAD/CAM involves the integration of CAD and CAM with products designed by CAD being inputted directly into the CAM itself.
CORTEX gateway	The Company's internetworking product designed to connect many ION universal interfaces to a single point, and to provide a secure gateway to a corporate network or the Internet and, in turn, controlled access by authorized users to shop floor information through any standard web browser connection to the Internet.
CPL	"CNC Parts Locator." The Company's Internet marketplace which links purchasers and vendors of after-market CNC parts.
cycle time	The time interval between the start of one manufacturing process cycle and the end of such cycle.
DNC	"Direct numerical control." File transfer utility software that permits a user to organize, edit and transmit part programs to a CNC.
ethernet	A type of high-bandwidth network connection which permits faster and more accurate data transmission than a serial connection. Typical rates of data transmission are up to 10 million bits per second.
Extensible Markup Language (XML)	Standardized document language designed for use on the Internet that is used for defining data elements on an Internet web page and on business-to-business documents.
high speed loader adapter	The Company's Fanuc CNC memory upgrade coupled with ethernet connectivity that allows larger part programs to be loaded quickly to older Fanuc CNC machines.

human/machine interface (HMI)	The means of communication between a user and a machine tool usually via a computer screen.
internetworking	Technology that enables ethernet-based two-way communication between machine tools on a factory floor and management information systems, effectively allowing the networking of the entire factory floor and the connection of machine tools to the Internet, corporate intranets and virtual private networks.
ION universal interface	The Company's internetworking product designed to be a universal link between CNCs and an ethernet network.
ISO 9001 standards	Standards developed by the International Standards Organization, specifying requirements for a quality management system for organizations that need to demonstrate their ability to consistently provide products that meet customer and applicable regulatory requirements.
machine tools	Machines that bend, stamp, fold and cut metal and other materials.
Machine Tool Interface Card	The Company's serial to ethernet conversion hardware device loaded with Greco protocols to allow operation with virtually any make of CNC.
Multi-DNC	The Company's Windows-based 32-bit shop floor communications software package that can transport part programs to up to 128 CNCs simultaneously using a serial connection.
NCs	"Numerical Controls". Automation products utilized in the control of a manufacturing process that have been used primarily with various kinds of machine tools in order to automate manufacturing tasks such as milling, turning, punching and drilling.
networking versus internetworking ..	Networking: The interconnection of two or more computers. Internetworking: Technology that enables ethernet-based two-way communication between machine tools on a factory floor and management information systems, effectively allowing the networking of the entire factory floor and the connection of machine tools to the Internet, corporate intranets and virtual private networks.
nodes	Devices connected to a network to which data can be addressed.
OMAC	"Open Modular Architecture Controls Users Group." An industry group that includes representatives from end users, CNC controllers and machine tool manufacturers.
open architecture	A system in which specifications are made public in order to encourage third party vendors to develop add-on products and the enhancement of the communally agreed to foundation.
protocols	Communication formats or languages computers use to communicate with other computers, printers, modems or other hardware devices.
serial connection	A type of network connection that transmits data sequentially and, as a result, at a much slower rate than an ethernet connection. Typical serial connections to machine tools transmit data at a rate of 9600 bits per second. The rate of data transmission in a serial connection slows down considerably with increased cable length.

TCP/IP . . . . "Transmission Control Protocol/Internet Protocol." The communication standard required for two-way communication through the Internet. TCP controls data transfer, ensuring that the total amount of bytes sent is received correctly at the other end. IP provides routing capability, allowing data to be sent across multiple networks or the Internet.

the Internet versus an intranet . . . . . . Internet: A worldwide network of computers communicating in a common language and protocol (TCP/IP). Intranet: A private computer network that serves the employees of an organization. Although an intranet may be linked to the Internet, it cannot be accessed by the general public without the proper authorization and a bridging device called a router.

virtual private networks . . . . Private networks that are configured within public networks, providing the security of a private network via access control and encryption, while taking advantage of the economies of scale and built-in management facilities of large public networks such as the Internet.

INDEX TO FINANCIAL STATEMENTS

e-Manufacturing Networks Inc.

Greco Systems

Spectrum CNC Technologies, Inc.

PRICEWATERHOUSECOOPERS

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Chartered Accountants
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May 18, 2001
(except for note 19, which is as of •)

Auditors' Report

To the Directors of
e-Manufacturing Networks Inc.

We have audited the consolidated balance sheet of **e-Manufacturing Networks Inc.** as at December 31, 2000 and the consolidated statements of operations, retained earnings (deficit) and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those 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 December 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative financial statements for the three months ended December 31, 1999 and the year ended September 30, 1999 represent the operations of the Company's predecessor business, Memex Electronics Inc., and were audited by other auditors who expressed reports dated April 13, 2000 and October 20, 1999, respectively, thereon. In their report dated April 13, 2000 on the financial statements for the three months ended December 31, 1999, the other auditors expressed an opinion without reservation. The report dated October 20, 1999 of the other auditors stated that they had been unable to observe the counting of the physical inventories at the beginning of that year or to satisfy themselves concerning those inventory quantities at that date by alternative means. Since opening inventories enter into the determination of the results of operations and cash flows for the year ended September 30, 1999, they were unable to determine whether adjustments to cost of sales, income taxes, net loss for the year, opening retained earnings and cash provided from operations might have been necessary for the year ended September 30, 1999. In their report dated October 20, 1999, the other auditors expressed an opinion without reservation on the balance sheet as at September 30, 1999 and because of the matter described in the preceding sentence, they expressed an opinion with reservation on the statements of income, retained earnings and cash flows for the year ended September 30, 1999.

Chartered Accountants
Toronto, Ontario

Scott, Batenchuk & Co. LLP
CHARTERED ACCOUNTANTS

Helping clients create and build great businesses

To the Shareholders of
Memex Electronics Inc.

AUDITORS' REPORT

We have audited the balance sheet of Memex Electronics Inc. as at December 31, 1999 and the statements of income (loss) and retained earnings and cash flows for the three months then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those 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 financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1999, and the results of its operations and its cash flows for the three months then ended in accordance with generally accepted accounting principles.

April 13, 2000

Scott, Batenchuk & Co. LLP

CHARTERED ACCOUNTANTS

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email: answers@scottbat.on.ca

To the Shareholders of
Memex Electronics Inc.

AUDITORS' REPORT

We have audited the balance sheet of Memex Electronics Inc. as at September 30, 1999 and 1998 and the statements of income (loss) and retained earnings and cash flows for the years then ended. We have also reviewed the balance sheet of Memex Electronics Inc. as at September 30, 1997 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards. Those 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. Our review of the 1997 fiscal year was made in accordance with generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the company. A review does not constitute an audit and consequently we do not express an audit opinion on the financial statements for the year ended September 30, 1997.

The 1998 audit opinion was qualified with respect to the opening inventory figure. Since the 1997 financial statements were unaudited, we were unable to observe the counting of physical inventories at the beginning of the 1998 year, nor satisfy ourselves concerning those inventory quantities by alternative means. Since opening inventories enter into the determination of the results of operations and cash flows, we were unable to determine whether adjustments to cost of sales, income taxes, net loss, opening retained earnings and cash provided from operations for the 1998 fiscal year might be necessary.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to examine opening 1998 inventory quantities, as described in the preceding paragraph, the statements of income (loss) and retained earnings and cash flows present fairly, in all material respects, the results of operations and changes in financial position of the company for the years ended September 30, 1999 and 1998, in accordance with generally accepted accounting principles. Further, in our opinion, the balance sheet presents fairly, in all material respects, the financial position of the company as at September 30, 1999 and 1998 in accordance with generally accepted accounting principles. Based on our review for the year ended September 30, 1997, nothing came to our attention that causes us to believe that the financial statements are not, in all material respects, in accordance with generally accepted accounting principles.

October 20, 1999

Scott, Batenchuk & Co. LLP

CHARTERED ACCOUNTANTS

Chartered Accountants
Robin J. Wydryk, B.MATH., C.A.
Roy M. Sieben, B.MATH., C.A., CFP
Janice P. Pomerleau, C.M.A., C.A., CFP
Joseph R. Schlett, B.COMM., C.A.
John Doma, B.B.A., C.A.
Glenn A. Taylor, B.COMM., C.A.
John P. Chisholm, C.A., CFP

e-Manufacturing Networks Inc.

Consolidated Balance Sheet

(expressed in Canadian dollars)

	December 31, 2000 $	December 31, 1999 $
Assets		
Current assets		
Cash and short-term investments	36,804	37,212
Accounts receivable	1,108,955	98,178
Due from shareholder	120,690	-
Inventory (note 4)	981,001	83,571
Income taxes receivable	41,666	78,531
Prepaid expenses	67,103	46,533
Future income taxes (note 14)	372,434	-
	2,728,653	344,025
Long-term assets		
Product development costs (note 5)	522,203	136,528
Future income taxes (note 14)	631,836	-
Capital assets (note 6)	3,244,665	70,870
Goodwill, net of accumulated amortization of $119,788 (1999 - $nil)	4,380,388	-
Other assets (note 7)	168,791	-
	11,676,536	551,423
Liabilities		
Current liabilities		
Bank indebtedness (note 8)	1,126,204	5,000
Accounts payable and accrued liabilities	1,767,928	102,199
Deferred revenue	322,464	-
Current portion of long-term debt (note 9)	2,094,152	25,008
Loans payable to shareholders	106,599	255
	5,417,347	132,462
Long-term liabilities		
Long-term debt (note 9)	842,669	8,312
Future income taxes (note 14)	598,714	8,200
	6,858,730	148,974
Shareholders' Equity		
Common shares (note 11)	3,656,264	370,100
Common share purchase warrants (note 12)	2,565,151	-
Retained earnings (deficit)	(1,403,609)	32,349
	4,817,806	402,449
	11,676,536	551,423

Nature of operations and going concern assumption (note 1)

Approved by the Board of Directors

Barrie R. Boatman ____________ Director   David M. Reese ____________ Director

e-Manufacturing Networks Inc.
Consolidated Statement of Operations

(expressed in Canadian dollars)

	Year ended December 31, 2000 $	Three months ended December 31, 1999 $	Year ended September 30, 1999 $
Revenue	2,799,353	234,791	1,098,676
Cost of sales	1,627,542	100,945	400,647
Gross profit	1,171,811	133,846	698,029
Research and development expenses	342,548	2,878	5,303
Sales and marketing expenses	1,110,424	48,873	169,191
General and administrative expenses	1,540,519	147,207	431,855
Amortization	334,716	4,729	24,291
Foreign exchange loss	90,309	-	-
Interest expense (note 13)	129,670	698	5,683
Loss on disposal of assets	-	3,494	-
	3,548,186	207,879	636,323
Earnings (loss) before income taxes	(2,376,375)	(74,033)	61,706
Recovery of (provision for) income taxes (note 14)	940,417	-	(8,200)
Net earnings (loss) for the period	(1,435,958)	(74,033)	53,506
Basic and diluted earnings (loss) per share (note 15)	(0.08)	(0.01)	0.05

e-Manufacturing Networks Inc.

Consolidated Statement of Retained Earnings (Deficit)

(expressed in Canadian dollars)

	Year ended December 31, 2000 $	Three months ended December 31, 1999 $	Year ended September 30, 1999 $
Retained earnings - Beginning of period	32,349	106,382	52,876
Net earnings (loss) for the period	(1,435,958)	(74,033)	53,506
Retained earnings (deficit) - End of period	(1,403,609)	32,349	106,382

e-Manufacturing Networks Inc.

Consolidated Statement of Cash Flows

(expressed in Canadian dollars)

	Year ended December 31, 2000 $	Three months ended December 31, 1999 $	Year ended September 30, 1999 $
Cash provided by (used in)			
Operating activities (note 18)	(1,978,738)	70,494	(116,598)
Financing activities			
Increase in bank indebtedness	99,668	-	-
Increase (decrease) in shareholders' loans	192,381	(26,888)	(56,065)
Decrease in long-term debt	(515,402)	(19,653)	(26,648)
Issuance of common shares and Special Warrants	2,536,166	180,000	190,000
	2,312,813	133,459	107,287
Investing activities			
Business acquisitions, net of cash acquired	214,710	-	-
Purchase of capital assets	(336,994)	(5,020)	(2,009)
Product development costs	(242,199)	(10,478)	(34,603)
Notes receivable	-	-	4,369
	(364,483)	(15,498)	(32,243)
Net increase (decrease) in cash and cash equivalents during the period	(30,408)	188,455	(41,554)
Cash and cash equivalents - Beginning of period	32,212	(156,243)	(114,689)
Cash and cash equivalents - End of period	1,804	32,212	(156,243)
Cash and cash equivalents - End of period comprise			
Cash and short-term investments	36,804	37,212	-
Demand loans and bank overdrafts	(35,000)	(5,000)	(156,243)
	1,804	32,212	(156,243)

Supplementary cash flow information (note 18)

(expressed in Canadian dollars)

1 Nature of operations and going concern assumption

The Company has developed hardware and software to enable ethernet-based, two-way communication between machine tools on a factory floor and a manufacturer's management information system, in order to monitor and optimize production. This technology is known as "internetworking", and, while the market for the Company's internetworking products is in its early stages, this technology is an extension of the Company's existing business.

The Company's first generation internetworking hardware and software products are currently in the demonstration and test installation stage. Accordingly, no revenue from these products has been realized to date. The Company continues to generate revenue from its existing business, which is described in note 16.

For the year ended December 31, 2000, the Company had a net cash outflow of $1,978,738 from operations reflecting the substantial investment in the development of new products ready for launch in 2001. As at December 31, 2000, the Company has a deficiency of $2,688,694 in working capital.

The Company requires additional funding to complete the development and launch of its internetworking products and to cover ongoing expenditures, working capital requirements and debt repayments. To address these funding requirements, the Company: (a) raised $1,583,725 in February 2001 by completing a private placement of Special Warrants (note 19); (b) initiated a proposed equity financing expected to raise gross proceeds of up to $5,000,000 expected to close in the third quarter of 2001; (c) initiated discussions to renegotiate certain of its notes payable to the vendors of the businesses acquired in 2000, with a view to rescheduling to the year 2002 and beyond, certain loan repayments, otherwise due in 2001. In addition, the Company has restructured its U.S. operations to reduce the overhead costs.

While there is uncertainty associated with the completion of the financing arrangements described in the preceding paragraph and no assurance that the steps taken will be successful, management expects to obtain the necessary financing to meet the Company's cash requirements for the foreseeable future. Accordingly, these consolidated financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern. If, for any reason, management is unable to complete the financing arrangements, and the Company is unable to secure alternative financing, this would raise doubt about the appropriateness of the going concern assumption. If the going concern assumption were not appropriate, adjustments would be necessary to the carrying values of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used, and such adjustments could be material.

(expressed in Canadian dollars)

2 Summary of significant accounting policies

Basis of presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Summarized below are those policies considered particularly significant for the Company. References to the Company included herein mean the Company and its consolidated subsidiary.

On January 17, 2000, Harrier Capital Corporation ("Harrier") issued 13,268,000 common shares in exchange for all of the issued shares of Memex Electronics Inc. ("Memex"). On February 29, 2000, Memex and Harrier were amalgamated to form e-Manufacturing Networks Inc. (the "Company"). Control of Harrier passed to the shareholders of Memex, and the transaction has been accounted for as a reverse takeover, with the continuation of Memex as the acquiring company. The comparative information provided is that of Memex, the acquiring company, but the capital structure remains that of the legal parent, Harrier.

The reverse takeover has been accounted for by the purchase method, and the results of Harrier have been included in the Company's results of operations from January 17, 2000. The value of consideration given was determined using the fair value of the common shares of Memex, the legal subsidiary.

The cost of the purchase, representing the 13,268,000 common shares of Harrier issued, was determined to be $843,243 based on 3,792,217 equivalent Memex common shares at a fair value of $0.20 per share plus a finder's fee with a value of $84,800 (note 12(c)). The allocation of the cost of the purchase to assets and liabilities was as follows:

	$
Cash	331,497
Other assets	12,209
Goodwill	499,537
	843,243

Retained earnings (deficit) in the consolidated financial statements is presented as a continuation of Memex. Issued share capital was determined by adding to the issued capital of Memex the cost of the purchase as set out above.

(expressed in Canadian dollars)

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. The most significant estimates for the Company include: the fair values of identifiable assets acquired in business combinations; provisions for credit risk exposures in accounts receivable; the fair values of equity instruments issued; the useful lives and the net recoverable amounts of capital assets, goodwill and product development costs; and valuation allowances against future income tax assets. Actual results could differ from those estimates.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, i-Manufacturing Networks Inc. ("i-Manufacturing"), after elimination of all intercompany transactions and balances. Effective August 31, 2000, the Company incorporated i-Manufacturing, as a wholly owned United States based subsidiary. Greco Systems, Inc. and Spectrum CNC Technologies, Inc. were subsequently amalgamated within i-Manufacturing.

Inventory

Inventory is stated at the lower of cost and net realizable value, cost being determined on an average cost basis.

Capital assets

Capital assets are recorded at acquisition cost. Amortization is provided at the following annual rates:

Furniture, machinery and office equipment	declining balance basis 20%
Computer equipment	declining balance basis 30%
Computer software	declining balance basis 100%
e-commerce Web site development costs	straight-line over 5 years
Transportation vehicles	straight-line over 10 years
Leasehold improvements	straight-line over lease term
Design and application protocols	straight-line over 15 years

Costs incurred in the creation of the Company's e-commerce Web site and Internet portal have been capitalized and are being amortized on a straight-line basis over a five-year period commencing with the launch of commercial operations relating to the Web site and Internet portal.

The Company reviews the carrying amounts of capital assets when events or circumstances suggest that the carrying amounts may not be recoverable. Recoverability is assessed using estimates of future net cash flows on an undiscounted basis, including revenues, operating costs, interest and other financing costs, and income taxes. Where necessary, a reduction in the carrying amount is recorded with a charge to earnings.

(expressed in Canadian dollars)

Product development costs

Product development costs are expensed until market and technical feasibility are established, after which time costs are capitalized until completion of the development of the final saleable product. Capitalized development costs are amortized commencing with the sale of the product on a straight-line basis over the lesser of the expected life of the product and five years.

Cash and cash equivalents

Cash and cash equivalents include cash and highly-liquid investments with original maturities of 90 days or less when purchased, plus demand loans and bank overdrafts used for cash management purposes.

Goodwill

Goodwill representing the excess of the purchase consideration paid under business combinations over the estimated fair values of the identifiable assets and liabilities acquired, is amortized over its useful life on a straight-line basis over periods of up to 15 years.

An assessment of the carrying amount of goodwill is undertaken in response to a change in conditions that might trigger impairment. These conditions include an unfavourable change in one or more elements giving rise to goodwill; a change in the likelihood of occurrence of an assumed event that was a significant factor in setting the acquisition price; or a significant deterioration in the financial condition of an acquired business. The impairment assessment involves the estimation of the expected undiscounted cash flows of the related business, including applicable interest and financing costs, and comparison to the carrying amount of goodwill. Any shortfall identified by this assessment would be charged against earnings in the period in which the impairment is determined to have occurred.

Investment tax credits

Investment tax credits earned relating to qualifying research and product development costs are accounted for using the cost reduction method. Amounts receivable relating to expenses are recorded as a reduction in the expenses. Amounts receivable relating to capitalized costs are recorded as a reduction in the carrying amount of the related assets.

Foreign currency translation

Monetary assets and liabilities denominated in currencies other than Canadian dollars are translated at rates in effect at the balance sheet dates. The resulting translation gains and losses are included in the consolidated statement of operations.

The Company's U.S. subsidiary is classified as integrated for accounting purposes. Monetary assets and liabilities of the subsidiary are translated into Canadian dollars at exchange rates in effect at the balance sheet dates. Non-monetary assets and liabilities are translated at historic exchange rates. Revenues and expenses are translated at the average rate of exchange for the period, except for amortization and depreciation, which are translated at historic rates. Translation gains and losses arising are included in the consolidated statement of operations.

(expressed in Canadian dollars)

Stock-based compensation plan

The Company has a stock-based compensation plan. No compensation expense is recognized for this plan when either stock or stock options are issued to employees. Consideration paid by employees upon exercise of stock options or purchase of stock is credited to capital stock.

Earnings per share

The Company has adopted the revised Canadian Institute of Chartered Accountants (CICA) Handbook section CICA3500, "Earnings per Share", in its 2000 consolidated financial statements. The adoption of this pronouncement had no impact on previously reported earnings per share information.

Income taxes

The Company adopted the provisions of CICA Handbook section 3465, "Income Taxes", effective January 1, 2000. This new accounting standard requires future income tax balances to be calculated based on the differences between the carrying amounts of assets and liabilities for accounting and income tax purposes, using substantively enacted income tax rates.

The Company elected to implement CICA section 3465 retroactively without restatement. No significant adjustments to future income tax balances were required at the time of adoption.

Revenue recognition

Sales of software and related services

The Company's software activities include the design, development, sale, service and support of event monitoring software products. Revenue from the sale of software to both end-users and distributors is recognized for each element based on the terms of related licence agreements when all of the following criteria are met: the software is delivered to the customer; the Company has rendered all services that are required to enable the customer to use the software; the fee is fixed or determinable; and collectibility is reasonably assured. The total fees from licence agreements are allocated to each element of the arrangement based upon vendor-specific objective evidence.

Maintenance and customer support revenues are recognized rateably over the term of the support period or related maintenance agreement, which is normally one year.

Sales of hardware and related services

Revenue from the sale of computer hardware, rugged personal computers and peripherals is recognized when all of the following criteria are met: persuasive evidence of an arrangement exists; the price is fixed or determinable; title passes to the customer; and collectibility is reasonably assured.

Revenue received from the sale of extended hardware warranty agreements is recognized rateably over the term of the extended warranty, which is normally one year.

(expressed in Canadian dollars)

3 Business acquisitions

a) Greco systems

Effective August 31, 2000, the Company acquired a 100% interest in Greco Systems, Inc. ("Greco"), a developer and manufacturer of numerical control and computerized numerical control systems. Consideration for the acquisition included 1,750,000 common shares of the Company together with a promissory note for US$1,375,000, bearing interest at 6.3% and payable by instalments over the period from acquisition to April 1, 2002. The acquisition has been accounted for as a purchase with the results of Greco included in the consolidated statement of operations from September 1, 2000.

The fair value of the consideration given was as follows:

	$
Common shares	1,925,000
Acquisition costs	356,492
Notes payable	1,963,313
	4,244,805

The purchase consideration was allocated as follows:

	$
Total assets	4,801,094
Total liabilities	(3,081,171)
Goodwill (to be amortized over 15 years)	2,524,882
	4,244,805

(expressed in Canadian dollars)

b) Spectrum

Effective August 31, 2000, the Company acquired a 100% interest in Spectrum CNC Technologies, Inc. ("Spectrum"), a developer and manufacturer of direct numerical control software. Consideration for the acquisition consisted of 600,000 common shares of the Company, an initial payment of US$300,000, and a promissory note for US$300,000 bearing interest at 6.5% and payable by instalments over the period from acquisition to March 1, 2001. The acquisition has been accounted for as a purchase with the results of Spectrum included in the consolidated statement of operations from September 1, 2000.

The fair value of the consideration given was as follows:

	$
Cash	441,450
Common shares	660,000
Acquisition costs	21,126
Notes payable	439,296
	1,561,872

The purchase consideration was allocated as follows:

	$
Total assets	662,678
Total liabilities	(467,839)
Goodwill (to be amortized over 15 years)	1,367,033
	1,561,872

4 Inventory

	December 31, 2000 $	December 31, 1999 $
Raw materials	895,050	41,433
Work-in-progress	98,727	5,637
Finished goods	69,170	36,501
	1,062,947	83,571
Provision for obsolescence	(81,946)	-
	981,001	83,571

(expressed in Canadian dollars)

5 Product development costs

	December 31, 2000 $	December 31, 1999 $
Costs	559,892	136,528
Accumulated amortization	(37,689)	-
	522,203	136,528

Accumulated product development costs at December 31, 2000 are presented after deducting investment tax credits earned during fiscal 2000 of $34,817 (1999 - $109,968).

6 Capital assets

	December 31, 2000		
	Cost $	Accumulated amortization $	Net $
Furniture, machinery and office equipment	243,193	88,957	154,236
Computer equipment	273,712	74,408	199,304
Computer software	143,887	44,316	99,571
e-commerce Web site development costs	222,939	1,644	221,295
Transportation vehicles	136,723	19,346	117,377
Leasehold improvements	10,211	1,773	8,438
Design and application protocols	2,500,000	55,556	2,444,444
	3,530,665	286,000	3,244,665

	December 31, 1999		
	Cost $	Accumulated amortization $	Net $
Furniture and machinery	95,048	51,875	43,173
Computer equipment	59,378	35,650	23,728
Computer software	29,027	25,446	3,581
Design and application protocols	388	-	388
	183,841	112,971	70,870

(expressed in Canadian dollars)

7 Other assets

	December 31, 2000 $	December 31, 1999 $
Deferred public offering costs	79,755	-
Other	89,036	-
	168,791	-

Amounts incurred relating to the Company's proposed common share offering (note 19(b)) have been deferred to be matched with the anticipated proceeds from the offering.

8 Bank indebtedness

	December 31, 2000 $	December 31, 1999 $
Short-term revolving line of credit facility	1,091,204	-
Short-term demand loan	35,000	5,000
	1,126,204	5,000

Bank indebtedness consists of a revolving line of credit facility and a demand loan, that bear interest at various rates between the United States bank base rate plus 1.5% and an annual rate of 11.5%. The maximum available revolving line of credit facility represents the lower of US$1,000,000 or 80% of eligible accounts receivable plus 40% of eligible inventory to a maximum of US$200,000. As collateral for the line of credit facility, the Company's subsidiary, i-Manufacturing, has granted to the bank a security interest in substantially all of its property. In addition, the Company and a shareholder (the former owner of Greco) have each guaranteed this indebtedness. In connection with the Company's acquisition of Greco, the Company's principal shareholder (and Chief Executive Officer) agreed to personally indemnify the former owner of Greco in respect of his obligations under his guarantee to the bank.

The demand loan is limited to an amount equivalent to 75% of unencumbered accounts receivable of the Memex division to a maximum of $150,000. As collateral for the demand loan, the Company has entered into a general security agreement covering all capital assets except real property, and the Company's principal shareholder has provided the bank with a guarantee and postponement of claim to a maximum of $250,000.

The weighted average interest rate on the bank indebtedness as at December 31, 2000 was 11.27%.

(expressed in Canadian dollars)

9 Long-term debt

	December 31, 2000 $	December 31, 1999 $
Promissory note for US$1,375,000 bearing annual interest at 6.3% related to the acquisition of Greco. Repayable in instalments over the period to April 1, 2002, however, the Company is currently negotiating extended terms (note 1). Collaterized by a pledge of 80 % of the shares of the Company's subsidiary, i-Manufacturing.	2,066,115	-
Promissory note for US$300,000 bearing interest at 6.5% related to the acquisition of Spectrum. Repayable in instalments over the period to March 1, 2001. The final repayment has not yet been made by the Company and its timing is currently being negotiated (note 1). Collaterized by a pledge of 20 % of the shares of the Company's subsidiary, i-Manufacturing.	457,343	-
Loans owing to shareholders of the Company bearing interest at various rates between 7% and 10%, repayable on demand	115,257	-
Loans bearing interest at 9.79 % repayable in fiscal 2001, with certain equipment provided as collateral	37,277	33,320
Loan of US$173,944 bearing interest at 8.99% related to transportation vehicles, repayable in instalments over the period to August 20, 2011, with the vehicles provided as collateral	260,829	-
	2,936,821	33,320
Less: Current portion	2,094,152	25,008
Long-term debt	842,669	8,312

Required principal repayments under debt obligations are as follows:

	$
2001	2,094,152
2002	614,668
2003	18,756
2004	20,513
2005	22,435
Thereafter	166,297
	2,936,821

(expressed in Canadian dollars)

10 Commitments

At December 31, 2000, the Company was committed to future payments under operating leases for premises and equipment as follows:

	$
2001	241,077
2002	27,687
2003	24,177
2004	21,550
2005 and thereafter	15,787
	330,278

11 Common shares

a) Authorized capital stock

Unlimited common shares
Unlimited preferred shares, issuable in series, rights and privileges to be determined upon issue

b) Changes in issued and outstanding common shares were as follows:

	Number of common shares	$
Outstanding at October 1, 1998	1,000	100
Shares issued for cash during the year	2,849,000	190,000
Outstanding at September 30, 1999	2,850,000	190,100
Shares issued for cash during the period	1,000,000	180,000
Outstanding at December 31, 1999	3,850,000	370,100
Adjustments to share capital due to reverse takeover -		
Shares of Harrier	2,500,000	-
Shares issued, net of issue costs of $113,094	13,268,000	645,349
Memex shares exchanged	(3,850,000)	-
Shares issued on exercise of stock options	279,077	55,815
Shares issued on acquisition of Greco (note 3(a))	1,750,000	1,925,000
Shares issued on acquisition of Spectrum (note 3(b))	600,000	660,000
Share consideration (agent's fees) under private placement	8,260	-
Outstanding at December 31, 2000	18,405,337	3,656,264

(expressed in Canadian dollars)

c) Escrow agreements

Pursuant to an escrow agreement dated April 2, 1997, 1,000,000 common shares of the Company that were acquired by the original majority shareholder of Memex may not be released, traded or dealt with in any manner without the consent of the Executive Director of the Alberta Securities Commission. One-third of these escrow shares may be released upon application to the Canadian Venture Exchange ("CDNX") on each of the first, second and third anniversary dates of the completion of the major transaction on January 17, 2000.

Another 9,288,000 common shares are subject to an escrow agreement dated January 17, 2000 (the "Performance Escrow Agreement") between the Company, the Escrow Agent and the original majority shareholder of Memex. The common shares subject to the Performance Escrow Agreement may only be released from escrow with the consent of the CDNX. The Performance Escrow Agreement provides that, upon request, the CDNX will generally consent to the release of one common share for each $0.20 of cash flow (as defined in the Performance Escrow Agreement). The Performance Escrow Agreement limits applications for the release of common shares from escrow to one application per year relating to the cash flow for the preceding fiscal year or since the last release of common shares from escrow, and limits the maximum number of shares that may be released from escrow in any calendar year to one-third of the number of common shares originally deposited in escrow.

d) Commitments to issue common shares

The Company is currently finalizing the terms of an agreement with a financial consulting group in respect of finder's fees for the September 2000 private placement issuance of Special Warrants (note 12(a)). It is expected that additional common shares of the Company, not exceeding 106,000, will be issued in satisfaction of the finder's fees.

On January 17, 2001, the Company retained the services of a public relations firm. Under an agreement that is renewable on a quarterly basis at the discretion of the Company, this firm will receive 15,000 common shares of the Company each quarter for services rendered.

e) Stock-based compensation plan

The Company has a fixed stock option plan, pursuant to which, the Company may grant options to its employees for up to 10% of the basic shares of common stock outstanding. Under the plan, the exercise price of each option equals the market price of the Company's stock on the date of grant and an option's maximum term is five years. Options have been granted at various times at the discretion of the Board of Directors and vest over different terms. All stock options are exercisable on or before five years from the date of the grant, or one year following the date the optionee ceases to be a director, officer or employee of the Company by reason of death, or 90 days after ceasing to be a director, officer or employee for any reasons other than death.

(expressed in Canadian dollars)

A summary of the status of the stock option plan as at December 31, 2000 and changes during 2000 is as follows:

	Shares under option (thousands)	Weighted average exercise price $
Outstanding - Beginning of year	-	-
Granted	1,650	0.45
Exercised	(279)	(0.20)
Outstanding and exercisable - End of year	1,371	0.50

The following table summarizes information on stock options outstanding and exercisable at December 31, 2000:

Exercise price $	Number at December 31, 2000 (thousands)	Weighted Average remaining contractual life (years)
0.20	1,086	4.05
1.24	185	4.84
2.35	100	4.61
	1,371	4.25

(expressed in Canadian dollars)

12 Common share purchase warrants

Changes in issued and outstanding common share purchase warrants were as follows:

	$
Outstanding - January 1, 2000	-
Yorkton Special Warrants issued on January 17, 2000	84,800
Private placement of Special Warrants on September 15, 2000, net of issue costs of $260,000	2,120,000
Private placement of Special Warrants on December 11, 2000, net of issue costs of $42,649	360,351
Taurus and Yorkton brokers' warrants issued on September 15, 2000	-
Outstanding - December 31, 2000	2,565,151

	Special Warrants (a)	Special Warrants (b)	Yorkton Special Warrants (c)	Taurus brokers' warrants (d)	Yorkton brokers' warrants (d)
Number Outstanding - January 1, 2000	-	-	-	-	-
Issued in 2000	1,400,000	310,000	424,000	1	1
Number Outstanding - December 31, 2000	1,400,000	310,000	424,000	1	1

a) The Company completed a private placement on September 15, 2000 of 1,400,000 Special Warrants priced at $1.70 each for gross proceeds of $2,380,000, less issuance costs of $260,000. Each Special Warrant is exercisable for one unit, comprising one common share of the Company and one-half of one Share Purchase Warrant at no additional cost. Each whole Share Purchase Warrant, at the option of the holder, entitles the holder to purchase one additional common share of the Company at the price of $2.00.

b) The Company commenced a private placement on December 11, 2000 of 1,500,000 Special Warrants priced at $1.30 per unit for gross proceeds of $1,950,000. Of these Special Warrants, 374,400 are each exercisable for one unit, and 1,125,600 are each exercisable for 1.1 units. All of these units comprise one common share of the Company and one-half of one Share Purchase Warrant at no additional cost. Each whole Share Purchase Warrant, at the option of the holder, entitles the holder to purchase one additional common share of the Company at the price of $1.70.

A total of 310,000 of the Special Warrants were issued prior to December 31, 2000 for gross proceeds of $403,000, less issuance costs of $42,649. A further 1,190,000 Special Warrants were issued in January and February 2001, plus an additional 28,250 Special Warrants were issued on February 26, 2001 (note 19).

(expressed in Canadian dollars)

c) As part of the January 17, 2000 reverse takeover transaction, the Company issued 424,000 Special Warrants to Yorkton Securities Inc. ("Yorkton") with an aggregate value of $84,800 as a finder's fee. These Special Warrants were subject to a one-year hold period to January 17, 2001, on which date they were automatically converted to common shares on a one-to-one basis for no additional consideration.

d) Pursuant to the private placement described in (a) above, the Company issued one special brokers' warrant to Taurus Capital Markets Ltd. ("Taurus"), and one special broker's warrant to Yorkton. The warrants entitle Taurus and Yorkton to acquire, for no additional consideration, compensation options entitling them to acquire up to 82,400 and 24,000 Special Warrants, respectively, at prices of $1.90 and $1.70 per Special Warrant, respectively.

In the case of Taurus, this brokers' warrant is exercisable at any time prior to the earlier of (i) the first anniversary of the date of issuance of a receipt by the Ontario Securities Commission for a final prospectus qualifying the issuance of common shares of the Company issuable on the exercise of the Special Warrants in (a) above; and (ii) September 15, 2002. In the case of Yorkton, this brokers' warrant may be exercised at any time prior to August 2, 2001.

13 Interest expense

	Year ended December 31, 2000 $	Three months ended December 31, 1999 $	Year ended September 30, 1999 $
Interest expense on long-term debt	93,740	-	-
Other interest expense	46,665	698	5,683
Interest income	(10,735)	-	-
	129,670	698	5,683

(expressed in Canadian dollars)

14 Income taxes

A reconciliation of expected income taxes at the Canadian statutory rate of 43.95 % (three months ended December 31, 1999 - 44.62%; year ended September 30, 1999 - 21.75%) with the reported income tax recovery (provision) is as follows:

	Year ended December 31, 2000 $	Three months ended December 31, 1999 $	Year ended September 30, 1999 $
Income (loss) before income taxes	(2,376,375)	(74,033)	61,706
Expected recovery of (provision for) income taxes	1,044,416	33,033	(13,420)
Losses not tax effected	-	(33,033)	-
Recognition of previously unrecognized tax losses	50,076	-	-
Effect of substantively enacted tax rate reductions on future income taxes	(121,045)	-	-
Non-deductible expenses	(52,806)	-	-
Other	19,776	-	5,220
Recovery of (provision for) income taxes	940,417	-	(8,200)
Income tax recovery (provision)			
Canada	640,036	-	(8,200)
United States	300,381	-	-
	940,417	-	(8,200)
Income tax recovery (provision)			
Current	-		-
Future	940,417	-	(8,200)
	940,417	-	(8,200)

(expressed in Canadian dollars)

Details of future income tax assets and liabilities are as follows:

	December 31, 2000			December 31, 1999		
	Canada $	United States $	Total $	Canada $	United States $	Total $
Assets						
Accounts receivable	-	50,190	50,190	-	-	-
Inventory	-	67,047	67,047	-	-	-
Accounts payable and accrued liabilities	-	116,649	116,649	-	-	-
Deferred revenue	-	138,143	138,143	-	-	-
Investment tax credits	-	53,982	53,982	-	-	-
Income tax loss carry-forwards	540,359	416,859	957,218	-	-	-
Other	101,961	405	102,366	-	-	-
	642,320	843,275	1,485,595	-	-	-
Liabilities						
Product development costs	(9,836)	-	(9,836)	-	-	-
Capital assets	(625)	(1,069,555)	(1,070,180)	(8,200)	-	(8,200)
Other	(23)	-	(23)	-	-	-
	(10,484)	(1,069,555)	(1,080,039)	(8,200)	-	(8,200)
Net total	631,836	(226,280)	405,556	(8,200)	-	(8,200)

The Company has certain income tax loss carry-forwards that at December 31, 2000 amounted to approximately $1,455,000 for Canadian income tax purposes and US$649,000 for United States income tax purposes, expiring in varying amounts from 2005 to 2015.

(expressed in Canadian dollars)

15 Basic and diluted earnings (loss) per share

Basic and diluted earnings (loss) per share is calculated using the weighted average number of common shares outstanding as well as commitments to issue common shares, and common shares issuable under Special Warrants for no additional consideration. The exercise of share purchase warrants and employee stock options could potentially dilute earnings per share in the future, but were not reflected in diluted loss per share for 2000 because to do so would be anti-dilutive.

	Year ended December 31, 2000 $	Three months ended December 31, 1999 $	Year ended September 30, 1999 $
Numerator			
Net earnings (loss)	(1,435,958)	(74,033)	53,506
	-	-	-
Denominator			
Weighted average common shares outstanding	16,801,651	12,119,255	1,037,029
Commitment to issue common shares	35,333	-	-
Weighted average common shares issuable under Special Warrants for no additional consideration	916,500	-	-
	17,753,484	12,119,255	1,037,029
Basic and diluted earnings (loss) per share	(0.08)	(0.01)	0.05

16 Segmented information

The Company has three reportable segments, the Memex, Greco and Spectrum divisions.

The Memex division product lines include hardware connectivity and productivity products. Memex products include ethernet-enabled, high-speed loaders, microcontroller-based interface boards for emulating older numerical control and computerized numerical control ("CNC") paper tape readers and low cost memory upgrades for machine tool controllers. In addition, Memex was previously a reseller of Spectrum direct numerical control ("DNC") software, other hardware products and generated revenues from installation and service contracts.

The Greco division is a supplier of hardware, software and networking products for CNCs. Principal hardware products include serial-to-ethernet conversion devices, the CNC Minifile™, a part program storage and transportation device, and the CNC Station, a CNC serial program storage and editing device. Greco manufactures and distributes Touch Screen Station, a Pentium™-based computers built to withstand harsh manufacturing environments and rugged computers for light industrial and heavy industrial/military

(expressed in Canadian dollars)

applications. The Greco division's software products include DNC software and tool data management software.

The Spectrum division is a supplier of DNC software for CNCs. The principal product of the Spectrum division is multi-DNC, a 32-bit shop floor communications software package.

The accounting policies of the segments are the same as those described in note 2. Segment performance is evaluated based on profit or loss from operations after income taxes. Inter-segment transactions are not significant.

The Company's reportable segments are strategic business units that have historically offered different products and services. They are managed separately due to their geographic locations, and because each business uses different technology and marketing strategies.

	Year ended December 31, 2000 $	Three months ended December 31, 1999 $	Year ended September 30, 1999 $
Revenue			
Memex division	650,241	234,791	1,098,676
Greco division	1,833,743	-	-
Spectrum division	315,369	-	-
	2,799,353	234,791	1,098,676
	-	-	
Interest expenses			
Memex division	75,491	698	5,683
Greco division	53,099	-	-
Spectrum division	1,080	-	-
	129,670	698	5,683
Amortization of capital assets			
Memex division	34,085	4,729	24,291
Greco division	127,309	-	-
Spectrum division	11,540	-	-
	172,934	4,729	24,291
Recovery of (provision for) income taxes			
Memex division	640,036	-	(8,200)
Greco division	256,919	-	-
Spectrum division	43,462	-	-
	940,417	-	(8,200)

e-Manufacturing Networks Inc.
Notes to Consolidated Financial Statements
December 31, 2000

(expressed in Canadian dollars)

	Year ended December 31, 2000 $	Three months ended December 31, 1999 $	Year ended September 30, 1999 $
Amortization of goodwill			
Memex division	33,302	-	-
Greco division	56,830	-	-
Spectrum division	29,656	-	-
	119,788	-	-
Segment net earnings (loss)			
Memex division	(811,697)	(74,033)	53,506
Greco division	(524,782)	-	-
Spectrum division	(99,479)	-	-
	(1,435,958)	(74,033)	53,506
Segment capital expenditures			
Memex division	294,941	5,020	2,009
Greco division	42,053	-	-
	336,994	5,020	2,009

(expressed in Canadian dollars)

The Company generated revenue from the following principal products and services:

	Year ended December 31, 2000 $	Three months ended December 31, 1999 $	Year ended September 30, 1999 $
Products			
Direct numerical control software and related hardware	798,505	66,001	327,927
Memory upgrade hardware	196,620	37,007	242,141
Touch Screen Station	698,121	-	-
Minifile machine interface controllers and computerized numerical control systems	397,586	-	-
Other computer hardware	274,403	86,350	355,710
	2,365,235	189,358	925,778
Services			
Installations and in-field service	319,228	41,346	149,480
Other	114,890	4,087	23,418
	434,118	45,433	172,898
	2,799,353	234,791	1,098,676

The Company generated revenue from the following geographical locations:

	Year ended December 31, 2000 $	Three months ended December 31, 1999 $	Year ended September 30, 1999 $
Canada	222,315	54,278	430,678
United States	2,212,355	171,621	540,243
Other foreign countries	364,683	8,892	127,755
	2,799,353	234,791	1,098,676

Revenues are attributed to countries based on the location of the customer.

(expressed in Canadian dollars)

The Company's capital assets and goodwill by geographical location were:

	December 31, 2000 $	December 31, 1999 $
Canada	804,417	70,870
United States	6,820,636	-
	7,625,053	70,870

17 Financial instruments

a) Fair value

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

The carrying amounts of cash and equivalents, accounts receivable, accounts payable and accrued liabilities and income taxes payable approximate fair values because of the short-term maturity of these instruments.

The fair value of short-term loans is estimated based on the net present value of the related future cash flows calculated using borrowing rates currently available to the Company for loans with similar terms and average maturities.

The estimated fair values of the Company's financial instruments at December 31, 2000, where different from their carrying amounts, were as follows:

	Carrying amount $	Fair value $
6.3% promissory note related to acquisition of Greco	2,066,115	2,024,111
6.5% promissory note related to the acquisition of Spectrum	457,343	446,396
Transportation vehicle loans bearing interest at 8.99%, due August 20, 2010	260,829	257,822
	2,784,287	2,728,329

There were no significant differences between the carrying values and fair values of the Company's financial instruments at December 31, 1999.

(expressed in Canadian dollars)

b) Credit risk

The Company's maximum credit risk exposure arising in relation to its financial assets is equivalent to their carrying amounts at December 31, 2000 and 1999. The Company performs regular credit assessments of its customers and records allowances for potentially uncollectible amounts of accounts receivable.

c) Interest rate risk

The Company's accounts receivable and accounts payable and accrued liabilities are non-interest bearing. The Company's interest bearing assets and liabilities at December 31, 2000 are as follows:

Assets	
Cash and short-term deposits	Interest bearing at various rates equivalent to 30-90 day bankers' acceptances
Liabilities	
Long-term debt	note 9
Bank indebtedness	note 8

(expressed in Canadian dollars)

18 Supplementary cash flow information

	Year ended December 31, 2000 $	Three months ended December 31, 1999 $	Year ended September 30, 1999 $
Net earnings (loss) for the period	(1,435,958)	(74,033)	53,506
Non-cash items			
Amortization - product development costs	37,857	-	-
Amortization - goodwill	119,788	-	-
Amortization - capital assets	172,934	4,729	24,291
Amortization - other assets	1,667	-	-
Future income taxes	(940,417)	-	8,200
Loss on disposal of capital assets	-	3,494	-
	(2,044,129)	(65,810)	85,997
Net change in working capital			
Accounts receivable	15,092	143,995	(81,324)
Inventory	155,302	(15,204)	(15,876)
Prepaid expenses	70,382	-	-
Accounts payable and accrued liabilities	(17,436)	31,712	(101,155)
Income taxes receivable	36,865	(8,770)	25,918
Customer deposits	(26,023)	-	-
Other assets	(168,791)	(15,429)	(30,158)
Cash provided by (used in) operating activities	(1,978,738)	70,494	(116,598)
Interest paid	140,405	698	5,683
Income taxes paid	-	-	-

19 Subsequent events

a) Business acquisition

Effective March 2, 2001, the Company acquired a 100% interest in Industrial Automation Solutions, Inc. ("IAS"), a developer and distributor of computerized numerical control translation and optimization software, based in Albany, New York. Consideration comprised a note payable of US$200,000 and 225,000 common shares of the Company.

The acquisition has been accounted for as a purchase, with the results of IAS included in the interim consolidated statement of operations from March 2, 2001.

As at July •, 2001, the Company is in default under the promissory note of US$200,000 issued in connection with the acquisition of IAS. However, as long as the Company makes the required payments

(expressed in Canadian dollars)

and issues the shares as contemplated by the amending agreement, all defaults under the promissory note will be waived.

The fair value of the consideration agreed to was as follows:

	$
Note payable	306,108
Common shares	200,250
Acquisition costs	20,000
	526,358

The purchase consideration was allocated as follows:

	$
Translation and optimization technology	522,365
Other assets	3,993
Goodwill	192,178
Total assets	718,536
Future income taxes	(192,178)
	526,358

Translation and optimization technology and goodwill on this acquisition are being amortized over a period of three years.

During May 2001, the Company renegotiated the composition of the consideration to be given for the acquisition of IAS, conditional upon the Company obtaining certain equity financing. The renegotiated consideration will consist of 375,000 common shares with an assigned value of $333,750, and a note payable of US$100,000.

b) Common share purchase warrants

i) In January and February 2001, the Company issued a combined total of 1,218,250 Special Warrants, thereby completing its $1,950,000 private placement of 1,500,000 Special Warrants announced on December 11, 2000. The terms of these Special Warrants are included in note 12(b).

(expressed in Canadian dollars)

ii) On February 26, 2001, the Company issued 115,385 brokers' warrants to Burgeonvest Securities Ltd. ("Burgeonvest") which entitle Burgeonvest to acquire up to 126,923 units at $1.30 for each 1.1 units. Each unit consists of one common share of the Company and one-half of one Share Purchase Warrant. Each whole Share Purchase Warrant, at the option of the holder, entitles the holder to purchase one additional common share of the Company at the price of $1.70. The brokers' warrants are exercisable at any time prior to the earlier of (i) five days after the date of issuance of a receipt by the Ontario Securities Commission for a final prospectus qualifying the issuance of common shares of the Company issuable on the exercise of the Special Warrants in note 12(b); and (ii) February 26, 2002.

iii) On July 11, 2001, the Company amended the exercise ratio for 1,153,850 Special Warrants and the 115,385 brokers' warrants that were issued in February 2001 (notes 12(b) and 19(b)(ii)). Whereas each of these Special Warrants and brokers' warrants were previously exercisable for 1.1 units, the amended exercise ratio for each Special Warrant and brokers' warrant is 1.3 units. With this adjustment to the exercise ratio, each of these Special Warrants and brokers' warrants will potentially result in the issuance, at no additional cost to the holder, of 1.43 common shares of the Company and 0.715 of one Share Purchase Warrant. In addition, each whole Share Purchase Warrant now entitles the holder to purchase one additional common share of the Company at the price of $1.30.

iv) On July 11, 2001, the Company issued 584,600 Special Warrants, for cash consideration of $1.00 per Special Warrant, resulting in aggregate gross proceeds of $584,600. Each Special Warrant is exercisable for one unit. Each unit consists of one common share of the Company and one half of one Share Purchase Warrant. Each whole Share Purchase Warrant, at the option of the holder, entitles the holder to purchase one additional common share of the Company at the price of $1.30.

Pursuant to this private placement, the Company issued brokers' warrants to Burgeonvest which entitle Burgeonvest to acquire up to 24,000 units, with the terms described in the preceding paragraph, at a price of $1.00 per unit. These brokers' warrants will be exercisable at any time prior to the first anniversary of issuance.

c) Proposed equity offering

On July •, 2001, the Company filed a preliminary prospectus to raise gross proceeds of up to $5,000,000 under an equity offering of units, consisting of common shares in the Company and Share Purchase Warrants.

d) Rescheduling of repayments of notes payable

During May 2001, the Company entered into agreements to reschedule the repayment of notes payable to the vendors of Greco and Spectrum, conditional on the Company completing the equity financing described in note 19(c) and certain other matters. These agreements would have the effect of US$400,000 being rescheduled from current liabilities at March 31, 2001 to long-term liabilities. These financial statements reflect the original terms of the notes payable.

(expressed in Canadian dollars)

As at July •, 2001, the Company is in default under the promissory notes referred to in the preceding paragraph. The aggregate principal amount outstanding on these notes as at July •, 2001 is US$1,500,000. However, upon satisfaction of all conditions under the debt amendment agreements, all defaults under the promissory notes existing out of or in connection with any prior non-payment of principal or interest will be waived.

20 Comparative figures

Certain amounts presented in the prior periods have been reclassified to conform with the current year's presentation.

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To the Directors of
Memex Electronics Inc.

AUDITORS' REPORT

We have audited the balance sheet of Memex Electronics Inc. as at September 30, 1998 and the statements of income (loss) and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards. Those 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.

Since the prior year's financial statements were unaudited, we were unable to observe the counting of physical inventories at the beginning of the year nor satisfy ourselves concerning those inventory quantities by alternative means. Since opening inventories enter into the determination of the results of operations and changes in financial position, we were unable to determine whether adjustments to cost of sales, income taxes, net loss for the year, opening retained earnings and cash provided from operations might be necessary.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to examine opening inventory quantities, as described in the preceeding paragraph, these financial statements present fairly, in all material respects, the results of operations and changes in financial position of the company as at September 30, 1998, in accordance with generally accepted accounting principles. Further, in our opinion, the balance sheet presents fairly, in all material respects, the financial position of the company as at September 30, 1998, in accordance with generally accepted accounting principles

February 8, 1999

Scott, Batenchuk & Co.

CHARTERED ACCOUNTANTS

Chartered Accountants

Robin J. Wydryk, B.MATH., C.A.
Roy M. Sieben, B.MATH., C.A.
Janice P. Pomerleau, C.M.A., C.A.
Joseph R. Schlett, B.COMM., C.A.
John Doma, B.B.A., C.A.
Glenn A. Taylor, B.COMM., C.A.
John P. Chisholm, C.A.

MEMEX ELECTRONICS INC.

BALANCE SHEET

SEPTEMBER 30, 1998

ASSETS

	Cost	Accumulated Amortization	1998	1997 (Note 10)
CURRENT ASSETS				
Accounts receivable			$ 155,106	$ 154,620
Inventory			52,491	55,544
Prepaid expenses			3,971	7,747
Income tax recoverable			95,679	57,216
G.S.T. recoverable			2,719	5,667
Current portion of note receivable			4,369	3,696
			314,335	284,490
NOTE RECEIVABLE (Note 2)			-	4,369
CAPITAL ASSETS				
Office furniture	$ 13,471	$ 3,818	9,653	5,460
Machinery and equipment	79,728	32,719	47,009	48,230
Computer equipment	56,925	26,991	29,934	20,628
Computer software	21,299	21,090	209	1,475
Computer software license	7,500	1,250	6,250	-
Office equipment	6,721	3,477	3,244	2,415
	$ 185,644	$ 89,345	96,299	78,208
OTHER ASSETS				
Research and development costs (Note 3)			91,505	-
Incorporation costs			-	341
			91,505	341
			$ 502,139	$ 367,408

APPROVED ON BEHALF OF THE BOARD

Director

LIABILITIES

	1998	1997 (Note 10)
CURRENT LIABILITIES		
Bank overdraft	$ 114,689	$ 64,945
Accounts payable and accruals	170,755	68,237
Employee deductions payable	889	7,953
Sales tax payable	-	86
Current portion of long-term debt	25,008	16,776
	311,341	157,997
SHAREHOLDER LOANS (Note 4)	83,208	64,870
LONG-TERM DEBT (Note 5)	54,613	30,024
DEFERRED INCOME TAXES	-	4,700
	449,162	257,591

SHAREHOLDERS' EQUITY

	1998	1997
CAPITAL STOCK (Note 6)	100	100
RETAINED EARNINGS	52,877	109,717
	52,977	109,817
	$ 502,139	$ 367,408

MEMEX ELECTRONICS INC.

STATEMENT OF INCOME (LOSS) AND RETAINED EARNINGS

YEAR ENDED SEPTEMBER 30, 1998

	1998	1997 (Note 10)
SALES	$ 806,095	$ 612,763
COST OF GOODS SOLD	290,326	156,889
GROSS MARGIN (1998 - 64.0 %; 1997 - 74.4 %)	515,769	455,874
EXPENSES		
Engineering expenses	38,761	87,525
Sales expenses	161,662	92,732
General and administrative expenses	393,670	265,372
	594,093	445,629
INCOME (LOSS) BEFORE OTHER INCOME	(78,324)	10,245
OTHER INCOME		
Interest and other income	1,480	8,960
Research and development grants and tax credits	-	78,677
	1,480	87,637
INCOME (LOSS) BEFORE INCOME TAXES	(76,844)	97,882
Provision for (recovery of) income taxes - current	(15,304)	8,367
- deferred	(4,700)	4,700
NET INCOME (LOSS) FOR THE YEAR	(56,840)	84,815
RETAINED EARNINGS, BEGINNING OF YEAR	109,717	24,902
RETAINED EARNINGS, END OF YEAR	$ 52,877	$ 109,717

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MEMEX ELECTRONICS INC.

STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED SEPTEMBER 30, 1998

	1998	1997 (Note 10)
CASH PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES		
Net income (loss) for the year	$ (56,840)	$ 84,815
Charges not involving cash		
Amortization	25,086	26,360
Deferred income taxes	(4,700)	4,700
	(36,454)	115,875
Net change in accounts receivable	(486)	(78,518)
Net change in inventory	3,053	(22,727)
Net change in other current assets	6,724	(1,529)
Net change in accounts payable and accrued liabilities	95,368	2,616
Net change in income taxes	(38,463)	(63,716)
Net change in other current liabilities	8,232	-
Cash provided by (used for) operations	37,974	(47,999)
FINANCING ACTIVITIES		
Increase in shareholder loans	18,338	-
Increase in long-term debt	24,589	20,800
Cash provided by financing activities	42,927	20,800
INVESTING ACTIVITIES		
Purchase of capital assets	(42,836)	(26,651)
Increase in research and development costs	(91,505)	-
Decrease in notes receivable	3,696	21,635
Cash used for investing activities	(130,645)	(5,016)
DECREASE IN CASH	(49,744)	(32,215)
BANK INDEBTEDNESS, BEGINNING OF YEAR	(64,945)	(32,730)
BANK INDEBTEDNESS, END OF YEAR	$ (114,689)	$ (64,945)

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Going Concern Considerations

These financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The company's ability to continue as a going concern is dependent upon its ability to attain profitable operations and maintain the ongoing support of its creditors.

(b) Inventory

Inventory is valued at the lower of cost and net realizable value, cost being determined on an average cost basis.

(c) Capital Assets and Amortization

Capital assets are recorded at acquisition cost. Amortization is provided for on a declining balance basis for all capital assets except for a computer software license that is provided for on a straight line basis at the following annual rates:

Office furniture	- 20%
Machinery and equipment	- 20%
Computer equipment	- 30%
Computer software	- 100%
Computer software license	- 3 years
Office equipment	- 20%

One-half the normal rate of amortization is provided for in the year of acquisition.

(d) Translation of Foreign Currencies

Transactions arising during the year in foreign currency are translated into Canadian currency at the rate of exchange prevailing on the transaction date. Monetary assets and liabilities are translated into Canadian currency at the rate of exchange prevailing at the balance sheet date. Exchange gains on losses arising on translation are included on the income statement.

2. NOTE RECEIVABLE

	1998	1997
Note receivable - unsecured, payable in monthly instalments of $380, principal and interest at 12%	$ 4,369	$ 8,065
Less: Current portion	4,369	3,696
	$ -	$ 4,369

3. RESEARCH AND DEVELOPMENT COSTS

Certain product development costs are capitalized once market and technical feasiblity has been established. Research and development costs capitalized will be amortized on a straight-line basis over the lesser of the expected life of the product or five years.

Research and development costs reflect the following:

	1998	1997
Research and development costs	$ 138,183	$ -
Research and development grants and investment tax credits	(46,678)	-
	$ 91,505	$ -

4. SHAREHOLDER LOANS

The shareholder loans are unsecured, non-interest bearing, and have no set terms of repayment, however, management does not anticipate repayment prior to September 30, 1999.

5. LONG-TERM DEBT

	1998	1997
Equipment loan payable - Due to the Royal Bank repayable in monthly instalments of $2,084, principal and interest at prime plus 1.75%, due April 30, 2001 secured by a general security agreement.	$ 64,309	$ 33,224
Loan payable - $10,000 U.S. Due to an unrelated third party, non-interest bearing, with no fixed terms of repayment, unsecured. The loan is convertible to equity at the option of the company.	15,312	13,576
	79,621	46,800
Less: Current portion	25,008	16,776
	$ 54,613	$ 30,024

Minimum required principal repayments are as follows:

1999	$ 25,008
2000	25,008
2001	29,605
	$ 79,621

The company is in violation of its convenants with the Royal Bank as at September 30, 1998.

6. CAPITAL STOCK

	1998	1997
Authorized:		
Unlimited - common shares		
Stated Capital:		
900,000 - common shares	$ 100	$ 100

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7. LOSS CARRY FORWARD FOR INCOME TAX PURPOSES

The potential income tax benefits associated with losses for income tax purposes have not been recorded in the accounts. These losses are available to reduce taxable income in the future years and any unapplied losses will expire as follows:

Year of Expiry	Federal Amount	Ontario Amount
2005	$ 102,247	$ 158,798

8. LEASE COMMITMENTS

Future minimum payments for operating leases that have initial or remaining terms of one year or more, consisted of the following amounts as at September 30, 1998:

1999	$ 13,298
2000	15,388
2001	15,388
2002	12,823
	$ 56,897

9. FINANCIAL INSTRUMENTS

(a) Interest Rate Risk Exposures

The Company's exposure to interest rate risk is summarized in the following table.

	Floating Interest Rate	Fixed Interest Rate Maturing In: 1 year or Less	1 to 5 Years	More than 5 Years	Non-Interest Bearing	Total
Financial assets						
Accounts receivable	$ -	$ -	$ -	$ -	$ 155,106	$ 155,106
Note receivable	-	4,369	-	-	-	4,369
	$ -	$ 4,369	$ -	$ -	$ 155,106	$ 159,475

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9. FINANCIAL INSTRUMENTS (Cont'd)

	Floating Interest Rate	Fixed Interest Rate Maturing In: 1 year or Less	1 to 5 Years	More than 5 Years	Non-Interest Bearing	Total
Financial liabilities						
Bank indebtedness	$ 114,689	$ -	$ -	$ -	$ -	$ 114,689
Accounts payable	-	-	-	-	170,755	170,755
Long term debt	64,309	-	-	-	15,312	79,621
Shareholder loans	-	-	-	-	83,208	83,208
	$ 178,998	$ -	$ -	$ -	$ 269,275	$ 448,273

(b) Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of accounts receivable. The Company performs ongoing credit evaluations of its customers' financial condition and, generally, requires no collateral from its customers. Concentration of credit risk with respect to trade receivables are limited due to the large number of customers comprising the Company's customer base. As of September 30, 1998 the Company had no significant concentrations of credit risk.

10. COMPARATIVE INFORMATION

The prior years comparative figures were prepared on an unaudited basis.

The comparative figures for 1997 have been reclassified where necessary to conform with the 1998 financial statement presentation.

11. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

e-Manufacturing Networks Inc.
Interim Consolidated Balance Sheet

(expressed in Canadian dollars)

	March 31, 2001 $ (Unaudited)	December 31, 2000 $
Assets		
Current assets		
Cash and short-term investments	11,348	36,804
Accounts receivable	1,356,438	1,108,955
Due from shareholder	67,779	120,690
Inventory	966,210	981,001
Income taxes recoverable	21,638	41,666
Prepaid expenses	143,840	67,103
Future income taxes	372,434	372,434
	2,939,687	2,728,653
Long-term assets		
Product development costs	650,493	522,203
Capital assets	3,690,364	3,244,665
Other assets	205,040	168,791
Future income taxes	631,836	631,836
Goodwill	4,492,186	4,380,388
	12,609,606	11,676,536
Liabilities		
Current liabilities		
Bank indebtedness	1,284,985	1,126,204
Accounts payable and accrued liabilities	1,965,591	1,767,928
Deferred revenue	296,475	322,464
Loans payable to shareholders	101,434	106,599
Current portion of long-term debt	2,489,081	2,094,152
	6,137,566	5,417,347
Long-term liabilities		
Long-term debt	555,151	842,669
Future income taxes	790,892	598,714
	7,483,609	6,858,730
Shareholders' Equity		
Common shares (note 4)	4,001,314	3,656,264
Common share purchase warrants (note 5)	3,904,076	2,565,151
Deficit	(2,779,393)	(1,403,609)
	5,125,997	4,817,806
	12,609,606	11,676,536

Nature of operations and going concern assumption (note 1)

Approved by the Board of Directors

Barrie R. Boatman Director   David M. Reese Director

PRICEWATERHOUSECOOPERS

e-Manufacturing Networks Inc.
Interim Consolidated Statements of Operations

(expressed in Canadian dollars)

	Three months ended March 31, 2001 $ (Unaudited)	Three months ended March 31, 2000 $ (Unaudited)
Revenue	1,817,158	135,315
Cost of sales	981,955	57,008
Gross profit	835,203	78,307
Research and development expenses	330,839	29,912
Sales and marketing expenses	594,325	92,676
General and administrative expenses	764,052	143,103
Amortization	244,267	5,245
Foreign exchange losses	172,766	2,325
Interest expense	104,738	741
	2,210,987	274,002
Loss for the period	(1,375,784)	(195,695)
Basic and diluted loss per share (note 6)	(0.06)	(0.01)

e-Manufacturing Networks Inc.
Interim Consolidated Statements of Deficit

(expressed in Canadian dollars)

	Three months ended March 31, 2001 $ (Unaudited)	Three months ended March 31, 2000 $ (Unaudited)
Retained earnings (deficit) - Beginning of period	(1,403,609)	32,349
Loss for the period	(1,375,784)	(195,695)
Deficit - End of period	(2,779,393)	(163,346)

e-Manufacturing Networks Inc.

Interim Consolidated Statements of Cash Flows

(expressed in Canadian dollars)

	Three months ended March 31, 2001 $ (Unaudited)	Three months ended March 31, 2000 $ (Unaudited)
Cash flows provided by (used in)		
Operating activities (note 8)	(1,157,262)	(199,515)
Financing activities		
Increase in bank indebtedness	158,781	-
Decrease in loans payable to shareholders	(31,602)	(255)
Decrease in long-term debt	(209,281)	(6,252)
Issuance of common shares and Special Warrants - net of expenses	1,483,724	51,815
	1,401,622	45,308
Investing activities		
Business acquisitions, net of cash acquired	-	254,135
Purchase of capital assets	(56,446)	(15,479)
Product development costs	(153,821)	(10,109)
	(210,267)	228,547
Foreign exchange loss on cash held in foreign currency	(59,549)	-
Net increase (decrease) in cash and cash equivalents during the period	(25,456)	74,340
Cash and cash equivalents - Beginning of period	36,804	32,212
Cash and cash equivalents - End of period	11,348	106,552
Cash and cash equivalents comprise		
Cash and short-term investments	11,348	106,552

Supplementary cash flow information (note 8)

(expressed in Canadian dollars)

1 Nature of operations and going concern assumption

The Company has developed hardware and software to enable ethernet-based, two-way communication between machine tools on a factory floor and a manufacturer's management information system, in order to monitor and optimize production. This technology is known as "internetworking", and, while the market for the Company's internetworking products is in its early stages, this technology is an extension of the Company's existing business.

The Company's first generation internetworking hardware and software products are currently in the demonstration and test installation stage. Accordingly, no revenue from these products has been realized to date. The Company continues to generate revenue from its existing business, which is described in note 7.

For three months ended March 31, 2001, the Company had a net outflow of $1,157,262 from operations (year ended December 31, 2000 - $1,978,738) reflecting the substantial investment in the development of new products. As at March 31, 2001, the Company has a deficiency of $3,197,879 in working capital (December 31, 2000 - $2,688,694).

The Company requires additional funding to complete the development and launch of its internetworking products and to cover ongoing expenditures, working capital requirements and debt repayments. To address these funding requirements, the Company: (a) initiated a proposed equity financing expected to raise gross proceeds of up to $5,000,000 expected to close in the third quarter of 2001; (b) has entered into agreements, which are conditional upon completion of an equity offering and certain other matters, with the vendors of the businesses acquired in 2000 and 2001 to firstly, reschedule US$400,000 from current liabilities at March 31, 2001 to long-term liabilities; and, secondly, reclassify US$100,000 from current liabilities at March 31, 2001 to common shares. In addition, the Company has restructured its U.S. operations to reduce the overhead costs.

While there is uncertainty associated with the completion of the financing arrangements described in the preceding paragraph and no assurance that the steps taken will be successful, management expects to obtain the necessary financing to meet the Company's cash requirements for the foreseeable future. Accordingly, these interim consolidated financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern. If, for any reason, management is unable to complete the financing arrangements, and the Company is unable to secure alternative financing, this would raise doubt about the appropriateness of the going concern assumption. If the going concern assumption were not appropriate, adjustments would be necessary to the carrying values of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used, and such adjustments could be material.

(expressed in Canadian dollars)

2 Summary of significant accounting policies

Basis of presentation

These interim consolidated financial statements have been prepared following accounting policies consistent with the Company's consolidated financial statements for the year ended December 31, 2000 and should be read in conjunction with those financial statements. These interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles applicable to interim financial statements, and do not reflect all of the information and disclosures applicable to annual financial statements. References to the Company included herein mean the Company and its consolidated subsidiaries.

The information presented as at March 31, 2001 and for the interim periods ended March 31, 2001 and 2000 is unaudited. These unaudited interim financial statements reflect all adjustments, which are, in the opinion of management, necessary to present a fair statement of the results for the interim periods presented; all such adjustments are of a normal recurring nature. Results for the three months ended March 31, 2001 are not necessarily indicative of the results to be expected for the full year.

3 Business acquisition

Effective March 2, 2001, the Company acquired a 100% interest in Industrial Automation Solutions, Inc. ("IAS"), a developer and distributor of computerized numerical control translation and optimization software, based in Albany, New York. Consideration comprised a note payable of US$200,000, bearing interest at the rate of 5% per annum, and 225,000 common shares of the Company.

The acquisition has been accounted for as a purchase, with the results of IAS included in the interim consolidated statement of operations from March 2, 2001.

The fair value of the consideration agreed to was as follows:

	$
Note payable	306,108
Common shares	200,250
Acquisition costs	20,000
	526,358

(expressed in Canadian dollars)

The purchase consideration was allocated as follows:

	$
Translation and optimization technology	522,365
Other assets	3,993
Goodwill	192,178
Total assets	718,536
Future income taxes	(192,178)
	526,358

Translation and optimization technology and goodwill on this acquisition are being amortized over a period of three years.

During May 2001, the composition of the purchase consideration was renegotiated, subject to certain conditions (note 9(c)).

4 Common shares

a) Authorized capital stock

Unlimited common shares
Unlimited preferred shares, issuable in series, rights and privileges to be determined upon issue

b) Changes in issued and outstanding common shares were as follows:

	Number of common shares	$
Outstanding - January 1, 2001	18,405,337	3,656,264
Shares issued on exercise of stock options	300,000	60,000
Shares issued on acquisition of IAS (note 3)	225,000	200,250
Exercise of Yorkton Special Warrants	424,000	84,800
Outstanding - March 31, 2001	19,354,337	4,001,314

c) Commitments to issue common shares

The Company is currently finalizing the terms of an agreement with a financial consulting group in respect of finder's fees for the September 2000 private placement issuance of Special Warrants (note 5(a)). It is expected that additional common shares of the Company, not exceeding 106,000 common shares will be issued in satisfaction of the finder's fees.

(expressed in Canadian dollars)

On January 17, 2001, the Company retained the services of a public relations firm. Under an agreement that is renewable on a quarterly basis at the discretion of the Company, this firm will receive 15,000 common shares of the Company each quarter for services rendered.

5 Common share purchase warrants

Changes in issued and outstanding common share purchase warrants were as follows:

	$
Outstanding - January 1, 2001	2,565,151
Conversion of Yorkton Special Warrants on January 17, 2001	(84,800)
Private placement of Special Warrants in January 2001 and February 2001, net of issue costs of $160,000	1,423,725
Outstanding - March 31, 2001	3,904,076

	Special Warrants (a)	Special Warrants (b)	Yorkton Special Warrants (c)	Taurus brokers' warrants (d)	Yorkton brokers' warrants (d)	Burgeonvest brokers' warrants (e)
Number outstanding - January 1, 2001	1,400,000	310,000	424,000	1	1	-
Issued in 2001	-	1,218,250	-	-	-	115,385
Exercised in 2001	-	-	(424,000)	-	-	-
Number outstanding - March 31, 2001	1,400,000	1,528,250	-	1	1	115,385

a) The Company completed a private placement on September 15, 2000 of 1,400,000 Special Warrants priced at $1.70 each for gross proceeds of $2,380,000, less issuance costs of $260,000. Each Special Warrant is exercisable for one unit, comprising one common share of the Company and one-half of one Share Purchase Warrant at no additional cost. Each whole Share Purchase Warrant, at the option of the holder, entitles the holder to purchase one additional common share of the Company at the price of $2.00.

b) The Company commenced a private placement on December 11, 2000 of 1,500,000 Special Warrants priced at $1.30 per unit for gross proceeds of $1,950,000. Of these Special Warrants, 374,400 are each exercisable for one unit, and 1,125,600 are each exercisable for 1.1 units. All of these units comprise one common share of the Company and one-half of one Share Purchase Warrant at no additional cost. Each whole Share Purchase Warrant, at the option of the holder, entitles the holder to purchase one additional common share of the Company at the price of $1.70.

(expressed in Canadian dollars)

A total of 310,000 of the Special Warrants were issued prior to December 31, 2000 for gross proceeds of $403,000, less issuance costs of $42,649. A further 1,190,000 Special Warrants were issued in January 2001 and February 2001, plus an additional 28,250 Special Warrants were issued on February 26, 2001. These additional 28,250 Special Warrants are each exercisable for 1.1 units.

c) On January 17, 2000, the Company issued 424,000 Special Warrants to Yorkton Securities Inc. ("Yorkton") with an aggregate value of $84,800 as a finder's fee. These Special Warrants were subject to a one-year hold period until January 17, 2001, on which date they were automatically converted to common shares on a one-to-one basis for no additional consideration.

d) Pursuant to the private placement described in note 5(a), the Company issued one special brokers' warrant to Taurus Capital Markets Ltd. ("Taurus"), and one special brokers' warrant to Yorkton. The warrants entitle Taurus and Yorkton to acquire, for no additional consideration, compensation options entitling them to acquire up to 82,400 and 24,000 Special Warrants, respectively, at prices of $1.90 and $1.70 per Special Warrant, respectively.

In the case of Taurus, this brokers' warrant is exercisable at any time prior to the earlier of (i) the first anniversary of the date of issuance of a receipt by the Ontario Securities Commission for a final prospectus qualifying the issuance of common shares of the Company issuable on the exercise of the Special Warrants in note 5(a); and (ii) September 15, 2002. In the case of Yorkton, this broker's warrant may be exercised at any time prior to August 2, 2001.

e) On February 26, 2001, the Company issued 115,385 brokers' warrants to Burgeonvest Securities Ltd. ("Burgeonvest") which entitle Burgeonvest to acquire up to 126,923 units at $1.30 for each 1.1 units. Each unit consists of one common share of the Company and one-half of one Share Purchase Warrant. Each whole Share Purchase Warrant, at the option of the holder, entitles the holder to purchase one additional common share of the Company at the price of $1.70. The brokers' warrants are exercisable at any time prior to the earlier of (i) five days after the date of issuance of a receipt by the Ontario Securities Commission for a final prospectus qualifying the issuance of common shares of the Company issuable on the exercise of the Special Warrants in note 5(b); and (ii) February 26, 2002.

(expressed in Canadian dollars)

6 Basic and diluted loss per share

Basic and diluted loss per share is calculated using the weighted average number of common shares outstanding as well as commitments to issue common shares, and common shares issuable under Special Warrants for no additional consideration. The exercise of Share Purchase Warrants and employee stock options could potentially dilute earnings per share in the future, but were not reflected in diluted loss per share for the three months ended March 31, 2001 and March 31, 2000, because to do so would be anti-dilutive.

	Three months ended March 31, 2001 $ (Unaudited)	Three months ended March 31, 2000 $ (Unaudited)
Numerator		
Loss for the period	(1,375,784)	(195,695)
Denominator		
Weighted average common shares outstanding	19,203,004	15,971,062
Commitments to issue common shares	116,000	-
Weighted average common shares issuable under Special Warrants for no additional consideration	2,543,633	424,000
	21,862,637	16,395,062
Basic and diluted loss per share	(0.06)	(0.01)

7 Segmented information

The Company has three reportable segments; the Memex, Greco and Spectrum divisions.

The Memex division product lines include hardware connectivity and productivity products. Memex products include ethernet-enabled, high-speed loaders, microcontroller-based interface boards for emulating older numerical control and computerized numerical control ("CNC") paper tape readers and low-cost memory upgrades for machine tool controllers. In addition, Memex was previously a reseller of Spectrum direct numerical control ("DNC") software, other hardware products and generated revenues from installation and service contracts.

(expressed in Canadian dollars)

The Greco division is a supplier of hardware, software and networking products for CNCs. Principal hardware products include serial-to-ethernet conversion devices, the CNC Minifile™, a part program storage and transportation device, and the CNC Station, a CNC serial program storage and editing device. Greco manufactures and distributes Touch Screen Station, Pentium™-based computers, built to withstand harsh manufacturing environments, and rugged computers for light industrial and heavy industrial/military applications. The Greco division's software products include DNC software and tool data management software.

The Spectrum division is a supplier of DNC software for CNCs. The principal product of the Spectrum division is multi-DNC, a 32-bit floor communications software package.

The accounting policies of the segments are the same as those described in note 2. Segment performance is evaluated based on profit or loss from operations after income taxes. Inter-segment transactions are not significant.

The Company's reportable segments are strategic business units that have historically offered different products and services. They are managed separately due to their geographic locations, and because each business uses different technology and marketing strategies.

	Three months ended March 31, 2001 $ (Unaudited)	**Three months ended March 31, 2000 $** (Unaudited)
Revenue		
Memex division	122,957	135,315
Greco division	1,367,359	-
Spectrum division	326,842	-
	1,817,158	135,315
Segment loss		
Memex division	(775,140)	(195,695)
Greco division	(574,270)	-
Spectrum division	(26,374)	-
	(1,375,784)	(195,695)

e-Manufacturing Networks Inc.

Notes to Interim Consolidated Financial Statements
(Unaudited)
March 31, 2001 and 2000

(expressed in Canadian dollars)

8 Supplementary cash flow information

	Three months ended March 31, 2001 $ (Unaudited)	Three months Ended March 31, 2000 $ (Unaudited)
Loss for the period	(1,375,784)	(195,695)
Non-cash items		
Amortization - product development costs	25,531	-
Amortization - goodwill	80,382	-
Amortization - capital assets	137,104	5,245
Amortization - other assets	1,250	-
Foreign exchange losses	172,766	2,325
	(958,751)	(188,125)
Net change in working capital		
Accounts receivable	(188,236)	109,857
Inventory	14,791	6,666
Prepaid expenses	(73,418)	17,188
Other assets	(37,499)	-
Accounts payable and accrued liabilities	105,585	(136,595)
Income taxes recoverable	20,028	(8,506)
Customer deposits	(39,762)	-
Cash used in operating activities	(1,157,262)	(199,515)
Interest paid	106,069	741

9 Subsequent events

a) On July •, 2001, the Company filed a preliminary prospectus to raise gross proceeds of up to $5,000,000 under an equity offering of units, consisting of common shares in the Company and Share Purchase Warrants.

b) During May 2001, the Company entered into agreements to reschedule the repayment of notes payable to the vendors of the businesses acquired in 2000, conditional on the Company completing the equity financing described in note 9(a) and certain other matters. These agreements would have the effect of US$400,000 being rescheduled from current liabilities at March 31, 2001 to long-term liabilities. These financial statements reflect the original terms of the notes payable.

(expressed in Canadian dollars)

The Company is currently in default under the promissory notes referred to in the preceding paragraph. The aggregate principal amount outstanding on these notes as at March 31, 2001 is US$1,500,000, however, upon the satisfaction of all conditions under the debt amendment agreements, all defaults under the promissory notes existing out of or in connection with any prior non-payment of principal or interest will be waived.

c) During May 2001, the Company renegotiated the composition of the consideration to be given for the acquisition of IAS (note 3), conditional upon the Company obtaining certain equity financing. The renegotiated consideration will consist of 375,000 common shares with an assigned value of $333,750, and a note payable of US$100,000. These interim consolidated financial statements reflect the original terms of the consideration.

The Company is currently in default under the promissory note of US$200,000 issued in connection with the acquisition of IAS. However, as long as the Company makes the required payments and issues the shares as contemplated by the amending agreement, all defaults under the promissory note will be waived.

d) On July 11, 2001, the Company amended the exercise ratio for 1,153,850 Special Warrants and 115,385 brokers' warrants that were issued in February 2001 (notes 5(b) and (e)). Whereas each of these Special Warrants and brokers' warrant were previously exercisable for 1.1 units, the amended exercise ratio for each Special Warrant and brokers' warrant is 1.3 units. With this adjustment to the exercise ratio, each of these Special Warrants and brokers' warrants will potentially result in the issuance, at no additional cost to the holder, of 1.43 common shares of the Company and 0.715 of one Share Purchase Warrant. In addition, each whole Share Purchase Warrant now entitles the holder to purchase one additional common share of the Company at the price of $1.30.

e) On July 11, 2001, the Company issued 584,600 Special Warrants, for cash consideration of $1.00 per Special Warrant, resulting in aggregate gross proceeds of $584,600. Each Special Warrant is exercisable for one unit. Each unit consists of one common share of the Company and one half of one Share Purchase Warrant. Each whole Share Purchase Warrant, at the option of the holder, entitles the holder to purchase one additional common share of the Company at the price of $1.30.

Pursuant to this private placement, the Company issued brokers' warrants to Burgeonvest which will entitle Burgeonvest to acquire up to 24,000 units, with the terms described in the preceding paragraph, at a price of $1.00 per unit. These brokers' warrants will be exercisable at any time prior to the first anniversary of issuance.

PRICEWATERHOUSECOOPERS

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July 13, 2001

Compilation Report

To the Directors of
e-Manufacturing Networks Inc.

We have reviewed, as to compilation only, the accompanying pro forma combined statement of operations for the year ended December 31, 2000, which has been prepared for inclusion in the prospectus dated July 12, 2001 relating to the sale and issue of units consisting of common shares of the Company and Share Purchase Warrants, and the issuance of 3,645,328 common shares and 1,822,662 Share Purchase Warrants upon the exercise of 3,036,850 previously issued Special Warrants.

In our opinion, the pro forma combined statement of operations has been properly compiled to give effect to the proposed transactions and the assumptions described in the notes thereto.

Chartered Accountants

Unaudited Pro Forma Combined Statement of Operations

e-Manufacturing Networks Inc. ("e-MFG" or the "Company") acquired Greco Systems, Inc. ("Greco") and Spectrum CNC Technologies, Inc. ("Spectrum") effective August 31, 2000. The following unaudited pro forma combined statement of operations combines the historical financial statements of the Company, Greco and Spectrum to show the effects of the acquisitions on a pro forma basis, including related financing for the acquisitions. The unaudited pro forma statement of operations for the year ended December 31, 2000 gives effect to the acquisitions as if they had occurred on January 1, 2000.

The unaudited pro forma statement of operations is based on the audited consolidated statement of operations of the Company for the year ended December 31, 2000, the unaudited statement of operations of Greco for the three months ended March 31, 2000 combined with the unaudited statement of operations of Greco for the five months ended August 31, 2000, and the unaudited statement of operations of Spectrum for the eight months ended August 31, 2000. Amounts shown for Greco and Spectrum are based on the financial statements of these acquired companies prepared in accordance with generally accepted accounting principles ("GAAP") in the United States. For the periods shown, there were no significant differences between U.S. GAAP and Canadian GAAP applicable to the acquired companies.

The information presented on the following pages is not necessarily indicative of the results of operations that might have occurred had the acquisitions actually closed on January 1, 2000. The pro forma information does not reflect any adjustments for expected revenue synergies and cost savings as a result of the acquisitions nor is it necessarily indicative of the future results of operations of the Company after the acquisition.

The Spectrum statement of operations has been translated at the average exchange rate for the period of 1.4702 for the eight months ended August 31, 2000. The Greco statement of operations for the three months ended March 31, 2000 has been translated at the average exchange rate of 1.4535 and for the five months ended August 31, 2000 at the average exchange rate of 1.4802.

e-Manufacturing Networks Inc.

Pro Forma Combined Statement of Operations
(Unaudited)

For the year ended December 31, 2000

(expressed in Canadian dollars)

	e-MFG	Greco		Spectrum		
	Year ended December 31, 2000 $	Three months ended March 31, 2000 $	Five months ended August 31, 2000 $	Eight months ended August 31, 2000 $	Acquisition adjustments $ (note 1)	Combined $
Revenue	2,799,353	1,031,271	2,021,617	782,802	(84,804) (c)	6,550,239
Cost of sales	1,627,542	491,366	1,060,522	172,156	(84,804) (c)	3,266,782
Gross profit	1,171,811	539,905	961,095	610,646	-	3,283,457
Research and development expenses	342,548	45,714	293,906	205,742	-	887,910
Sales and marketing expenses	1,110,424	289,590	552,793	205,742	-	2,158,549
General and administrative expenses	1,540,519	343,032	447,315	364,902	-	2,695,768
Amortization	334,716	67,819	103,379	1,503	284,085 (a)	791,502
Foreign exchange loss	90,309	-	-	-	-	90,309
Interest expense	129,670	35,964	68,838	4,072	200,243 (b)	438,787
Other income	-	-	(5,950)	(9,084)	-	(15,034)
Loss before income taxes	(2,376,375)	(242,214)	(499,186)	(162,231)	(484,328)	(3,764,334)
Income tax recovery (provision)	940,417	58,431	89,108	(1,176)	-	1,086,780
Loss for the period	(1,435,958)	(183,783)	(410,078)	(163,407)	(484,328)	(2,677,554)
Basic and diluted loss per share	(0.08)					(0.14)
Weighted average number of common shares outstanding	17,753,484					19,390,818

e-Manufacturing Networks Inc.

Notes to the Pro Forma Combined Statement of Operations
(Unaudited)
December 31, 2000

(expressed in Canadian dollars)

1 Pro forma statement of operations assumptions

The pro forma statement of operations has been prepared to give effect to the acquisitions of Greco and Spectrum by the Company as if the acquisitions occurred on January 1, 2000. Pro forma adjustments have been made to reflect:

a) additional amortization of design and application protocols included in capital assets over a period of 15 years and additional amortization of goodwill over a period of 15 years;

b) interest expense at an effective annual rate of 10% on the notes payable issued as part of the purchase consideration; and

c) elimination of intercompany sales between the Company and Spectrum.

The basic pro forma loss per share has been computed based on the weighted average number of common shares outstanding for the year ended December 31, 2000 as follows:

Weighted average number of common shares and potential common shares -	
Common shares outstanding on a weighted average basis	18,368,318
Commitment to issue common shares	106,000
Common shares issuable under Special Warrants for no additional consideration	916,500
	19,390,818

Options and Share Purchase Warrants of the Company have been excluded from the computation of diluted loss per share as the inclusion of these items would be anti-dilutive.

(expressed in Canadian dollars)

2 Pro forma transactions

The pro forma combined statement of operations has been prepared giving effect to the acquisitions of Greco and Spectrum for aggregate purchase prices of $4,244,805 and $1,561,872, respectively, computed as follows:

	Greco $	Spectrum $
Cash of $nil and US$300,000, respectively	-	441,450
Notes payable of US$1,375,000 and US$300,000, respectively	1,963,313	439,296
Issuance of 1,750,000 and 600,000 common shares of e-MFG, respectively	1,925,000	660,000
Acquisition costs	356,492	21,126
	4,244,805	1,561,872

The purchase price was allocated as follows:

	Greco $	Spectrum $
Assets, excluding design and application protocols and goodwill	2,801,094	162,678
Design and application protocols	2,000,000	500,000
Goodwill	2,524,882	1,367,033
Liabilities	(3,081,171)	(467,839)
	4,244,805	1,561,872

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Greco Systems
El Cajon, California

We have audited the accompanying balance sheet of Greco Systems as of March 31, 2000, and the related statements of income, retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 mad e by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Greco Systems as of March 31, 2000, and the results of its operations and its cash flows for the year ended in conformity with generally accepted accounting principles.

WAGNER & CO.
CERTIFIED PUBLIC ACCOUNTANTS, INC.

Ronald D. Wagner, CPA

August 15, 2000

GRECO SYSTEMS

BALANCE SHEET
March 31, 2000

ASSETS

CURRENT ASSETS:	
Cash	$ 1,926
Accounts receivable, net of allowance for doubtful accounts of $40,766	825,598
Inventories	538,156
Prepaid expenses and other	18,979
TOTAL CURRENT ASSETS	1,384,659
PROPERTY AND EQUIPMENT, NET	404,899
CAPITALIZED SOFTWARE DEVELOPMENT COST, NET	135,798
OTHER ASSETS	26,986
DEFERRED TAX ASSET	141,000
DUE FROM STOCKHOLDER	136,506
TOTAL ASSETS	$ 2,229,848

LIABILITIES AND STOCKHOLDER'S EQUITY

CURRENT LIABILITIES:	
Bank line of credit	$ 873,008
Accounts payable and accrued liabilities	564,830
Notes payable - officers	39,271
Deferred revenue	287,212
Current portion of long-term debt	30,408
TOTAL CURRENT LIABILITIES	1,794,729
LONG-TERM DEBT	185,250
TOTAL LIABILITIES	1,979,979
COMMITMENTS	
STOCKHOLDER'S EQUITY:	
Common stock - no par, authorized 1,000,000 shares, issued and outstanding 15,000 shares	15,000
Retained earnings	234,869
TOTAL STOCKHOLDER'S EQUITY	249,869
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$ 2,229,848

See accompanying notes and independent auditors' report.

GRECO SYSTEMS

STATEMENT OF INCOME AND RETAINED EARNINGS
For The Year Ended March 31, 2000

SALES	$3,495,312
COST OF SALES	1,775,413
GROSS PROFIT	1,719,899
OPERATING EXPENSES:	
Selling	767,590
General and administrative	792,254
Research and development	336,520
TOTAL EXPENSE	1,896,364
LOSS FROM OPERATIONS	(176,465)
OTHER INCOME AND EXPENSES:	
Interest income	8,423
Interest expense	(112,132)
	(103,709)
LOSS BEFORE PROVISION FOR INCOME TAXES	(280,174)
INCOME TAX PROVISION, INCLUDING DEFERRED TAX CREDIT OF $59,000	(58,050)
NET LOSS	(222,124)
RETAINED EARNINGS, BEGINNING	456,993
RETAINED EARNINGS, ENDING	$ 234,869

See accompanying notes and independent auditors' report.

GRECO SYSTEMS

STATEMENT OF CASH FLOWS
For The Year Ended March 31, 2000

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net loss	$ (222,124)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	186,635
Change in assets and liabilities:	
Accounts receivable	101,655
Inventories	(31,261)
Prepaid expenses and other assets	14,364
Income taxes receivable	67,490
Other assets	2,858
Due from stockholders	(23,925)
Deferred tax asset	(59,000)
Accounts payable and accrued liabilities	(117,017)
Income taxes payable	–
Deferred revenue	287,212
NET CASH PROVIDED BY OPERATING ACTIVITIES	206,887
CASH FLOWS FROM INVESTING ACTIVITIES:	
Payments for software development cost	(150,887)
Purchase for property and equipment	(20,042)
NET CASH USED IN INVESTING ACTIVITIES	(170,929)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Net borrowings under bank line of credit	(71,078)
Short-term borrowings	39,272
Principal payments on long-term debt	(28,136)
NET CASH USED BY FINANCING ACTIVITIES	(59,942)
NET DECREASE IN CASH	(23,984)
Cash at beginning of year	25,910
Cash at end of year	$ 1,926

Supplemental disclosures of cash flow information:

Cash paid during the year for:	
Interest	$ 104,614
Income taxes	$ 800

See accompanying notes and independent auditors' report.

GRECO SYSTEMS

NOTES TO FINANCIAL STATEMENTS
March 31, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Greco Systems (the Company) designs and manufactures electronic equipment primarily for the machine tool market.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Inventory

Inventory is stated at the lower of average cost or market.

Property and Equipment

Property and equipment are stated at cost and depreciated over the estimated useful lives of the assets (generally 5 years) using the straight-line method.

Revenue Recognition

The Company generally records revenue when product is shipped.

Income Taxes

Deferred income taxes are provided for timing differences in reporting income for financial statement and income tax purposes. The Company accounts for investment and research and development credits on the flow-through method.

NOTE 2 - INVENTORIES

Inventories consisted of the following at March 31, 2000:

Raw materials	$ 463,694
Work-in-process	61,925
Finished goods	17,934
	543,553
Reserve for obsolescence	(5,397)
	$ 538,156

NOTE 3 - PROPERTY AN EQUIPMENT

Property and equipment consisted of the following at March 31, 2000:

Equipment	$ 1,092,921
Transportation equipment	381,098
Leasehold improvements	71,174
	1,545,193
Less accumulated depreciation	1,140,294
Net property and equipment	$ 404,899

Depreciation expense for the year ended March 31, 2000 was $171,546.

NOTE 4 - OTHER ASSETS

Other assets consisted of the following at March 31, 2000:

Deposits-rent	$ 7,227
Sales materials	19,759
Total	$ 26,986

NOTE 5 - BANK LINE OF CREDIT

The Company has an $1,000,000 bank line of credit which provides for interest at 2% over the bank's prime rate (8 1/2% at March 31, 2000) on outstanding balances and is collateralized primarily by accounts receivable and inventory. The line is guaranteed by the Company's stockholder. The agreement expired on May 8, 2000 and was renewed until November 5, 2000. At March 31, 2000 the Company did not comply with certain covenants as required by the agreement.

NOTE 6 - LONG TERM DEBT

Long-term debt at March 31, 2000 is summarized as follows:

Note payable in monthly installments of $708 plus interest at 9%, maturing in May 2002	$ 18,830
Note payable in monthly installments of $2,139 including interest at 8.99%, maturing in July 2011	181,052
Note payable in monthly installments of $1,207 including Interest at 9.75%, maturing in May 2001	15,776
	215,658
Less current portion	30,408
Long-term debt	$ 185,250

NOTE 6 - LONG TERM DEBT (CONTINUED)

Future minimum payments on long-term debt as of March 31, 2000, are as follows:

Year Ending	
2001	$ 30,408
2002	20,677
2003	15,649
2004	12,791
2005	13,990
Thereafter	122,143
Total	$ 215,658

Long-term debt is collateralized by certain property and equipment and personally guaranteed by the stockholder of the Company.

NOTE 7 - INCOME TAXES

Effective April 1, 1993, the Company adopted Statement of Financial Accounting Standards No.109 "Accounting for Income Taxes" (SFAS 109). Under SFAS 109, the deferred tax provision is determined under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized based on differences between the financial statement and tax basis of assets and liabilities using presently enacted tax rates.

The components of the provision for income taxes as of and for the year ended March 31, 2000 are as follows:

Federal expense:	
Current	$ -0-
Deferred (Credit)	(30,000)
State expenses:	
Current	950
Deferred	(29,000)
Total	$ (58,050)

NOTE 7 - INCOME TAXES (CONTINUED)

The provision for income taxes on income differs from the federal statutory rate because of temporary differences between financial and tax income in the recognition of warranty expense, vacation accruals, capitalization of inventory and depreciation.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for reporting and the amounts used for income tax purposes. The tax effects of items comprising the Company's net deferred tax assets are as follows at March 31, 2000:

Reserves currently not deductible	$ 70,000
Differences between book and tax basis of inventory and property and equipment	(30,000)
Net operating loss carry forward	46,000
Tax credits	55,000
Gross deferred tax assets	141,000
Valuation allowance	-
Net deferred tax asset	$ 141,000

A valuation allowance is provided when it is more likely than not that the some or all of the deferred tax assets will not be realized. The Company has not established a valuation allowance at March 31, 2000.

At March 31, 2000 the Company has tax credit carry forward of $55,000 which expire through 2009.

NOTE 8 - COMMITMENTS

Operating Leases

The Company leases its facilities under noncancellable operating leases. The facility leases are subject to increases based upon the Consumer Price Index and expired on June 30, 1998. Management has renewed facility leases through March 31, 2001. Rent expense under operating leases for the year ended March 31, 2000 was approximately $114,000.

Future minimum lease commitments as of March 31, 2000 are as follows:

	Operating Leases
2001	$ 114,156

NOTE 9 - PROFIT SHARING PLAN

The Company has a qualified profit sharing plan for the benefit of eligible employees. Eligible employees are generally those who, at the end of a plan year, have twelve consecutive months of employment during which time they have completed 1,000 hours of service and have reached their 21st birthday. Company contributions to the plan are voluntary and are determined at the discretion of the Board of Directors. The plan may be terminated by the Company at any time. There were no contributions to the plan during the fiscal year ended March 31, 2000.

NOTE 10 - DEFERRED SAVINGS PLAN

The Company has a 401(k) plan that allows participating employees to contribute from 1% to 15% of their salary, subject to annual limits. The Company does not make matching contributions.

NOTE 11 - DUE FROM STOCKHOLDER

Amounts due from stockholder are due on demand and bear interest at 7%. As of March 31, 2000, $136,506 was outstanding.

NOTE 12 - RESEARCH AND DEVELOPMENT

Research and development cost related to both future and present products are charged to operations as incurred. The Company recognized research and development costs of $336,520 during the year.

NOTE 13 - CAPITALIZED SOFTWARE DEVELOPMENT COSTS

The Company also incurred application development costs for designing software configuration and interfaces, coding, installation, and testing of computer software products to be sold. The computer software costs are capitalized and amortized using the straight-line method over estimated useful life of 5 years. The balance of the software development costs at March 31, 2000 was $150,887. The amortization expense of the computer software development costs for the year ended March 31, 2000 was $15,088.

NOTE 14 - RELATED PARTY TRANSACTIONS

The Company has unsecured note payable to a related individual. The note is due on demand with interest rate of 10%. The balance of the note and the accrued interest at March 31, 2000 was $25,000 and $467, respectively.

The Company has unsecured loan to stockholder. The loan is due on demand with interest rate of 7.4%. At March 31, 2000, $14,271 is outstanding. The balance of the loan is included as part of the notes payable-officers as of March 31, 2000.

NOTE 14 - RELATED PARTY TRANSACTIONS (CONTINUED)

The Company owed $53,737 for both current and reinstated prior year accrued vacation to stockholder and related individual. This amount is included in current year expense and as part of accrued liabilities as of March 31, 2000.

NOTE 15 - DEFERRED REVENUE

During the current fiscal year, the Company billed $287, 212 for computer purchases, upgrade, testing and shipment to a major customer. This revenue has been deferred and will be reflected in income together with related costs and expenses as the short-term contract is completed.

GRECO SYSTEMS

BALANCE SHEET
March 31, 1999

ASSETS

CURRENT ASSETS:	
Cash	$ 25,910
Accounts receivable, net of allowance for doubtful accounts of $50,662	927,253
Inventories	506,895
Prepaid expenses and other	33,343
Income taxes receivable	67,490
TOTAL CURRENT ASSETS	1,560,891
PROPERTY AND EQUIPMENT, NET	556,403
OTHER ASSETS	29,844
DEFERRED TAX ASSET	82,000
DUE FROM STOCKHOLDER	112,581
TOTAL ASSETS	$ 2,341,719

LIABILITIES AND STOCKHOLDER'S EQUITY

CURRENT LIABILITIES:	
Bank line of credit	$ 944,086
Accounts payable and accrued liabilities	681,847
Current portion of long-term debt	27,729
TOTAL CURRENT LIABILITIES	1,653,662
LONG-TERM DEBT	216,064
TOTAL LIABILITIES	1,869,726
COMMITMENTS	
STOCKHOLDER'S EQUITY:	
Common stock - no par, authorized 1,000,000 shares, issued and outstanding 15,000 shares	15,000
Retained earnings	456,993
TOTAL STOCKHOLDER'S EQUITY	471,993
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$ 2,341,719

See accompanying notes and accountant's review report.

GRECO SYSTEMS

STATEMENT OF INCOME AND RETAINED EARNINGS
March 31, 1999

SALES	$4,803,714
COST OF SALES	2,447,774
GROSS PROFIT	2,355,940
OPERATING EXPENSES:	
Selling	1,110,904
General and administrative	937,957
Research and development	555,577
TOTAL EXPENSE	2,604,438
LOSS FROM OPERATIONS	(248,498)
OTHER INCOME AND EXPENSES:	
Interest income	6,788
Income tax refund	67,490
Interest expense	(116,247)
	(41,969)
LOSS BEFORE PROVISION FOR INCOME TAXES	(290,467)
INCOME TAX PROVISION, INCLUDING DEFERRED TAX CREDIT OF $54,000	(51,805)
NET LOSS	(238,662)
RETAINED EARNINGS, BEGINNING	695,655
RETAINED EARNINGS, ENDING	$ 456,993

See accompanying notes and accountant's review report.

GRECO SYSTEMS

STATEMENT OF CASH FLOWS
March 31, 1999

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net loss	$ 238,662
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	154,202
Change in assets and liabilities:	
Accounts receivable	281,986
Inventories	91,200
Prepaid expenses and other assets	8,670
Income taxes receivable	(67,490)
Other assets	(11,566)
Due from stockholders	(20,092)
Deferred to asset	(54,000)
Note Payable	(8,346)
Accounts payable and accrued liabilities	45,298
Income taxes payable	(28,259)
NET CASH PROVIDED BY OPERATING ACTIVITIES	152,941
CASH FLOWS FROM INVESTING ACTIVITIES:	
Capital expenditures	(166,960)
NET CASH USED IN INVESTING ACTIVITIES	(166,960)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Net borrowings under bank line of credit	28,772
Long-term borrowings	37,435
Principal payments on long-term debt	(23,421)
NET CASH PROVIDED BY FINANCING ACTIVITIES	42,786
NET INCREASE IN CASH	28,767
Cash overdraft at beginning of year	(2,857)
Cash at end of year	$ 25,910
Supplemental disclosures of cash flow information:	
Cash paid during the year for:	
Interest	$ 114,018
Income taxes	$ 800

See accompanying notes and accountant's review report.

GRECO SYSTEMS

NOTES TO FINANCIAL STATEMENTS
Year Ended March 31, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Greco Systems (the Company) designs and manufactures electronic equipment primarily for the machine tool market.

Inventory

Inventory is stated at the lower of average cost or market.

Property and Equipment

Property and equipment are stated at cost and depreciated over the estimated useful lives of the assets (generally 5 years) using the straight-line method.

Revenue Recognition

The Company generally records revenue when product is shipped.

Income Taxes

Deferred income taxes are provided for timing differences in reporting income for financial statement and income tax purposes. The Company accounts for investment and research and development credits on the flow-through method.

NOTE 2 - INVENTORIES

Inventories consisted of the following at March 31, 1999:

Raw materials	$ 429,687
Work-in-process	63,161
Finished goods	29,444
	522,292
Reserve for obsolescence	(15,397)
	$ 506,895

GRECO SYSTEMS

NOTES TO FINANCIAL STATEMENTS
Year Ended March 31, 1999

NOTE 3 - PROPERTY AN EQUIPMENT

Property and equipment consisted of the following at March 31, 1999:

Equipment	$ 1,106,028
Transportation equipment	381,098
Leasehold improvements	71,174
	1,558,300
Less accumulated depreciation	(1,001,897)
Net property and equipment	$ 556,403

NOTE 4 - OTHER ASSETS

Other assets consisted of the following at March 31, 1999:

Receivable-other	$ 696
Deposits-rent	8,791
Sales materials	20,357
Total	$ 29,844

NOTE 5 - BANK LINE OF CREDIT

The Company has an $1,000,000 bank line of credit which provides for interest at 2% over the bank's prime rate (8 1/2% at March 31, 1999) on outstanding balances and is collateralized primarily by accounts receivable and inventory. The line is guaranteed by the Company's stockholder. The agreement expired on August 6, 1999 and was renewed until November 5, 1999. At March 31, 1999 the Company did not comply with certain covenants as required by the agreement.

NOTE 6 - LONG TERM DEBT

Long-term debt at March 31, 1999 is summarized as follows:

Note payable in monthly installments of $708 plus interest at 9%, maturing in May 2002	$ 25,290
Note payable in monthly installments of $2,139 including interest at 8.99%, maturing in July 2011	190,436
Note payable in monthly installments of $1,207 including Interest at 9.75%, maturing in May 2001	28,067
	243,793
Less current portion	27,729
Long-term debt	$ 216,064

NOTE 6 - LONG TERM DEBT (CONTINUED)

Future minimum payments on long-term debt as of March 31, 1999, are as follows:

Year Ending	
2000	$ 27,729
2001	30,408
2002	20,677
2003	15,649
2004	12,791
Thereafter	136,539
Total	$ 243,793

Long-term debt is collateralized by certain property and equipment and personally guaranteed by the stockholder of the Company.

NOTE 7 - INCOME TAXES

Effective April 1, 1993, the Company adopted Statement of Financial Accounting Standards No.109 "Accounting for Income Taxes" (SAFS 109). Under SFAS 109, the deferred tax provision is determined under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized based on differences between the financial statement and tax basis of assets and liabilities using presently enacted tax rates.

The components of the provision for income taxes as of and for the year ended March 31, 1999 are as follows:

Federal expense:	
Current	$ 1,395
Deferred (Credit)	(40,000)
State expenses:	
Current	800
Deferred	(14,000)
Total	$ (51,805)

NOTE 7 - INCOME TAXES (CONTINUED)

The provision for income taxes on income differs from the federal statutory rate because of temporary differences between financial and tax income in the recognition of warranty expense, vacation accruals, capitalization of inventory and depreciation.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for reporting and the amounts used for income tax purposes. The tax effects of items comprising the Company's net deferred tax assets are as follows at March 31, 1999:

Reserves currently not deductible	$ 50,000
Differences between book and tax basis of inventory and property and equipment	(43,000)
Net operating loss carry forward	20,000
Tax credits	55,000
Gross deferred tax assets	82,000
Valuation allowance	-
Net deferred tax asset	$ 82,000

A valuation allowance is provided when it is more likely than not that the some or all of the deferred tax assets will not be realized. The Company has not established a valuation allowance at March 31, 1999.

At March 31, 1999 the Company has tax credit carry forward of $55,000 which expire through 2009.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases its facilities under noncancellable operating leases. The facility leases are subject to increases based upon the Consumer Price Index and expired on June 30, 1998. Management has renewed facility leases through December 31, 2000. Rent expense under operating leases for the year ended March 31, 1999 was approximately $130,000.

Future minimum lease commitments as of March 31, 1999 are as follows:

	Operating Leases
1999	$ 9,351

NOTE 9 - PROFIT SHARING PLAN

The Company has a qualified profit sharing plan for the benefit of eligible employees. Eligible employees are generally those who, at the end of a plan year, have twelve consecutive months of employment during which time they have completed 1,000 hours of service and have reached their 21st birthday. Company contributions to the plan are voluntary and are determined at the discretion of the Board of Directors. The plan may be terminated by the Company at any time. There were no contributions to the plan during the fiscal year ended March 31, 1999.

NOTE 10 - DEFERRED SAVINGS PLAN

The Company has a 401(k) plan that allows participating employees to contribute from 1% to 15% of their salary, subject to annual limits. The Company does not make matching contributions.

NOTE 11 - DUE FROM STOCKHOLDER

Amounts due from stockholder are due on demand and bear interest at 7%. As of March 31, 1999, $103,793 was outstanding.

GRECO SYSTEMS

BALANCE SHEET
March 31, 1998

ASSETS

CURRENT ASSETS:	
Accounts receivable, net of allowance for doubtful accounts of $14,417	$ 1,209,239
Inventories	598,095
Prepaid expenses and other	42,013
TOTAL CURRENT ASSETS	1,849,347
PROPERTY AND EQUIPMENT, NET	543,644
OTHER ASSETS	18,278
DEFERRED TAX ASSET	28,000
DUE FROM STOCKHOLDER	92,489
TOTAL ASSETS	$ 2,531,758

LIABILITIES AND STOCKHOLDER'S EQUITY

CURRENT LIABILITIES:	
Cash overdraft	$ 2,857
Bank line of credit	915,314
Note payable	8,346
Accounts payable and accrued liabilities	636,549
Income taxes payable	28,259
Current portion of long-term debt	14,097
TOTAL CURRENT LIABILITIES	1,605,422
LONG-TERM DEBT	215,681
TOTAL LIABILITIES	1,821,103
COMMITMENTS	
STOCKHOLDER'S EQUITY:	
Common stock - no par, authorized 1,000,000 shares, issued and outstanding 15,000 shares	15,000
Retained earnings	695,655
TOTAL STOCKHOLDER'S EQUITY	710,655
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$ 2,531,758

See accompanying notes and accountant's review report.

GRECO SYSTEMS

STATEMENT OF INCOME AND RETAINED EARNINGS
March 31, 1998

SALES	$6,402,300
COST OF SALES	3,063,491
GROSS PROFIT	3,338,809
OPERATING EXPENSES:	
Selling	1,349,063
General and administrative	1,138,762
Research and development	622,982
TOTAL EXPENSE	3,110,807
INCOME FROM OPERATIONS	228,002
OTHER INCOME AND EXPENSES:	
Interest income	6,848
Gain on sale of assets	7,934
Interest expense	(118,021)
	(103,239)
INCOME BEFORE PROVISION FOR INCOME TAXES	124,763
INCOME TAX PROVISION, INCLUDING DEFERRED TAXES OF $15,000	57,087
NET INCOME	67,676
RETAINED EARNINGS, BEGINNING	627,979
RETAINED EARNINGS, ENDING	$ 695,655

See accompanying notes and accountant's review report.

GRECO SYSTEMS

STATEMENT OF CASH FLOWS
March 31, 1998

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net Income	$ 67,676
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	127,252
Change in assets and liabilities:	
Accounts receivable	151,612
Inventories	(30,858)
Prepaid expenses and other assets	(3,689)
Due from stockholders	23,729
Deferred tax asset	15,000
Note payable	8,346
Accounts payable and accrued liabilities	(91,137)
Income taxes payable	(30,213)
NET CASH PROVIDED BY OPERATING ACTIVITIES	237,718
CASH FLOWS FROM INVESTING ACTIVITIES:	
Capital expenditures	(194,738)
Proceeds from sale of assets	10,500
NET CASH USED IN INVESTING ACTIVITIES	(184,238)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Net borrowings under bank line of credit	(44,359)
Long-term borrowings	34,000
Principal payments on long-term debt	(64,176)
NET CASH USED BY FINANCING ACTIVITIES	(74,535)
NET DECREASE IN CASH	(21,055)
Cash at beginning of year	18,198
Cash overdraft at end of year	$ (2,857)

Supplemental disclosures of cash flow information:

Cash paid during the year for:	
Interest	$ 120,158
Income taxes	$ 72,300

See accompanying notes and accountant's review report.

GRECO SYSTEMS

NOTES TO FINANCIAL STATEMENTS
Year Ended March 31, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Greco Systems (the Company) designs and manufactures electronic equipment primarily for the machine tool market.

Inventory

Inventory is stated at the lower of average cost or market.

Property and Equipment

Property and equipment are stated at cost and depreciated over the estimated useful lives of the assets (generally 5 years) using the straight-line method.

Revenue Recognition

The Company generally records revenue when product is shipped.

Income Taxes

Deferred income taxes are provided for timing differences in reporting income for financial statement and income tax purposes. The Company accounts for investment and research and development credits on the flow-through method.

NOTE 2 - INVENTORIES

Inventories consisted of the following at March 31, 1998:

Raw materials	$ 472,628
Work-in-process	130,715
Finished goods	29,536
	632,879
Reserve for obsolescence	(34,784)
	$ 598,095

NOTE 3 - PROPERTY AN EQUIPMENT

Property and equipment consisted of the following at March 31, 1998:

Equipment	$ 939,880
Transportation equipment	380,286
Leasehold improvements	71,174
	1,391,340
Less accumulated depreciation	(847,696)
Net property and equipment	$ 543,644

NOTE 4 - OTHER ASSETS

Other assets consisted of the following at March 31, 1998:

Deposits	$ 8,791
Sales materials	9,487
Total	$ 18,278

NOTE 5 - BANK LINE OF CREDIT

The Company has an $1,000,000 bank line of credit which provides for interest at 2% over the bank's prime rate (8 1/2% at March 31, 1998) on outstanding balances and is collateralized primarily by accounts receivable and inventory. The line is guaranteed by the Company's stockholder. The agreement expires on August 1, 1998 and requires the Company to comply with certain covenants.

NOTE 6 - LONG-TERM DEBT

Long-term debt at March 31, 1998 is summarized as follows:

Note payable in monthly installments of $708 including interest at 9%, maturing in May 2002	$ 31,220
Note payable in monthly installments of $2,139 including including interest at 8.99%, maturing in July 2011	198,558
	229,778
Less current portion	14,097
Long-term debt	$ 215,681

NOTE 6 - LONG TERM DEBT (CONTINUED)

Future minimum payments on long-term debt as of March 31, 1998, are as follows:

Year Ending	
1999	$ 14,097
2000	15,419
2001	16,864
2002	18,445
2003	15,674
Thereafter	149,279
Total	$ 229,778

Long-term debt is collateralized by certain property and equipment and personally guaranteed by the stockholder of the Company.

NOTE 7 - INCOME TAXES

Effective April 1, 1993, the Company adopted Statement of Financial Accounting Standards No.109 "Accounting for Income Taxes" (SAFS 109). Under SFAS 109, the deferred tax provision is determined under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized based on differences between the financial statement and tax basis of assets and liabilities using presently enacted tax rates.

The components of the provision for income taxes as of and for the year ended March 31, 1998 are as follows:

Federal expense:	
Current	$ 26,128
Deferred	17,000
State expenses:	
Current	15,959
Deferred (credit)	(2,000)
Total	$ 57,087

NOTE 7 - INCOME TAXES (CONTINUED)

The provision for income taxes on income differs from the federal statutory rate because of temporary differences between financial and tax income in the recognition of warranty expense, vacation accruals, capitalization of inventory and depreciation.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for reporting and the amounts used for income tax purposes. The tax effects of items comprising the Company's net deferred tax assets are as follows at March 31, 1998:

Reserves currently not deductible	$ 57,000
Differences between book and tax basis of inventory and property and equipment	(46,000)
Tax credits	17,000
Gross deferred tax assets	28,000
Valuation allowance	-
Net deferred tax asset	$ 28,000

A valuation allowance is provided when it is more likely than not that the some or all of the deferred tax assets will not be realized. The Company has not established a valuation allowance at March 31, 1998.

At March 31, 1998 the Company has tax credit carry forward of $17,000 which expire through 2009.

NOTE 8 - COMMITMENTS

Operating Leases

The Company leases its facilities under noncancellable operating leases. The facility leases are subject to increases based upon the Consumer Price Index and expire on June 30, 1998. Management is in the process of renewing facility leases through June 30, 1999. Rent expense under operating leases for the year ended March 31, 1998 was approximately $127,000.

Future minimum lease commitments as of March 31, 1998 are as follows:

	Operating Leases
1998	$ 23,829

NOTE 9 - PROFIT SHARING PLAN

The Company has a qualified profit sharing plan for the benefit of eligible employees. Eligible employees are generally those who, at the end of a plan year, have twelve consecutive months of employment during which time they have completed 1,000 hours of service and have reached their 21st birthday. Company contributions to the plan are voluntary and are determined at the discretion of the Board of Directors. The plan may be terminated by the Company at any time. There were no contributions to the plan during the fiscal year ended March 31, 1998.

NOTE 10 - DEFERRED SAVINGS PLAN

The Company has a 401(k) plan that allows participating employees to contribute from 1% to 15% of their salary, subject to annual limits. The Company does not make matching contributions.

NOTE 11 - DUE FROM STOCKHOLDER

Amounts due from stockholder are due on demand and bear interest at 7%. As of March 31, 1998 $92,489 was outstanding.

GRECO SYSTEMS

BALANCE SHEET
August 31, 2000

ASSETS

CURRENT ASSETS:	
Accounts receivable, net of allowance for doubtful accounts of $67,383	$ 560,372
Inventories	690,268
Prepaid expenses and other	20,662
TOTAL CURRENT ASSETS	1,271,302
PROPERTY AND EQUIPMENT, NET	338,199
CAPITALIZED SOFTWARE DEVELOPMENT COST, NET	125,739
OTHER ASSETS	27,836
DEFERRED TAX ASSET	202,000
DUE FROM STOCKHOLDER	140,487
TOTAL ASSETS	$ 2,105,563

LIABILITIES AND STOCKHOLDER'S DEFICIT

CURRENT LIABILITIES:	
Bank overdraft	$ 35,246
Bank line of credit	648,327
Accounts payable and accrued liabilities	821,686
Notes and loans payable	197,614
Deferred revenue	236,824
Current portion of long-term debt	16,864
TOTAL CURRENT LIABILITIES	1,956,561
LONG-TERM DEBT	176,174
TOTAL LIABILITIES	2,132,735
COMMITMENTS	
STOCKHOLDER'S DEFICIT:	
Common stock - no par, authorized 1,000,000 shares, issued and outstanding 15,000 shares	15,000
Retained deficit	(42,172)
TOTAL STOCKHOLDER'S DEFICIT	(27,172)
TOTAL LIABILITIES AND STOCKHOLDER'S DEFICIT	$ 2,105,563

See accompanying notes and accountant's review report.

GRECO SYSTEMS

STATEMENT OF OPERATIONS AND RETAINED DEFICIT
For The Five Months Ended August 31, 2000

SALES	$1,365,773
COST OF SALES	716,472
GROSS PROFIT	649,301
OPERATING EXPENSES:	
Selling	373,458
General and administrative	372,040
Research and development	198,558
TOTAL EXPENSE	944,056
LOSS FROM OPERATIONS	(294,755)
OTHER INCOME AND EXPENSES:	
Interest income	4,020
Interest expense	(46,506)
	(42,486)
LOSS BEFORE PROVISION FOR INCOME TAXES	(337,241)
INCOME TAX PROVISION, INCLUDING DEFERRED TAX CREDIT OF $61,000	(60,200)
NET LOSS	(277,041)
RETAINED EARNINGS, BEGINNING	234,869
RETAINED DEFICIT, ENDING	$ (42,172)

See accompanying notes and accountant's review report.

GRECO SYSTEMS

STATEMENT OF CASH FLOWS
For The Five Months Ended August 31, 2000

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net loss	$ (277,041)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	79,900
Change in assets and liabilities:	
Accounts receivable	265,226
Inventories	(152,112)
Prepaid expenses and other assets	(1,683)
Other assets	(850)
Due from stockholder	(3,981)
Deferred tax asset	(61,000)
Accounts payable and accrued liabilities	256,856
Deferred revenue	(50,388)
Notes payable	149,593
NET CASH PROVIDED BY OPERATING ACTIVITIES	204,520
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase for property and equipment	(3,141)
NET CASH USED IN INVESTING ACTIVITIES	(3,141)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Net borrowings under bank line of credit	(224,681)
Principal payments on long-term debt	(13,870)
NET CASH USED BY FINANCING ACTIVITIES	(238,551)
NET DECREASE IN CASH	(37,172)
Cash at beginning of year	1,926
Bank overdraft at end of year	$ (35,246)

Supplemental disclosures of cash flow information:

Cash paid during the year for:	
Interest	$ 46,409
Income taxes	$ 800

See accompanying notes and accountant's review report.

GRECO SYSTEMS

NOTES TO FINANCIAL STATEMENTS
August 31, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Greco Systems (the Company) designs and manufactures electronic equipment primarily for the machine tool market.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Inventory

Inventory is stated at the lower of average cost or market.

Property and Equipment

Property and equipment are stated at cost and depreciated over the estimated useful lives of the assets (generally 5 years) using the straight-line method.

Revenue Recognition

The Company generally records revenue when product is shipped.

Income Taxes

Deferred income taxes are provided for timing differences in reporting income for financial statement and income tax purposes. The Company accounts for investment and research and development credits on the flow-through method.

NOTE 2 - INVENTORIES

Inventories consisted of the following at August 31, 2000:

Raw materials	$ 639,015
Work-in-process	49,774
Finished goods	23,270
	712,059
Reserve for obsolescence	(21,791)
	$ 690,268

GRECO SYSTEMS

NOTES TO FINANCIAL STATEMENTS
August 31, 2000

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at August 31, 2000:

Equipment	$ 1,096,062
Transportation equipment	381,098
Leasehold improvements	71,174
	1,548,334
Less accumulated depreciation	1,210,135
Net property and equipment	$ 338,199

Depreciation expense for the five months August 31, 2000 was $69,841.

NOTE 4 - OTHER ASSETS

Other assets consisted of the following at August 31, 2000:

Deposits-rent	$ 7,227
Sales materials	20,609
Total	$ 27,836

NOTE 5 - BANK LINE OF CREDIT

The Company has an $1,000,000 bank line of credit which provides for interest at 2% over the bank's prime rate (9 1/2% at August 31, 2000) on outstanding balances and is collateralized primarily by accounts receivable and inventory. The line is guaranteed by the Company's stockholder. The agreement expired on November 3, 2000 and was renewed until December 5, 2000. At August 31, 2000 the Company did not comply with certain covenants as required by the agreement.

NOTE 6 - LONG TERM DEBT

Long-term debt at August 31, 2000 is summarized as follows:

Note payable in monthly installments of $708 plus interest at 9%, maturing in May 2002	$ 15,954
Note payable in monthly installments of $2,139 including interest at 8.99%, maturing in July 2011	177,084
	193,038
Less current portion	16,864
Long-term debt	$ 176,174

NOTE 6 - LONG TERM DEBT (CONTINUED)

Future minimum payments on long-term debt as of August 31, 2000, are as follows:

Year Ending	
2001	$ 16,864
2002	19,788
2003	12,690
2004	13,278
2005	14,522
Thereafter	115,896
Total	$ 193,038

Long-term debt is collateralized by certain property and equipment and personally guaranteed by the stockholder of the Company.

NOTE 7 - INCOME TAXES

Effective April 1, 1993, the Company adopted Statement of Financial Accounting Standards No.109 "Accounting for Income Taxes" (SFAS 109). Under SFAS 109, the deferred tax provision is determined under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized based on differences between the financial statement and tax basis of assets and liabilities using presently enacted tax rates.

The components of the provision for income taxes as of and for the five months ended August 31, 2000 are as follows:

Federal expense:	
Current	$ -0-
Deferred (Credit)	(50,000)
State expenses:	
Current	800
Deferred	(11,000)
Total	$ (60,200)

GRECO SYSTEMS

NOTES TO FINANCIAL STATEMENTS
August 31, 2000

NOTE 7 - INCOME TAXES (CONTINUED)

The provision for income taxes on income differs from the federal statutory rate because of temporary differences between financial and tax income in the recognition of warranty expense, vacation accruals, capitalization of inventory and depreciation.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for reporting and the amounts used for income tax purposes. The tax effects of items comprising the Company's net deferred tax assets are as follows at August 31, 2000:

Reserves currently not deductible	$ 78,000
Differences between book and tax basis of inventory and property and equipment	(21,000)
Net operating loss carry forward	90,000
Tax credits	55,000
Gross deferred tax assets	202,000
Valuation allowance	-
Net deferred tax asset	$ 202,000

A valuation allowance is provided when it is more likely than not that some or all of the deferred tax assets will not be realized. The Company has not established a valuation allowance at August 31, 2000.

At August 31, 2000 the Company has tax credit carry forward of $55,000 which expire through 2009.

NOTE 8 - COMMITMENTS

Operating Leases

The Company leases its facilities under noncancellable operating leases. The facility leases are subject to increases based upon the Consumer Price Index and expired on June 30, 1998. Management has renewed facility leases through March 31, 2001. Rent expense under operating leases for the five months ended August 31, 2000 was approximately $49,000.

Future minimum lease commitments as of August 31, 2000 are as follows:

	Operating Leases
2001	$ 114,156

GRECO SYSTEMS

NOTES TO FINANCIAL STATEMENTS
August 31, 2000

NOTE 9 - PROFIT SHARING PLAN

The Company has a qualified profit sharing plan for the benefit of eligible employees. Eligible employees are generally those who, at the end of a plan year, have twelve consecutive months of employment during which time they have completed 1,000 hours of service and have reached their 21st birthday. Company contributions to the plan are voluntary and are determined at the discretion of the Board of Directors. The plan may be terminated by the Company at any time. There were no contributions to the plan during the five months ended August 31, 2000.

NOTE 10 - DEFERRED SAVINGS PLAN

The Company has a 401(k) plan that allows participating employees to contribute from 1% to 15% of their salary, subject to annual limits. The Company does not make matching contributions.

NOTE 11 - DUE FROM STOCKHOLDER

Amounts due from stockholder are due on demand and bear interest at 7%. As of August 31, 2000, $140,487 was outstanding.

NOTE 12 - RESEARCH AND DEVELOPMENT

Research and development cost related to both future and present products are charged to operations as incurred. The Company recognized research and development costs of $198,558 during the period.

NOTE 13 - CAPITALIZED SOFTWARE DEVELOPMENT COSTS

The Company also incurred application development costs for designing software configuration and interfaces, coding, installation, and testing of computer software products to be sold. The computer software costs are capitalized and amortized using the straight-line method over estimated useful life of 5 years. The balance of the software development costs at August 31, 2000 was $150,887. The amortization expense of the computer software development costs for the five months ended August 31, 2000 was $12,574.

NOTE 14 - RELATED PARTY TRANSACTIONS

The Company has unsecured note payable to a related individual. The note is due on demand with interest rate of 10%. The balance of the note and the accrued interest at August 31, 2000 was $25,000 and $467, respectively.

The Company has two unsecured loans from stockholder. The loans are due on demand with interest rates of 7.4% and 7%. At August 31, 2000, the balance of the loans outstanding were $14,271 and $50,000. The balance of the loans are included as part of the notes payable as of August 31, 2000.

GRECO SYSTEMS

NOTES TO FINANCIAL STATEMENTS
August 31, 2000

NOTE 15 - DEFERRED REVENUE

The Company billed $236,824 for computer purchases, upgrade, testing and shipment to a major customer. This revenue has been deferred and will be reflected in income together with related costs and expenses as the short-term contract is completed.

NOTE 16 - SUBSEQUENT EVENTS

On August 31, 2000, Greco Systems merged into i-Manufacturing Networks, Inc., a California corporation, which is a wholly owned subsidiary of e-Manufacturing Networks, Inc., a Province of Alberta corporation. The forward triangular merger qualifies as a tax-free reorganization under Internal Revenue Code Section 368, with Greco Systems as the disappearing corporation and i-Manufacturing as the surviving corporation.

Included in notes payable at August 31, 2000 is a loan in the amount of $100,000 from i-Manufacturing Networks, Inc. to Greco Systems in anticipation of the merger. Upon merger this loan was converted to equity.

The financial statements have been prepared immediately prior to the merger. Consequently, these financial statements do not reflect any financial activity from the merger.

Link, Murrel & Company
A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

INDEPENDENT AUDITORS' REPORT

To the Stockholders of
Spectrum CNC Technologies, Inc.
Corona, California

We have audited the accompanying balance sheet of Spectrum CNC Technologies, Inc. (the "Company") as of December 31, 1999 and the related statements of income and retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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. We believe that our audit provides a reasonable basis for our opinion.

For the years ended December 31, 1999 and 1998, a physical inventory was not performed. Management estimated the value of the December 31, 1999 and 1998 inventory. In our opinion, a physical inventory should be taken and inventory should be valued at the lower of cost or market, with cost determined consistent with previous inventory valuations. The effects on the financial statements of the preceding practices are not reasonably determinable.

In our opinion, except for the effects of the matters discussed in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Spectrum CNC Technologies, Inc. as of December 31, 1999, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Certified Public Accountants 19700 Fairchild, Suite 300 Irvine, CA 92612-2515 949-261-1120 FAX 949-261-7014

To the Stockholders of
Spectrum CNC Technologies, Inc.
Corona, California

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedule on page is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 8 to the financial statements, the Company has restated retained earnings for certain prior period adjustments. In addition, as discussed in Note 9 to the financial statements, subsequent to December 31, 1999, the Company entered into negotiations to merge with another company.

Link, Murrel & Co.

Irvine, California
June 22, 2000

SPECTRUM CNC TECHNOLOGIES, INC.

BALANCE SHEET

December 31, 1999

ASSETS

Current Assets:	
Cash	$ 17,857
Accounts receivable	83,948
Inventory	7,216
Prepaid expenses	431
Total Current Assets	109,452
Property and Equipment:	
Equipment	20,675
Furniture and fixtures	1,764
	22,439
Less accumulated depreciation	21,808
Net Property and Equipment	631
Other Assets - Deposits	3,408
Total Assets	$ 113,491

See accompanying notes.

SPECTRUM CNC TECHNOLOGIES, INC.

BALANCE SHEET
(Continued)

December 31, 1999

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:		
Accounts payable	$	63,435
Accrued expenses		19,365
Total Current Liabilities		82,800
Long-Term Debt		8,000
Total Liabilities		90,800
Commitments		
Stockholders' Equity:		
Common stock, no par value, 10,000 shares authorized, 3,000 shares issued and outstanding		12,000
Retained earnings		10,691
Total Stockholders' Equity		22,691
Total Liabilities and Stockholders' Equity	$	113,491

See accompanying notes.

SPECTRUM CNC TECHNOLOGIES, INC.

STATEMENT OF INCOME AND RETAINED EARNINGS

For the Year Ended December 31, 1999

Sales	$	894,250
Cost of Sales		206,973
Gross profit		687,277
General and Administrative Expenses		662,328
Operating profit		24,949
Other Expenses - Interest		(1,775)
Income before income taxes		23,174
Provision for Income Taxes		800
Net Income		22,374
Retained Earnings (Deficit), Beginning of Year, restated (Note 8)		(11,683)
Retained Earnings, End of Year	$	10,691

See accompanying notes.

SPECTRUM CNC TECHNOLOGIES, INC.

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 1999

Increase (Decrease) in Cash

Cash Flows from Operating Activities:		
Net Income	$	22,374
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation		3,103
Changes in operating assets and liabilities:		
Increase in accounts receivable		(1,111)
Increase in inventory		(3,968)
Increase in prepaids		(431)
Increase in deposits		(2,354)
Decrease in accounts payable		(24,498)
Increase in accrued expenses		8,723
Total adjustments		(20,536)
Net Cash Provided by Operating Activities		1,838
Cash Flows from Financing Activities:		
Payments on notes payable		(4,409)
Net Decrease in Cash		(2,571)
Cash and Cash Equivalents, Beginning of Year		20,428
Cash and Cash Equivalents, End of Year	$	17,857
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for:		
Interest	$	431
Income taxes	$	1,781
Non cash financing and investing activities:		
Capital stock	$	9,000
Fixed assets	$	202

See accompanying notes.

SPECTRUM CNC TECHNOLOGIES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 1999

1. Summary of Significant Accounting Policies

Nature of Business

Spectrum CNC Technologies, Inc. (the "Company") was incorporated on August 23, 1990 under the laws of the state of California, for the purpose of developing and selling software products for the DNC (Direct Numerical Control) market. It has developed products for the DOS® and Windows® personal computer operating systems. The Company operates primarily in California and sells directly to dealers and end-users domestically and internationally.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purpose of the statement of cash flows, the Company considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Allowance for Doubtful Accounts

The Company considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been recorded.

SPECTRUM CNC TECHNOLOGIES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 1999

(Continued)

1. Summary of Significant Accounting Policies – (Continued)

Property and Equipment

Property and equipment are capitalized when the cost exceeds $1,000. Property and equipment are stated at cost less accumulated depreciation. Depreciation is being provided on a straight-line basis over the estimated useful life of the assets, which are three to seven years.

Revenue and Cost Recognition

Product revenue is recognized when the product is shipped to the customer. Product costs include all material costs and those indirect costs related to product at completion. Selling, general, and administrative costs are charged to expense as incurred.

Income Taxes

The Company, with the consent of its stockholders, has elected under the Internal Revenue code and the California Revenue and Taxation code to be an "S" corporation. In lieu of regular corporation income and franchise taxes, the stockholders of an "S" corporation are taxed on their proportionate share of the Company's taxable income. In addition, "S corporation under California statutes are assessed a tax based on income at a reduced rate of 1.5% or a minimum of $800. Accordingly, there is no provision or liability for federal income taxes in these financial statements.

1. Summary of Significant Accounting Policies – (Continued)

Advertising Costs

Advertising costs are expensed as incurred each year.

Technical Support

Technical support services are expensed as incurred each year.

2. Related Party

The Company has an $8,000 promissory note due to an officer and shareholder of the Company (Note 3).

The Company paid approximately $46,000 in royalties to Digital Alchemy which is wholly owned by an officer and shareholder of the Company during 1999. In addition, approximately $12,000 has been paid to Digital Alchemy for technical support of computer software.

3. Long-Term Debt

Shareholder note payable bears interest at a rate of 8% per annum and begins accruing interest from September 1, 1999. Interest payments are being repaid monthly. The maturity date of the note is September 1, 2001. The balance due at December 31, 1999 was $8,000. The principal balance of $8,000 will be repaid during the year ended December 31, 2001.

SPECTRUM CNC TECHNOLOGIES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 1999

(Continued)

4. Leases

The Company's operations are conducted in a building leased under a noncancellable rental lease agreement. The lease agreement, as amended, expires on October 31, 2001. The office lease has monthly rental payments of $3,331.

The future minimum lease payments under this operating lease are as follows:

Year Ending December 31,	
2000	$39,967
2001	33,306
	$73,273

Rental expense for the office lease for the year was $21,751.

5. Concentration of Customers

The Company sells products to dealers, distributors and customers throughout the United States and internationally. Of the Company's sales, the Company sells approximately 80% of its products internationally. For the year ended December 31, 1999, two international dealers accounted for over 14 percent of the total revenue.

6. Concentration of Suppliers

The Company purchases approximately 27% of its supplies from one of its vendors. However, Company's management can purchase its supplies from other vendors.

7. SIMPLE IRA Plan

In August 1999, the Company initiated a SIMPLE IRA Plan. The plan covers all employees who expect to receive at least $5,000 in compensation for the calendar year and have been employed for at least 12 months. The Company provides a matching contribution equal to the employee's salary reduction contributions up to a limit of 3% of the employee's compensation or $6,000 per employee for the calendar year. The contribution for the year ended December 31, 1999 was $2,942.

8. Prior Period Adjustments

Certain errors, resulting in both the understatement and overstatement of previously reported equity and assets of prior years, were corrected during 1999 resulting in the following changes to retained earnings as of December 31, 1998:

Retained earnings (deficit) as previously reported	$ (2,885)
Assets from issuance of stock not recorded	(4,000)
Acquisition of stock in excess of initial contribution	(5,000)
Understatement of accumulated depreciation, net	202
Retained earnings (deficit) restated	$(11,683)

9. Subsequent Event

Subsequent to December 31, 1999, the Company entered into negotiations to merge. Subject to all of the terms and conditions contained in the Acquisition and Merger Agreement, on the closing date, the Company will be merged with and into e-Manufacturing Networks (U.S.) Inc. ("eMFG (US)") such that eMFG (US) will be the surviving corporation and a wholly-owned subsidiary of e-Manufacturing Networks Inc. (eMFG). Pursuant to eMFG, the issued and outstanding shares of common stock of the Company will be converted into the right to receive, in exchange for 600,000 common shares of eMFG and $600,000.

9. Subsequent Event – (Continued)

The Company has signed two OEM License Agreements with Rasterex, Inc. subsequent to December 31, 1999. These agreements require that the Company to pay periodic royalties and annual support and maintenance fees for a period of three years.

SPECTRUM CNC TECHNOLOGIES, INC.

BALANCE SHEET

August 31, 2000

ASSETS

Current Assets:	
Cash	$ 8,453
Accounts receivable, net of allowance for doubtful accounts of $2,000	83,169
Inventory	4,537
Prepaid expenses	5,833
Total Current Assets	101,992
Property and Equipment:	
Equipment	23,425
Furniture and fixtures	4,556
	27,981
Less accumulated depreciation	22,830
Net Property and Equipment	5,151
Other Assets - Deposits	3,409
Total Assets	$110,552

See accompanying notes and accountants' review report.

SPECTRUM CNC TECHNOLOGIES, INC.

BALANCE SHEET

(Continued)

August 31, 2000

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:	
Accounts payable	$124,885
Accrued expenses	48,622
Notes payable	25,500
Total Current Liabilities	199,007
Commitments	
Stockholders' Equity:	
Common stock, no par value, 10,000 shares authorized, 3,000 shares issued and outstanding	12,000
Retained earnings (Accumulated Deficit)	(100,455)
Total Stockholders' Equity (Deficit)	(88,455)
Total Liabilities and Stockholders' Equity	$110,552

See accompanying notes and accountants' review report.

SPECTRUM CNC TECHNOLOGIES, INC.

STATEMENT OF OPERATIONS AND ACCUMULATED DEFICIT

For the Eight Month Period Ended August 31, 2000

Sales	$532,446
Cost of Sales	117,097
Gross profit	415,349
General and Administrative Expenses	529,104
Operating loss	(113,755)
Other Income (Expenses):	
Miscellaneous	6,179
Interest	(2,770)
Total Other Income (Expenses)	3,409
Loss before income taxes	(110,346)
Provision for Income Taxes	800
Net Loss	(111,146)
Retained Earnings, January 1, 2000	10,691
Retained Earnings (Accumulated Deficit), August 31, 2000	$(100,455)

See accompanying notes and accountants' review report.

SPECTRUM CNC TECHNOLOGIES, INC.

STATEMENT OF CASH FLOWS

For the Eight Month Period Ended August 31, 2000

Increase (Decrease) in Cash

Cash Flows From Operating Activities:	
Net Loss	$ (111,146)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation	1,022
Provision for bad debts	2,000
Changes in operating assets and liabilities:	
Increase in accounts receivable	(1,221)
Decrease in inventory	2,679
Increase in prepaids	(5,402)
Increase in accounts payable	61,450
Increase in accrued expenses	29,257
Total adjustments	89,785
Net Cash Used in Operating Activities	(21,361)
Cash Flows From Investing Activities:	
Purchases of fixed assets	(5,541)
Cash Flows From Financing Activities:	
Additional short-term debt	17,500
Net Decrease in Cash	(9,404)
Cash and Cash Equivalents, January 1, 2000	17,857
Cash and Cash Equivalents, August 31, 2000	$ 8,453
Supplemental Disclosures of Cash Flow Information:	
Cash paid during the period for:	
Interest	$ 1,314
Income taxes	$ 1,363

See accompanying notes and accountants' review report.

SPECTRUM CNC TECHNOLOGIES, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2000

1. Summary of Significant Accounting Policies

Nature of Business

Spectrum CNC Technologies, Inc. (the "Company") was incorporated on August 23, 1990 under the laws of the state of California, for the purpose of developing and selling software products for the DNC (Direct Numerical Control) market. It has developed products for the DOS and Windows personal computer operating systems. The Company operates primarily in California and sells directly to dealers and end-users domestically and internationally.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment are capitalized when the cost exceeds $1,000. Depreciation is being provided on a straight-line basis over the estimated useful life of the assets, which are three to seven years.

SPECTRUM CNC TECHNOLOGIES, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2000

(Continued)

1. Summary of Significant Accounting Policies - (Continued)

Revenue and Cost Recognition

Product revenue is recognized when the product is shipped to the customer. Product costs include all material costs and those indirect costs related to product at completion. Selling, general, and administrative costs are charged to expense as incurred.

Income Taxes

The Company, with the consent of its stockholders, has elected under the Internal Revenue code and the California Revenue and Taxation code to be an "S" corporation. In lieu of regular corporation income and franchise taxes, the stockholders of an "S" corporation are taxed on their proportionate share of the Company's taxable income. In addition, "S corporation under California statutes are assessed a tax based on income at a reduced rate of 1.5% or a minimum of $800." Accordingly, there is no provision or liability for federal income taxes in these financial statements.

Advertising Costs

Advertising costs are expensed as incurred each year.

Technical Support

Technical support services are expensed as incurred each year.

SPECTRUM CNC TECHNOLOGIES, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2000

(Continued)

2. Related Party

The Company has $25,500 of promissory notes due to an officer and shareholder of the Company. All shareholder notes bear interest at a rate of 8% per annum and have maturity dates ranging from March 15, 2001 to September 1, 2001. Interest payments are being repaid monthly and annually.

The Company paid approximately $500 in royalties to Digital Alchemy which is wholly owned by an officer and shareholder of the Company.

3. Leases

The Company's operations are conducted in a building leased under a noncancellable rental lease agreement. The lease agreement, as amended, expires on October 31, 2001. The office lease currently has monthly rental payments of $3,331 which increase to $3,409 beginning October 1, 2000.

The future minimum lease payments under this operating lease are as follows:

Year Ending August 31,	
2001	$40,830
2002	6,818
	$47,648

Rental expense for the office lease for the eight month period ended August 31, 2000 was $23,714.

SPECTRUM CNC TECHNOLOGIES, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2000

(Continued)

3. Concentration of Customers

The Company sells products to dealers, distributors and customers throughout the United States and internationally. Of the Company's sales, the Company sells approximately 28% of its products internationally. For the eight month period ended August 21, 2000, two international dealers accounted for over 13 percent of the total revenue.

4. Concentration of Suppliers

The Company purchases approximately 26% of its supplies from one of its vendors. However, Company's management can purchase its supplies from other vendors.

5. SIMPLE IRA Plan

In August 1999, the Company initiated a SIMPLE IRA Plan. The plan covers all employees who expect to receive at least $5,000 in compensation for the calendar year and have been employed for at least 12 months. The Company provides a matching contribution equal to the employee's salary reduction contributions up to a limit of 3% of the employee's compensation or $6,000 per employee for the calendar year. The contribution for the eight month period ended August 31, 2000 was $6,385.

6. Subsequent Events

The Company was merged on September 1, 2000 with and into i-Manufacturing Networks Inc. ("iMFG") such that iMFG will be the surviving corporation and a wholly-owned subsidiary of e-Manufacturing Networks Inc. (eMFG). Pursuant to eMFG, the issued and outstanding shares of common stock of the Company have been converted into the right to receive 600,000 common shares of eMFG and $600,000.

SPECTRUM CNC TECHNOLOGIES, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2000

(Continued)

7. Commitments

The Company has signed two OEM License Agreements with Rasterex, Inc. These agreements require the Company to pay periodic royalties and annual support and maintenance fees for a period of three years.

One of these OEM License Agreements with Rasterex was defaulted on by Rasterex prior to August 31, 2000. The Company has cancelled that agreement in accordance with its terms. The other Agreement remains in force.

CERTIFICATE OF THE COMPANY

Dated July 12, 2001

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part XV of the *Securities Act* (Ontario) and the regulations thereunder.

(Signed) THOMAS M. GAASENBEEK Chief Executive Officer	(Signed) BRENT W. BERE President, Chief Operating Officer and Chief Financial Officer

On Behalf of the Board of Directors

(Signed) BARRIE R. BOATMAN Director	(Signed) DAVID M. REESE Director

CERTIFICATE OF THE AGENTS

Dated July 12, 2001

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part XV of the *Securities Act* (Ontario) and the regulations thereunder.

BURGEONVEST SECURITIES LIMITED	TAURUS CAPITAL MARKETS LTD.
By: (Signed) MARIO S. J. FRANKOVICH	By: (Signed) P. GAGE JULL