TRIANT

Innovative Solutions

for Production Excellence

Annual Report 1998

COMPANY PROFILE

Triant Technologies Inc. is a leader in semiconductor equipment health monitoring and advanced fault detection software solutions. Triant's principal product, ModelWare/RT™, is a unique, state-of-the-art, solution designed specifically for semiconductor manufacturers to detect and identify, in real-time, problems in their wafer processing equipment.

ModelWare/RT provides insight into the health of wafer processing equipment and uses set-point and sophistocated model-based alarms to quickly alert fab personnel of equipment-related problems. ModelWare/RT benefits our customers by reducing scrap and improving equipment utilization.

Triant Technologies Inc. is a public company traded on the Vancouver Stock Exchange *(Symbol: TNT)* and is listed on the OTC Bulletin Board *(Symbol: TNTTF)*.

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Report to Our Shareholders

Fiscal 1998 was a challenging year for Triant and indeed for most companies in the semiconductor industry. 1998 will be remembered as the worst downturn in the history of the semiconductor industry with many suppliers having their revenues cut in half and having to restructure as a consequence. Most of the semiconductor manufacturers' budgets were either frozen or cut completely which left little, if any, opportunity for significant purchases of an emerging product such as *ModelWare/RT*.

Early in the year we received a $300,000 order for *ModelWare/RT* from a major overseas customers which, at the time, brightened our outlook. However, by the middle of the year, it became clear that the industry was stalled in its recovery and that the prospect for additional larger sales during the balance of the year had eroded. In June 1998, we announced a decision to focus on core development activities, eliminate certain direct sales and marketing activities, and close excess facilities. These initiatives were designed to enable us to weather the downturn and position us for success once the industry started to recover.

Product Development

We continued to make significant improvements to our product during 1998. Our strength has always been the development of our leading-edge technology and maintaining our technical leadership is vital if we are to prosper in the semiconductor industry.

The development work in 1998 lead to the release of version 3.0 of *ModelWare/RT* in January 1999. Version 3.0 represents a breakthrough in equipment health monitoring and fault detection software as it contained the World's first software agent to automatically build and maintain equipment fault detection models. Customer feedback has been very positive and Triant is committed to maintaining its leadership in the area of equipment health monitoring and fault detection technology.

Alliances

We entered into a number of strategic alliances in 1998 to strengthen our sales distribution channels. Our sales strategy has been to engage the leading distribution partner in a particular geographic region and leverage off their size and region coverage.

In May, we signed an international distribution agreement with Innotech Corporation – the leading distributor in Japan of products used in the semiconductor industry – to exclusively distribute *ModelWare/RT* into the Japanese semiconductor, flat panel, and magnetic media markets. In December, we also signed an international distribution agreement with Master Solutions Inc. to exclusively distribute *ModelWare/RT* into the Korean semiconductor market.

These two agreements, together with the agreement we signed in 1997 with Metron Technologies – the leading distributor in Europe of semiconductor materials and equipment – provide us with exclusive distribution channels into approximately one half of the $130 billion semiconductor market. We will continue to expand our distribution channels into the U.S., Taiwan, and Singapore.

During the second half of 1998, we also focussed on our strategy to find a strategic OEM (Original Equipment Manufacturer) partner and initiated discussions with several leading suppliers of equipment and software to the semiconductor industry. We have seen a growing interest from such companies as they appreciate the value and competitive advantage our technology can provide. A strategic relationship with a major OEM will send a clear signal to the industry of the importance of our technology and will provide us with the opportunity for our technology to become a de-facto standard in the industry.

Our People

At Triant, our strongest asset is our people. It is only through their hard work and commitment to excellence that we are able to offer the World-class products and technology that are shaping our industry. Our employees have demonstrated time and time again their dedication and commitment to make Triant a truly great and exciting company. We sincerely thank our employees for their contributions over the past year.

Outlook

1998 was a very tough year for Triant. We believe 1999 will be better. There are clear signs that the industry is finally recovering from the downturn and our outlook is positive. We are seeing an ever-growing interest in our products and technology from semiconductor manufacturers and OEMs alike – more so than at any other time in our history – and you can expect to see a number of exciting new developments in 1999.

In the short-term, we will continue to focus on securing major orders, forging strategic relationships, and maintaining our technical leadership. In the long-term, we will seek out global partners and enter other major industries with our unique fault detection technology. Such industries include automotive, aerospace, petrochemical, pulp & paper, and power utility.

The board, management, and employees are completely committed to Triant and we will do all we can to ensure our success. We are proud in what we have accomplished in the semiconductor industry – the most complex manufacturing industry on this planet – and we look forward to meeting the challenges and opportunities before us.

The road ahead is a very exciting one for Triant. Whilst the last few years have been extremely challenging for us, we believe we are at the turning point leading to commercial success. We hope you will be there with us, and we would to take this opportunity to thank our customers and shareholders for their continued support.

On behalf of the Board of Directors

(Signed) Paul J. O’Sullivan
President and Chief Executive Officer

Management Discussion and Analysis of Financial Condition and Results of Operation

Forward-Looking Statements

Certain statements in this Management Discussion and Analysis of Financial Condition and Results of Operations constitute “forward-looking statements" which involve known business and economic risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include the factors that may affect future results set forth in this Management Discussion and Analysis. Precautionary statements made herein should be read as being applicable to all related forward-looking statements wherever they appear in this Management Discussion and Analysis.

The following discussion should be read in conjunction with, and is qualified in its entirety by the Consolidated Financial Statements included elsewhere herein. All figures in this Management Discussion and Analysis are expressed in Canadian dollars unless otherwise noted.

Overview

The Company develops, markets and supports equipment health monitoring and advanced fault detection software solutions, primarily for the semiconductor industry. Its principal product, ModelWare/RT, incorporates a multivariate modeling technology to quickly detect subtle shifts in wafer fabrication equipment operation that may lead to equipment downtime or wafer defects.

The Company’s revenue is derived principally from the sale of software licenses and related software support services, including software updates and maintenance services provided pursuant to annual service agreements. The Company currently derives revenue from a limited number of customers in the semiconductor industry. However, these customers are geographically dispersed and the Company closely monitors credit granted to each customer. Therefore, credit risks are considered to be minimal. The Company identifies Canada as the primary economic environment in which it operates and uses the Canadian dollar as its functional currency. A substantial amount of the Company’s revenue and receivables are denominated in U.S. dollars. The Company translates revenue and the related receivable at the prevailing exchange rate at the time of the sale. Funds denominated in U.S. dollars are translated into Canadian dollars at the rate in effect on the balance sheet date. Translation gains and losses resulting from variations in exchange rates, upon translation into Canadian dollars, are included in income.

The Company's principal product, ModelWare/RT, is priced and sold only in U.S. dollars due to the adoption of a common software industry practice of billing worldwide customers in U.S. dollars. This policy of invoicing in U.S. dollars introduces a price risk from exposure to fluctuations in foreign exchange rates which the Company believes will not have a material adverse impact for the foreseeable future. Any increase in the relative value of the U.S. dollar to the Canadian dollar results in increased revenue and income to the Company as the majority of the Company's expenses are denominated in Canadian dollars. A decrease in the relative value of the U.S. dollar to the Canadian dollar would decrease sales revenue and would impact the Company's net income. The Company does not hedge foreign currency transactions nor funds denominated in U.S. dollars.

The Company’s expenses are incurred mainly in the areas of direct costs and expenses; general and administrative expenses; marketing, sales and communications expenses; and research and development expenses. These expenses consist primarily of salaries and benefits, contract personnel services, professional fees, product and corporate communications, tradeshows, conferences, travel, facilities, and other infrastructure costs. The majority of these expenses are incurred in Canadian dollars.

The Company’s earnings are sensitive to fluctuations in revenue as the base of expenses is relatively fixed over the short term. The Company has developed and continually seeks to refine its management practices to allow initiation of timely corrective actions if operating results fail to reach pre-determined objectives.

Management and Strategic Focus

The Company's management and strategic focus for 1998 originated during late 1995 and early 1996 when the Company undertook an in-depth assessment of its business model, product strategies, and customers' needs. In early 1996, the Company decided to focus primarily on the semiconductor industry and wind-down its operations in the rail industry. During 1996, the Company re-allocated its rail industry segment resources to the semiconductor industry except for the limited resources required for supporting ongoing rail customer commitments. In 1997, the Company focussed on market development and initial seeding of ModelWare/RT in the U.S. and in 1998, the Company focussed on building and supporting its distribution channels and making improvements in its product.

The Company's management and strategic focus for the foreseeable future is to increase revenue and generate net earnings from the semiconductor industry by being the leading supplier of equipment health monitoring and advanced fault detection software solutions, offering value-added customer support services and leveraging the skills and resources of world-wide distribution channel partners.

The Company's key objectives for 1999 include supporting its distribution partners in Europe, Japan and Asia-Pacific; expanding its distribution channels in other countries such as the U.S., Singapore and Taiwan; enhancement of current products and development of new products to address the requirements of both semiconductor manufacturers and semiconductor equipment manufacturers; and ongoing strengthening of the Company's financial resources in order to achieve significant growth in revenue and the achievement of sustainable profitability.

Results of Operations

Revenue for the year ended December 31, 1998 was $469,694 (compared to $1,450,963 in 1997). The 68% decrease in revenue was mainly attributable to the downturn in the semiconductor industry and also reflected the fact that the Company is still in an early market development stage for commercial sales of ModelWare/RT and associated services.

Expenses for the year ended December 31, 1998 were $3,560,314 (compared to $3,995,725 in 1997). The 11% decrease in expenses resulted from a combination of decreased costs and expenses for amortization, direct costs and expenses, and marketing, sales and communications expenses; and to a lesser extent, increased costs and expenses for general and administrative; interest on convertible debentures, research and development and restructuring charges reflecting the Company's continuing efforts to implement its strategy of becoming the leading supplier of equipment monitoring and advanced fault detection software solutions to the semiconductor industry.

The loss from operations and the net loss for the year ended December 31, 1998 was $3,090,620 (compared to a net loss of $2,544,762 in 1996). The 21% increase in the loss from operations and net loss for the year mainly reflects the decrease in revenue. The loss per share for the year ended December 31, 1998 was $0.22 (compared to a loss per share of $0.22 in 1997), representing no change in loss per share resulting from a higher net loss and a higher number of shares outstanding.

At December 31, 1998, cash and cash equivalents were $161,873 (compared to $1,163,704 at December 31, 1997), working capital deficiency was $316,606 (compared to working capital of $925,427 at December 31, 1997), assets were $465,956 (compared to $1,837,296 at December 31, 1997), and capital deficiency was $675,569 (compared to shareholders' equity of $785,053 at December 31, 1997).

Revenue

During the year ended December 31, 1998, the Company continued to be in an early market development stage as the Company continued to pursue ModelWare/RT licensing opportunities, through its distribution channels and directly, with various semiconductor manufacturers for use on a number of different types of wafer processing equipment. Early in the year, the Company received a $300,000 order for ModelWare/RT but due to the severe downturn in the semiconductor industry, the prospect for additional large orders during the balance of the year eroded. As a result, the Company's revenue decreased to $469,694, a 68% decrease compared to $1,450,963 in 1997.

There are several risk factors that can negatively impact the Company's revenue in any one year, and they are, without limitation:

- long sales cycle, with variable predictability of timing of the closing of any order
- high product sales value and relatively low number of sales orders
- downward price pressures generally in the software industry
- new competition both in terms of organizations and products
- speed at which technology evolves
- cyclical growth within the semiconductor industry
- foreign exchange fluctuations
- dependence on key personnel

Direct Costs and Expenses

During the year ended December 31, 1998, direct costs and expenses decreased to $349,510, a 53% decrease compared to $747,245 incurred in 1997. These costs include salaries and benefits; contract personnel services; distributor commissions; travel; and other costs directly associated with revenue. The Company incurs variable costs related to revenue earned from the sales, installation, and support of software licenses and related services. The decrease in direct costs and expenses in 1998 resulted from decreased sales of the Company.

Direct costs and expenses are expected to increase again over time in line with higher revenue, but should decline and then stabilize over time as a percentage of revenue.

General and Administrative

During the year ended December 31, 1998, general and administrative expenses were virtually unchanged at $910,000, compared to $905,557 incurred in 1997. These costs include salaries and benefits; professional fees; facilities; and other infrastructure costs. The Company incurs relatively fixed costs in the short-term related to general and administrative expenses.

General and administrative expenses in 1998 included legal, accounting and other costs associated with the Company filing and clearing a Form 20-F Registration Statement effective July 13, 1998 with the Securities and Exchange Commission in order to be in compliance with OTC Bulletin Board quotation requirements effective April 1, 1998 for Foreign Issuers such as the Company. The Company expects future costs associated with annual filing requirements for Form 20-F to be lower than the initial registration costs.

General and administrative expenditures are expected to increase over time due to the growth of the Company, but should decline over time as a percentage of revenue.

Marketing, Sales, and Communications

During the year ended December 31, 1998, marketing, sales, and communications expenses decreased to $735,412, a 36% decrease compared to $1,153,051 incurred in 1997. These costs include salaries and benefits; contract personnel services; product and corporate communications; tradeshows; conferences; and travel. The Company incurs variable costs that are related to its market development activities.

Marketing, sales, and communications expenses were reduced significantly due to the Company's decision to restructure in connection with the Company's current sales and marketing strategy to engage the leading distribution partners in the Americas, Europe, Japan and Asia-Pacific in response to the severe downturn in the semiconductor industry. Certain direct sales and marketing activities were eliminated, sales and marketing staff was reduced, and related excess facilities were closed. In 1998 the Company invested in certain distribution and alliance activities. In May 1998, the Company signed an exclusive distribution agreement with Innotech Corporation of Shin-Yokohama, Japan to act as the Company's distributor of ModelWare/RT in Japan. Innotech, has over 350 employees and is the largest distributor of semiconductor technology in Japan. In November 1998, the Company signed an exclusive distribution agreement with Master Solutions Inc. (MSI) of Seoul, Korea to act as the Company's exclusive distributor of ModelWare/RT in Korea. In addition, the Company is engaged in seeking distribution partners for the Americas (primarily the U.S.) and other Asia-Pacific countries such as Taiwan, China and Singapore.

Marketing, sales, and communications expenses are expected to stabilize over time as a percentage relative to revenue.

Research and Development

During the year ended December 31, 1998, research and development expenses increased to $1,100,239, an 11% increase over $987,548 incurred in 1997. These costs include salaries and benefits; contract personnel services; facilities; and other infrastructure costs. The Company follows the practice of expensing expenditures relating to joint development initiatives, research activities, and the development of software enhancements as recovery of such costs from future revenue is not assured. The Company incurs relatively fixed costs in the short-term related to research and development expenses associated with the its product, ModelWare/RT.

Research and development expenses was the largest expense category for the Company in 1998 as the Company continued to invest in the activities that are necessary to developing, enhancing, maintaining, and supporting the capabilities of its products and technical operations. The market for the Company's products is characterized by continuing technological change and the increasing demands by semiconductor manufacturers for software that responds to the competitive pressures that the semiconductor manufacturers are facing. As a result of its decision to restructure in 1998, the Company focussed on core development activities and reduced non-core product development staff. During 1998, the Company focussed its software development efforts on functional and feature improvements. In August 1998, version 2.9 of ModelWare/RT was released which was designed to enhance the product's ease-of-use and to simplify its installation process. These improvements included: reduction of effort required to create, deploy and maintain equipment fault detection models. Development work in 1998 also lead to the release of version 3.0 of ModelWare/RT in January 1999. This version represents a breakthrough in equipment health monitoring and fault detection software as it contains the world's first software agent to automatically build and maintain equipment fault detection models. This capability simplifies the process of setting-up and deploying ModelWare/RT. In addition to automatic creation of models, automatic maintenance of models can be specified to enable detection of a wider range of faults from sudden catastrophic failures to slow drifts in the operation of wafer processing equipment.

Research and development expenditures are expected to stabilize over time as a percentage of revenue.

Restructuring Charges

During the year ended December 31, 1998, the Company recorded charges of $239,205 related to the Company's decision to focus on core development activities, to eliminate certain direct sales and marketing activities and to close excess facilities. The elements of these charges were severance costs of $142,473; write-off of capital assets of $75,230; and excess facilities cost of $21,502. Severance costs included all costs associated with the reduction of management, sales and marketing, and non-core product development staff. The write-off of capital assets and excess facilities cost included all costs associated with the closure of related facilities. The Company completed its restructuring in 1998.

Differences between Canadian and U.S. Generally Accepted Accounting Principles

The Company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada. Certain adjustments would be required if these financial statements were reconciled in all material respects, in accordance with accounting principles generally accepted in the United States ("U.S. GAAP").

To conform to U.S. GAAP, total liabilities would be increased by $314,306 and $376,600 for each of the years ended December 31, 1998 and 1997 for the equity component of convertible debentures, which are recorded as liabilities under U.S. GAAP. (Capital deficiency) shareholders' equity for the year ended December 31, 1998 and 1997 would be increased (decreased) by $314,306 and $376,600 for the equity component of convertible debentures net of related accretion.

Further, in order to conform to U.S. GAAP, loss from operations and net loss would be decreased by $62,294, $23,400 and nil for each of the years ended December 31, 1998, 1997 and 1996, respectively, for accretion of interest on convertible debentures which is not recorded under U.S. GAAP; would be increased by nil, $174,375 and nil for each of the years ended December 31, 1998, 1997 and 1996, respectively, for additional interest on beneficial conversion feature of the convertible debenture which is recorded as additional interest expense; would be increased by nil, $74,930 and nil for each of the years ended December 31, 1998, 1997 and 1996, respectively, for stock-based compensation due to the amendments of certain stock options which under U.S. GAAP resulted in additional compensation expense; and would be increased by $5,237, nil, and nil for each of the years ended December 31, 1998, 1997 and 1996, respectively, for consulting expense as compensation costs related to stock-based awards to non-employees are recognized under U.S. GAAP as an expense in the period incurred. As a result of these adjustments, the loss from operations and net loss under U.S. GAAP would have been $3,028,326, $2,770,667, and 2,685,047 for each of the years ended December 31, 1998, 1997 and 1996, respectively, and basic loss per share under U.S. GAAP would have been $0.21, $0.24 and $0.28 for each of the years ended December 31, 1998, 1997 and 1996, respectively.

Liquidity and Capital Resources

At December 31, 1998, the Company had cash and cash equivalents of $161,873 (compared to $1,163,704 at December 31, 1997) and a working capital deficiency of $316,606 (compared to working capital of $925,427 at December 31, 1997). During the year ended December 31 1998, the Company had a net decrease in cash and cash equivalents of $1,001,831 (compared to a net decrease in cash and cash equivalents of $198,760 during 1997), mainly as a result of cash used in operating activities of $2,623,476 (compared to $2,623,476 during 1997) exceeding cash from financing activities of $2,327,562 (compared to $1,626,734 during 1997).

The source of funds for the Company in 1998 and 1997 has been a combination of operating activities generating revenue from products and services, and financing activities providing cash from the distribution of shares and convertible debentures. In 1998, the Company completed two private placements of common shares and common share purchase warrants for net proceeds of $1,452,243 in total and also completed distributions of common shares and share purchase warrants pursuant to its employee share ownership plan for proceeds of $118,925 which, together with stock options exercises, grant of bonus shares and changes in ESOP share subscriptions balances resulted in $1,626,734 in financing activities in 1998. In 1997, the Company completed a private placement of convertible debentures for proceeds of $775,000, completed a private placement of common shares and common share purchase warrants for net proceeds of $1,060,000 and also completed distributions of common shares and share purchase warrants pursuant to its employee share ownership plan for proceeds of $131,400 which, together with share purchase warrants exercises, stock options exercises and changes in ESOP share subscriptions balances resulted in $2,327,562 in financing activities in 1997.

The convertible debentures which were issued on August 12, 1997 for a principal amount of $775,000 are unsecured 10% convertible debentures due August 2002 with interest payable semi-annually. Each $1,000 of debentures is convertible into common shares and common share purchase warrants at varying conversion rates during the term of the debentures. On issue, the liability component of the convertible debentures was recorded at $375,000 and the equity component of the convertible debentures was recorded at $400,000 as measured at their respective fair values. Over the term of the convertible debentures, the liability will be accreted to the $775,000 face value of the convertible debentures by the recording of additional interest expense.

While management anticipates continued growth in revenue from its product, ModelWare/RT, and related services, there is no assurance that the Company will earn sufficient revenue to maintain current operations. Consequently, the Company expects to raise additional funds through equity or debt financings in the future in order to sustain operations and take advantage of any growth opportunities which may require a more rapid expansion or acquisitions of complementary businesses or technologies, the formation of new alliances, the development of new products, and other responses to competitive pressures. There can be no assurance that additional financing will be available, if at all, on terms favourable to the Company. If such funds are unavailable or are not available on acceptable terms, the Company may be unable to maintain its current operations, take advantage of opportunities, develop new products, or otherwise respond to competitive pressures.

In addition to the above-noted risks, the Company may face other risks in its business. The occurrence of one or more of these events may have a material adverse effect upon the Company’s results of operations, financial condition and future prospects.

Year 2000 Issue

The Year 2000 Issue is the result of computer programs being written using two digits rather than four to define the applicable year. Such computer programs have date-sensitive software that may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions, send invoices, or engage in similar normal business activities.

Year 2000 readiness

The Company relies on two information technology (IT) systems: financial accounting and reporting; and network systems. The Company uses commercially available standard software for the IT systems. The Company’s software vendors have provided program updates that are intended to rectify the Year 2000 issues related to their software. The Company completed its internal IT Year 2000 readiness by March 31, 1999.

The Company’s internal non-IT systems include telephone, fire, alarm and security systems. The Company has completed the identification of such systems and has scheduled Year 2000 compliant non-IT systems to be implemented by the fourth quarter of 1999.

Costs to address the Company’s Year 2000 issue

The Company has incurred less than $10,000 in implementation and upgrade costs as at December 31, 1998. The Company estimates the total cost of its Year 2000 project to be less than $20,000.

Risks of the Company’s Year 2000 issue

Based on the Company’s state of readiness, the Company does not believe that the Year 2000 issue will have a material adverse effect on its financial condition or results of operations. Potential sources of risk are limited to general failure of necessary infrastructure systems such as power and communications.

Contingency Plans for the Company’s Year 2000 issue

Should the general infrastructure systems fail, the Company would seek temporary facilities in proximate locations. The Company expects that suitable premises could be located within one month.

The costs of the project and the date on which the Company plans to complete the Year 2000 modifications are based on management's best estimates, which were derived utilizing numerous assumptions of future events including the continued availability of certain resources, third party modification plans and other factors. However, there can be no guarantee that these estimates will be achieved and actual results could differ materially from those plans. Specific factors that might cause such material differences include, but are not limited to, the availability and cost of personnel trained in this area, the ability to locate and correct all relevant computer codes, and similar uncertainties.

(Signed) Paul J. O’Sullivan
President and Chief Executive Officer

(Signed) Mark A. Stephens
Chief Financial Officer and Corporate Secretary

Consolidated Financial Statements of

TRIANT TECHNOLOGIES INC.

Management's Report

The accompanying consolidated financial statements of the company were prepared by management in accordance with accounting principles generally accepted in Canada. Financial information presented throughout the Annual Report is consistent with that shown in the consolidated financial statements.

Management is responsible for the integrity of the consolidated financial statements. Financial statements generally include estimates which are necessary when transactions affecting the current accounting year cannot be finalized with certainty until future years. Based on careful judgements by management, such estimates have been properly reflected in the accompanying consolidated financial statements.

Systems of internal control are designed and maintained by management to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for financial reporting purposes.

The external auditors conduct an independent audit of the consolidated financial statements in accordance with generally accepted auditing standards in order to express their opinion on these consolidated financial statements. These standards require that the external auditors plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises this responsibility through the Audit Committee of the Board. This Committee meets with management and the external auditors to satisfy itself that management's responsibilities are properly discharged and to review the consolidated financial statements before they are presented to the Board of Directors for approval.

(Signed) Paul J. O'Sullivan

President and Chief Executive Officer

(Signed) Mark A. Stephens

Chief Financial Officer and Corporate Secretary

Auditors' Report

To the Shareholders of Triant Technologies Inc.

We have audited the consolidated balance sheets of Triant Technologies Inc. as at December 31, 1998 and 1997 and the consolidated statements of loss and deficit and changes in financial position for the years ended December 31, 1998, 1997 and 1996. 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 audits.

We conducted our audits in accordance with generally accepted auditing standards in Canada. 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, 1998 and 1997 and the results of its operations and the changes in its financial position for the years ended December 31, 1998, 1997 and 1996 in accordance with generally accepted accounting principles in Canada consistently applied.

(Signed) Deloitte & Touche LLP
Chartered Accountants
Vancouver, Canada
April 16, 1999

Comments by Auditors for U.S. Readers on Canada-U.S. Reporting Difference

In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when the financial statements are affected by conditions and events that cast substantial doubt on the Company's ability to continue as a going concern, such as those described in Note 1 to the consolidated financial statements. Our report to the Shareholders dated April 16, 1999, is expressed in accordance with Canadian reporting standards which do not permit a reference to such events and conditions in the auditors' report when these are adequately disclosed in the financial statements.

(Signed) Deloitte & Touche LLP
Chartered Accountants
Vancouver, Canada
April 16, 1999

TRIANT TECHNOLOGIES INC.
Consolidated Balance Sheets
December 31
(Expressed in Canadian Dollars)

	1998	1997
ASSETS		
CURRENT		
Cash and cash equivalents	$ 161,873	$ 1,163,704
Accounts receivable	121,501	402,012
Share subscriptions receivable (Note 7(b))	7,168	3,904
Prepaid expenses and deposits	73,683	9,650
	364,225	1,579,270
Capital assets (Note 3)	101,731	258,026
	$ 465,956	$ 1,837,296
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 588,389	$ 653,843
Deferred revenue	34,817	-
Accrued restructuring charges (Note 4)	57,625	-
	680,831	653,843
Liability component of convertible debentures (Note 5)	460,694	398,400
	1,141,525	1,052,243
COMMITMENTS (Note 11)		
(CAPITAL DEFICIENCY) SHAREHOLDERS' EQUITY		
Equity component of convertible debentures (Note 6)	400,000	400,000
Share capital (Note 7)	11,791,065	10,133,547
Share subscriptions (Note 7(b))	29,405	56,925
Deficit	(12,896,039)	(9,805,419)
	(675,569)	785,053
	$ 465,956	$ 1,837,296

CONTINUING OPERATIONS (Note 1)

APPROVED BY THE BOARD OF DIRECTORS

(Signed) David L. Baird — David L. Baird, Director

(Signed) Paul J. O'Sullivan — Paul J. O'Sullivan, Director

See accompanying notes to the consolidated financial statements

TRIANT TECHNOLOGIES INC.
Consolidated Statements of Loss and Deficit
Year ended December 31
(Expressed in Canadian Dollars)

	1998	1997	1996
REVENUE	$ 469,694	$ 1,450,963	$ 654,762
COSTS AND EXPENSES			
Amortization	86,154	148,986	103,907
Direct costs and expenses	349,510	747,245	567,549
General and administrative	910,000	905,557	793,281
Interest on convertible debentures	139,794	53,338	-
Marketing, sales and communications	735,412	1,153,051	1,071,455
Research and development	1,100,239	987,548	803,617
Restructuring charges	239,205	-	-
	3,560,314	3,995,725	3,339,809
LOSS FROM OPERATIONS AND NET LOSS FOR THE YEAR	(3,090,620)	(2,544,762)	(2,685,047)
Deficit, beginning of year	(9,805,419)	(7,260,657)	(4,575,610)
Deficit, end of year	$(12,896,039)	$ (9,805,419)	$ (7,260,657)
Loss per share	$ (0.22)	$ (0.22)	$ (0.28)

See accompanying notes to the consolidated financial statements

TRIANT TECHNOLOGIES INC.
Consolidated Statements of Changes in Financial Position
Year ended December 31
(Expressed in Canadian Dollars)

	1998	1997	1996
OPERATING ACTIVITIES			
Loss from operations and net loss for the year	$(3,090,620)	$(2,544,762)	$(2,685,047)
Items not requiring cash			
Amortization	86,154	148,986	103,907
Accretion of liability component of convertible debentures	62,294	23,400	-
Restructuring charges (Note 4)	75,230	-	-
	(2,866,942)	(2,372,376)	(2,581,140)
Changes in operating assets and liabilities (Note 8)	243,466	(21,062)	290,713
	(2,623,476)	(2,393,438)	(2,290,427)
FINANCING ACTIVITIES			
Convertible debentures	-	775,000	-
Share capital, net of issue costs	1,657,518	1,535,950	2,962,685
Share subscriptions	(30,784)	16,612	36,409
	1,626,734	2,327,562	2,999,094
INVESTING ACTIVITY			
Capital assets	(5,089)	(132,884)	(172,264)
(Decrease) increase in cash and cash equivalents during the year	(1,001,831)	(198,760)	536,403
Cash and cash equivalents, beginning of year	1,163,704	1,362,464	826,061
Cash and cash equivalents, end of year	$ 161,873	$ 1,163,704	$ 1,362,464

See accompanying notes to the consolidated financial statements

1. CONTINUING OPERATIONS

The Company develops, markets, and supports equipment health monitoring and advanced fault detection software solutions, primarily for the semiconductor industry. Its principal product, *ModelWare/RT,* incorporates a multivariate modeling technology to quickly detect subtle shifts in wafer fabrication equipment operation that may lead to equipment downtime or wafer defects.

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The Company incurred a net loss of $3,090,620 in the year ended December 31, 1998 (1997 - $2,544,762; 1996 - $2,685,047) and at December 31, 1998, had a working capital deficiency of $316,606 and capital deficiency of $675,569. The continuation of the Company as a going concern is dependent upon the attainment of profitable operations and upon its continuing ability to raise additional financing as required.

The consolidated financial statements do not give effect to adjustments that would be necessary to the carrying value and classification of assets and liabilities should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada which, for these financial statements, conform in all material respects with those in the United States, except as outlined in Note 15.

(a) Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany transactions have been eliminated upon consolidation.

(b) Foreign exchange

The Company uses the Canadian dollar as its functional currency. The accounts of the Company and its subsidiaries are expressed in Canadian dollars. Foreign currency monetary assets and liabilities are translated into Canadian dollars at the exchange rates in effect at the balance sheet dates. Other balance sheet items and revenues and expenses are translated at the rates prevailing on the respective transaction dates. Translation gains and losses relating to monetary items are included in income.

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities at the date of the financial statements and for the periods presented. Estimates are used for, but not limited to, accounting for doubtful accounts, accrued restructuring charges, amortization, income taxes, and contingencies. Actual results may differ from those estimates.

(d) Research and development costs

Research costs are expensed when incurred. Development costs are capitalized to the extent that recovery of these costs is assured, and are amortized over the life of the related product. No development costs have been capitalized as at December 31, 1998 and 1997.

(e) Capital assets and amortization

Capital assets are recorded at cost and amortized over the estimated useful lives of the assets on the following basis:

Computer hardware and software	30% per annum declining balance basis
Furniture and equipment	20% per annum declining balance basis
Leasehold improvements	straight-line over the lesser of the lease term and useful life of the improvements

The Company periodically evaluates the recoverability of its capital assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. During the year ended December 31, 1998, as part of the Company's restructuring, the Company identified certain capital assets that were impaired (see Note 4). No impairment in assets had been identified by the Company in the years ended December 31, 1997 and 1996.

(f) Revenue recognition

The Company's revenue is derived from the following sources:

(i) Software and services

Revenue from the sale of software licenses, either directly or through distributors, is recognized primarily upon delivery. Where significant vendor obligations are outstanding, collectibility is not reasonably assured, or uncertainties exist regarding customer acceptance, revenue is not recognized until such issues are resolved. The Company has no significant vendor obligations on sales made to distributors. Revenue related to software customization is recognized on a percentage of completion basis, generally based on costs incurred relative to total estimated costs. Provision for estimated losses on contracts is recorded when identifiable.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Revenue recognition (Continued)

(ii) Maintenance and support

Revenue related to maintenance agreements for supporting and maintaining the Company's products is recognized ratably over the term of the agreement, generally one year.

(iii) Royalties

Revenue related to royalties is recognized on the accrual basis, in accordance with the terms of the relevant agreement.

(g) Warranties

A provision for potential warranty claims is provided for at the time that the sale is recognized, based on warranty terms, and prior experience.

(h) Per share calculation

The loss per share has been calculated using the weighted average number of shares outstanding during the year.

(i) Comparative figures

Comparative figures have been reclassified, where applicable, to conform to the current year's presentation.

(Expressed in Canadian Dollars)

3. CAPITAL ASSETS

	1998			1997
	Cost	Accumulated amortization	Net book value	Net book value
Computer hardware and software	$ 55,500	$ 27,750	$ 27,750	$ 105,457
Furniture and equipment	27,846	9,118	18,728	78,899
Leasehold improvements	92,088	36,835	55,253	73,670
	$ 175,434	$ 73,703	$ 101,731	$ 258,026

4. RESTRUCTURING

During the year ended December 31, 1998, the Company recorded charges of $239,205 related to the Company's decision to focus on core development activities, to eliminate certain direct sales and marketing activities and to close excess facilities.

The elements of the 1998 charges related to this restructuring are as follows:

	Restructuring Charges	Write-off of capital assets	Actual expenditures	Accrued restructuring charges
Severance costs	$ 142,473	$ -	$ (84,848)	$ 57,625
Write-off of capital assets	75,230	(75,230)	-	-
Excess facilities cost	21,502	-	(21,502)	-
	$ 239,205	$ (75,230)	$ (106,350)	$ 57,625

Severance costs include all costs associated with the reduction of management, sales and marketing, and non-core product development staff. The write-off of capital assets and excess facilities cost include all costs associated with the closure of related facilities.

The company completed its restructuring in 1998. The remaining costs of $57,625 to be paid have been reflected on the consolidated balance sheet as accrued restructuring charges.

(Expressed in Canadian Dollars)

5. LIABILITY COMPONENT OF CONVERTIBLE DEBENTURES

On August 12, 1997, the Company issued $775,000 principal amount of unsecured 10% convertible debentures due August 12, 2002, with interest payable semi-annually. Each $1,000 of debentures is convertible at the option of the holder into 500 common shares ($2.00 per share) and share purchase warrants for 500 common shares until August 12, 1999, and into 400 common shares ($2.50 per share) only thereafter until maturity on August 12, 2002. Share purchase warrants issuable pursuant to the conversion of the debentures will be exercisable at $2.00 per share until the expiry date on August 12, 1999. The Company has the right to require conversion of the debentures into common shares and, if applicable, share purchase warrants at the then applicable conversion basis if the common shares of the Company have traded on the Vancouver Stock Exchange during any period of 20 consecutive trading days at an average closing price of not less than $2.50. The Company may also call for redemption of the debentures at any time upon giving 30 days written notice. Debentureholders may exercise their conversion right during such notice period. On issue, the liability component of the convertible debentures was recorded at $375,000 (see Note 6).

Over the term of the convertible debentures, the liability component will be accreted to the face value of the convertible debentures by the recording of additional interest expense.

6. EQUITY COMPONENT OF CONVERTIBLE DEBENTURES

In accordance with the recommendations the Canadian Institute of Chartered Accountants, the convertible debentures issued during the year ended December 31, 1997 were segregated into their liability and equity components. The liability component, representing the value allocated to the liability at inception, was classified as “liability component of convertible debentures”. The remaining component, representing the value ascribed to the holders’ option to convert the principal balance into common shares and share purchase warrants, was classified in shareholders’ equity as “equity component of convertible debentures”. These components were measured at their respective fair values at the date the convertible debentures were originally issued, August 12, 1997, as follows:

Liability component of convertible debentures	$ 375,000
Equity component of convertible debentures	400,000
	$ 775,000

(Expressed in Canadian Dollars)

7. SHARE CAPITAL

Authorized

100,000,000 common shares without par value
100,000,000 preferred shares without par value

On June 18, 1998, at the Company's annual general meeting, the shareholders approved an increase in authorized capital of the Company by creating 100,000,000 preferred shares without par value. As at December 31, 1998, no preferred shares were issued and outstanding.

	Number of shares	Amount
Common shares issued and outstanding		
Balance at December 31, 1995	8,846,906	$ 5,634,912
Issued for cash		
Special warrants, net of share issue costs	2,000,000	2,640,000
Share purchase warrants	150,000	105,000
Employee share ownership plan	39,300	68,775
Share Incentive Plan, options	256,700	148,910
	2,446,000	2,962,685
Balance at December 31, 1996	11,292,906	8,597,597
Issued for cash		
Private placement, net of share issue costs	1,100,000	1,060,000
Share purchase warrants	300,000	300,000
Employee share ownership plan	83,950	131,400
Share Incentive Plan, options	77,000	44,550
	1,560,950	1,535,950
Balance at December 31, 1997	12,853,856	10,133,547
Issued for cash		
Private placements, net of share issue costs	3,607,364	1,452,243
Employee share ownership plan	99,950	118,925
Share Incentive Plan, options	74,000	43,850
Issued for services		
Share Incentive Plan, bonus shares	42,500	42,500
	3,823,814	1,657,518
Balance at December 31, 1998	16,677,670	$11,791,065

7. SHARE CAPITAL (Continued)

(a) Fair market value of securities issued

(i) Private placements

Private placements of securities of the Company, including the Company's Employee Share Ownership Plan, are at not less than the market price as approved by the Vancouver Stock Exchange on the trading day prior to the date of the news release announcing the placement and are normally subject to a four-month hold period in British Columbia.

(ii) Share incentive plans

The Company provides for equity participation in the Company by its directors, officers, employees and consultants through the grant of options to purchase common shares of the Company and through the grant of bonuses payable in common shares of the Company, pursuant to its 1997 Share Incentive Plan, as amended on June 18, 1998, (the "1997 Share Incentive Plan"), which superseded its 1995 Share Incentive Plan, as amended on May 2, 1996, (the "1995 Share Incentive Plan"). These plans, as approved by the shareholders, authorize the directors to grant options and bonus shares within the limitations of these plans and subject to the rules of applicable regulatory authorities. The exercise price of options granted under this plan are at not less than fair market value as determined on the date of grant, based on the average closing price of the common shares on the Vancouver Stock Exchange for the preceding 10 day trading period, and the price of bonus shares are at market.

(b) Employee share ownership plan

During the year ended December 31, 1998, the Company completed a private placement of 91,405 units, each unit consisting of one common share and one share purchase warrant, at a price of $1.00 per unit for proceeds of $91,405 pursuant to its Employee Share Ownership Plan (the "ESOP") Registration Number 0048 under the Province of British Columbia Employee Investment Act. Of the 91,405 common shares and 91,405 share purchase warrants subscribed for, 62,000 shares and 62,000 share purchase warrants were distributed during the year ended December 31, 1998 for proceeds of $62,000 and the balance of 29,405 common shares and 29,405 share purchase warrants for share subscriptions of $29,405, payable by payroll deduction, were to be distributed on or before January 31, 1999. At December 31, 1998, share subscriptions receivable were $7,168 (1997 - $3,904). Subsequent to the year ended December 31, 1998, the balance of 29,405 common shares and 29,405 share purchase warrants were distributed. Each share purchase warrant entitles the holder to acquire an additional common share of the Company at a price of $1.15 per share until January 31, 1999, at a price of $1.30 per share until January 31, 2000 and at a price of $1.45 per share expiring January 31, 2001.

(Expressed in Canadian Dollars)

7. SHARE CAPITAL (Continued)

(b) Employee share ownership plan (Continued)

The Province of British Columbia, through its escrow agent, normally holds shares distributed under the ESOP, other than shares issued pursuant to the exercise of share purchase warrants, in escrow for a three-year period. At December 31, 1998, a total of 208,655 common shares issued pursuant to the ESOP during the years ended December 31, 1998, 1997 and 1996 were held in escrow, of which, 39,300 shares were scheduled for release on February 27, 1999 (which occurred), 16,800 shares on January 15, 2000, 52,500 shares on February 28, 2000, 18,150 shares on February 15, 2001, 57,000 shares on February 16, 2001, and 24,905 shares on January 29, 2002.

(c) 1997 Share Incentive Plan (as amended in 1998)

On June 18, 1998, at the Company's annual general meeting, the shareholders approved an amendment to the 1997 Share Incentive Plan to increase the maximum aggregate number of common shares issuable pursuant to this plan by 397,500 common shares to 2,679,000 common common shares of the Company. At December 31, 1998, the Company had available 486,000 and 107,500 shares for future grants of options and bonus shares, respectively.

(d) Share purchase warrants and options outstanding at December 31, 1998

The exercise prices and expiry dates of share purchase warrants and options outstanding at December 31, 1998 were as follows:

	Number of common shares	Exercise Price	Expiry date
Share purchase warrants	957,708	$ 0.60	July 31, 1999
	2,562,500	0.55 or 0.65	September 30, 1999 or September 30, 2000
	1,162,000	1.15 or 1.45	January 31, 1999 or January 31, 2001
	4,682,208		
Options	10,000	$ 1.79	May 3, 1999
	190,000	0.68	January 31, 2000
	80,000	1.15	January 31, 2000
	154,000	0.55	February 22, 2000
	157,500	0.55	May 3, 2001
	135,000	0.55	June 27, 2002
	297,500	0.55	February 18, 2003
	100,000	0.55	April 28, 2003
	510,000	0.55	July 6, 2003
	300,000	0.55	August 24, 2003
	1,934,000		

(Expressed in Canadian Dollars)

7. SHARE CAPITAL (Continued)

(e) Changes in share capital subsequent to the year ended December 31, 1998

(i) Private placements, net of share issue costs

Subsequent to the year ended December 31, 1998, the Company completed two private placements as follows:

880,000 units at a price of $0.25 per unit for gross proceeds of $220,000. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to acquire an additional common share of the Company at a price of $0.40 per share until March 31, 2000 and at a price of $0.60 per share until March 31, 2001.

640,000 units at a price of $0.50 per unit for gross proceeds of $320,000. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to acquire an additional common share of the Company at a price of $0.50 per share until April 30, 2000 and at a price of $0.75 per share until April 30, 2001.

(ii) Employee share ownership plan

Subsequent to the year ended December 31, 1998, the Company completed a private placement of 600,000 units, each unit consisting of one common share and one share purchase warrant, at a price of $0.25 per unit for gross proceeds of $150,000 issuable pursuant to its ESOP. Each share purchase warrant entitles the holder to acquire an additional common share of the Company at a price of $0.40 per share until March 31, 2000 and at a price of $0.60 per share until March 31, 2001.

8. CHANGES IN OPERATING ASSETS AND LIABILITIES

The changes in operating assets and liabilities for the years ended December 31 are as follows:

	1998	1997	1996
Accounts receivable	$ 280,511	$ (165,111)	$ (432)
Inventory	-	-	67,649
Prepaid expenses and deposits	(64,033)	-	-
Accounts payable and accrued liabilities	(65,454)	144,049	223,496
Deferred revenue	34,817	-	-
Accrued restructuring charges	57,625	-	-
	$ 243,466	$ (21,062)	$ 290,713

(Expressed in Canadian Dollars)

9. SEGMENTED INFORMATION

The Company considers that its operations fall principally into one segment - focusing on the developing, marketing and support of equipment health monitoring and advanced fault detection software solutions, primarily for the semiconductor industry.

Information related to geographical areas is as follows:

	Year ended December 31, 1998	Year ended December 31, 1997	Year ended December 31, 1996
Revenue			
Americas	$ 127,473	$ 1,264,316	$ 563,740
Europe	342,221	186,647	91,022
	$ 469,694	$ 1,450,963	$ 654,762

The Company attributes revenue among geographical areas based on the location of its customers. Long-lived assets consist of capital assets, all of which are located in Canada.

10. INCOME TAXES

The Company has $9,690,000 of losses for tax purposes available at various dates until 2005, to be carried forward and applied against future income for tax purposes; $488,000 of investment tax credits available at various dates until 2005, to be carried forward and applied against future taxes payable; and $2,670,000 of unutilized scientific research and experimental development expenditures available to reduce future income for tax purposes. The potential future tax benefits relating to these items has not been reflected in these consolidated financial statements.

11. COMMITMENTS

The aggregate minimum future payments under operating leases at December 31, 1998 are as follows:

1999	$223,000
2000	194,000
2001	166,000
2002	43,000

12. RELATED PARTY TRANSACTIONS

During the year ended December 31, 1998, the Company paid interest to directors of $7,500 (1997 - $2,900) on convertible debentures with a face value of $75,000.

13. FINANCIAL INSTRUMENTS

(a) Fair value

The Company has financial instruments which include cash and cash equivalents, accounts receivable, share subscriptions receivable, deposits, accounts payable and accrued liabilities, the accrued restructuring charges and the liability component of convertible debentures. Cash and cash equivalents include highly liquid money-market investments with a maturity of three months or less.

The carrying value of cash and cash equivalents, accounts receivable, share subscriptions receivable, deposits, accounts payable and accrued liabilities, and the accrued restructuring charges approximates fair value at December 31, 1998 and 1997. The fair value of the liability component of convertible debentures is not readily determinable.

(b) Price risk

The Company undertakes transactions denominated in U.S. dollars and as such is exposed to price risk due to fluctuations in foreign exchange rates. During the years ended December 31, 1998 - 94% ($443,605); 1997 - 96% ($1,394,036); and 1996 - 76% ($495,917) of the Company's sales were denominated in U.S. dollars. At December 31, 1998 - 93% ($113,176); 1997 - 97% ($389,423); and 1996 - 76% ($162,802) of accounts receivable were denominated in U.S. dollars.

(c) Credit risk

The Company currently derives revenue primarily from customers in the semiconductor industry. These customers are geographically dispersed and the Company closely monitors credit granted to each customer. Therefore, credit risks are considered to be minimal. Revenue for the year ended December 31, 1998 includes $324,967 from sales to one customer (1997 - $889,646 from two customers; and 1996 - $376,513 from two customers).

14. 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 Company, including those related to the efforts of customers, suppliers or other third parties, will be fully resolved.

(Expressed in Canadian Dollars)

15. UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada ("Canadian GAAP") which, in the case of these financial statements, conforms in all material respects with those in the United States ("U.S. GAAP") except as follows:

(a) Balance Sheet

	Year ended December 31, 1998	Year ended December 31, 1997
Total liabilities under Canadian GAAP	$ 1,141,525	$ 1,052,243
Accretion of liability component of convertible debentures (e)	(85,694)	(23,400)
Equity component of convertible debentures (e)	400,000	400,000
Total liabilities under U.S. GAAP	$ 1,455,831	$ 1,428,843
(Capital deficiency) shareholders' equity under Canadian GAAP	$ (675,569)	$ 785,053
Accretion of liability component of convertible debentures (e)	85,694	23,400
Equity component of convertible debentures (e)	(400,000)	(400,000)
(Capital deficiency) shareholders' equity under U.S. GAAP	$ (989,875)	$ 408,453

(b) Loss from operations and net loss

	Year ended December 31, 1998	Year ended December 31, 1997	Year ended December 31, 1996
Loss from operations and net loss under Canadian GAAP	$(3,090,620)	$(2,544,762)	$(2,685,047)
Accretion of interest on convertible debentures (e)	62,294	23,400	-
Additional interest on beneficial conversion feature (e)	-	(174,375)	-
Stock-based compensation (h)	-	(74,930)	-
Consulting expense (h)	(5,237)	-	-
Loss from operations and net loss under U.S. GAAP	$(3,028,326)	$(2,770,667)	$(2,685,047)
Basic and diluted loss per share under U.S. GAAP (g)	$ (0.21)	$ (0.24)	$ (0.28)

(Expressed in Canadian Dollars)

15. UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

(c) Net sales and costs and expenses

(i) Net sales of tangible products and revenues from services as disclosed under U.S. GAAP

	Year ended December 31, 1998	Year ended December 31, 1997	Year ended December 31, 1996
Net sales of tangible products	$ 450,282	$1,232,446	$ 389,835
Revenues from services	-	168,841	206,372
Other	19,412	49,676	58,555
Revenue as disclosed under Canadian GAAP	$ 469,694	$1,450,963	$ 654,762

(ii) Costs and expenses of tangible products and service as disclosed under U.S. GAAP

	Year ended December 31, 1998	Year ended December 31, 1997	Year ended December 31, 1996
Costs and expenses of:			
Net sales of tangible products	$ 349,510	$ 684,904	$ 420,024
Revenues from services	-	62,341	147,525
Other	-	-	-
Direct costs and expenses as disclosed under Canadian GAAP	$ 349,510	$ 747,245	$ 567,549

(d) Statement of changes in financial position

Under Canadian GAAP, the loss from operations and net loss as reported for the year ended December 31, 1998 includes $62,294 (1997 - $23,400) of interest expense that was accreted on the convertible debentures. Under U.S. GAAP, the net loss as reported for the year ended December 31, 1997 included $74,930 in non-cash compensation expense and $174,375 in non-cash interest expense. These amounts did not require the use of cash and therefore, cash flow from operating activities as reported under both Canadian GAAP and U.S. GAAP is the same.

15. UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

(e) Convertible debentures

Under Canadian GAAP, the convertible debentures issued during the year ended December 31, 1997 have been segregated into their liability and equity components measured at their respective fair values at the date the convertible debentures were issued (see Note 4). Over the term of the convertible debentures, the liability component will be accreted to the face value of the convertible debentures by the recording of additional interest expense. Under U.S. GAAP, in order to comply with the terms of EITF Topic No. D-60, the proceeds from the debt issuance were allocated between the debt and the purchase warrants based on the pro rata fair value of each instrument. During the year ended December 31, 1997, $174,375 attributable to the pro rata fair value of the share purchase warrants was recorded as additional paid in capital and charged to interest expense.

(f) Revenue recognition

Under U.S. GAAP, revenue related the software transactions is recognized in accordance with the American Institute of Certified Public Accountants ("AICPA") Statement of Position ("SOP") 97-2 *Software Revenue Recognition*, issued October 1997. Revenue related to license sales is recognized upon delivery when remaining vendor obligations are no longer significant and collectibility is probable. Revenue related to service is recognized as the services are performed. Revenue related to the maintenance and support agreements is recognized ratably over the period of the agreement.

Under Canadian GAAP, revenue related to software sales is recognized when the risks and benefits of ownership have been transferred from the seller to the buyer and reasonable assurance exits regarding the measurement of the consideration received and the extent to which goods can be returned. Revenue related to service, and maintenance and support agreements is recognized using the percentage of completion basis, in relation to the work performed, when reasonable assurance exits regarding the measurement of consideration received.

For all periods presented, there is no difference relating to revenue recognized under Canadian and US GAAP.

(g) Earnings per Share

Under U.S. GAAP, earnings per share is determined in accordance with Statement of Financial Accounting Standard ("SFAS") No. 128 "*Earnings per Share*". The provisions of SFAS 128 did not have any impact on the Company, as under both U.S. and Canadian GAAP, the weighted average shares outstanding is used for the purpose of calculating the basic loss per share. Furthermore, the potential effect of all outstanding warrants and options is anti-dilutive.

15. UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

(h) Accounting for Stock-based Compensation

In accordance with the provisions of SFAS No. 123 "*Accounting for Stock-based Compensation*", the Company applies APB Opinion No. 25 "*Accounting for Stock Issued to Employees*" and related interpretations in accounting for its stock-based awards to employees, and accordingly does not generally recognize compensation expense. However, compensation costs related to stock-based awards to non-employees are recognized under U.S. GAAP as an expense in the period incurred. During the year ended December 31, 1998, the Company issued options to individuals other than employees and directors which under SFAS 123 resulted in $5,237 of consulting expense. Under U.S. GAAP, amendments to the terms of options, which extend the expiration date and/or reduce the exercise price, may also result in stock-based compensation expense. During the year ended December 31, 1998, but prior to December 15, 1998, the Company amended certain options which, under U.S. GAAP, resulted in no additional compensation expense. During the year ended December 31, 1997, the Company amended certain options which, under U.S. GAAP, resulted in $74,930 of additional compensation expense.

(i) Product development costs

Under U.S. GAAP, costs incurred in the development of products are expensed as incurred until the product is established as technologically feasible in accordance with SFAS No. 86, *Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed.* Under Canadian GAAP, these costs may be capitalized to the extent that they meet specified criteria for recoverability. For all periods presented, there is no difference relating to the treatment of product development costs under Canadian and U.S. GAAP.

(j) Foreign exchange

Under Canadian GAAP, the Company includes in income, gains and losses resulting from the translation of the accounts of its foreign subsidiary. Under U.S. GAAP, where an entity's functional currency is a foreign currency, the translation adjustment resulting from the process of translating the entity's financial statements into the reporting currency is reported separately as a component of equity. For all periods presented, there is no material difference relating to the translation of the foreign subsidiary's financial statements under Canadian and U.S. GAAP.

Under Canadian GAAP, the Company includes gains and losses from its foreign currency transactions in the determination of income. Under U.S. GAAP, a change in exchange rates between the functional currency and the currency in which the transaction is denominated results in a transaction gain or loss that is included in income, unless the transactions are designated as effective hedges against foreign currency investments or commitments. For all periods presented, there is no difference relating to foreign currency transactions under Canadian and U.S. GAAP.

15. UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

(k) Segment reporting

In June 1997, the Financial Accounting Standards Board ("FASB") issued SFAS No. 131, "*Disclosures about Segments of an Enterprise and Related Information*". SFAS 131 uses a management approach to report financial and descriptive information about a Company's operating segments. Operating segments are revenue-producing components of the enterprise for which separate financial information is produced internally for the Company's management. For all periods presented, there is no difference relating to segment reporting under Canadian and U.S. GAAP.

(l) Comprehensive income

In June 1997, the FASB issued SFAS No. 130", "*Reporting Comprehensive Income*". SFAS 130 requires that total comprehensive income and comprehensive income per share be disclosed with equal prominence as net income and net income per share. Comprehensive income is defined as changes in stockholders' equity exclusive of transactions with owners such as capital contributions and dividends. Under SFAS 130, the Company has no comprehensive income items other than the net loss in any of the years presented.

(m) Other Accounting Pronouncements

In March 1998, the American Institute of Certified Public Accountants issued Statement of Position ("SOP") 98-1, *"Accounting for Costs of Computer Software Developed or Obtained for Internal Use"*. This SOP is effective for fiscal years beginning after December 15, 1998. This SOP requires capitalization of certain costs of computer software developed or obtained for internal use.

In June 1998, the FASB issued SFAS No. 133, *"Accounting for Derivative Instruments and Hedging Activities"*. The Company expects to adopt this new Statement effective January 1, 2000. This Statement will require the recognition of all derivatives on the Company's consolidated balance sheet at fair value.

The Company anticipates that the adoption of these Statements will not have a significant effect on its consolidated financial position or results of operations.

CORPORATE DIRECTORY

DIRECTORS

Michael George (3)
Chairman of the Board
Paul O'Sullivan
President and CEO
David Baird (1) (2) (3)
Jim Fletcher
Frank Judge (1) (2) (3)
Roger Kazanowski (1) (2)
Jim Macek

(1) Member of Audit Committee
(2) Member of Compensation Committee
(3) Member of Corporate Governance Committee

OFFICERS

Paul O'Sullivan
President and Chief Executive Officer

Mark Stephens
Chief Financial Officer and Corporate Secretary

AUDITORS

Deloitte & Touche LLP
Vancouver, British Columbia, Canada

BANKERS

Bank of Montreal
Vancouver, British Columbia, Canada

SOLICITORS

Koffman Kalef
Vancouver, British Columbia, Canada

REGISTRAR AND TRANSFER AGENT

Montreal Trust
Vancouver, British Columbia, Canada

REGISTERED AND RECORDS OFFICE

19th Floor, 885 West Georgia Street
Vancouver, British Columbia, Canada V6C 3H4

SHARE LISTINGS

Vancouver Stock Exchange
(Symbol: TNT), Advanced Company

OTC Bulletin Board
(Symbol: TNTTF),

TRIANT

Innovative Solutions

for Production Excellence

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