

Reports and Consolidated Financial Statements of

TRIANTECHNOLOGIES INC.

*December 31, 2000, 1999 and 1998
(Expressed in Canadian Dollars)*

Management's Report

To the Shareholders of
Triant Technologies Inc.

The accompanying consolidated financial statements of the company were prepared by management in accordance with Canadian generally accepted accounting principles.

Management is responsible for the integrity of these 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 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 Canadian generally accepted auditing standards and generally accepted auditing standards in the United States of America 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, 2000 and 1999 and the consolidated statements of loss and deficit and cash flows for each of the years in the three-year period ended December 31, 2000. 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.

With respect to the consolidated financial statements for the year ended December 31, 2000, we conducted our audit in accordance with Canadian generally accepted auditing standards and United States generally accepted auditing standards. With respect to the consolidated financial statements for each of the years in the two-year period ended December 31, 1999, we conducted our audits 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. We believe that our audits provide a reasonable basis for our opinion.

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 1999 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2000 in accordance with Canadian generally accepted accounting principles consistently applied.

(Signed) Deloitte & Touche LLP

Chartered Accountants
Vancouver, Canada
March 2, 2001

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

	2000	1999
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 20,743,115	\$ 2,076,876
Accounts receivable	441,832	115,781
Share subscriptions receivable	-	1,879
Prepaid expenses and deposits	4,615	3,662
	21,189,562	2,198,198
Capital assets (Note 3)	686,984	110,594
	\$ 21,876,546	\$ 2,308,792
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 903,755	\$ 343,045
Deferred revenue	584,718	29,321
	1,488,473	372,366
Liability component of convertible debentures (Note 5)	-	532,729
	1,488,473	905,095
COMMITMENTS (Note 10)		
SHAREHOLDERS' EQUITY		
Equity component of convertible debentures (Note 5)	-	400,000
Share capital (Note 6 (b))	36,267,337	14,865,773
Share subscriptions	-	21,250
Deficit	(15,879,264)	(13,883,326)
	20,388,073	1,403,697
	\$ 21,876,546	\$ 2,308,792

APPROVED BY THE BOARD OF DIRECTORS

(Signed) Paul J. O'Sullivan

Paul J. O'Sullivan, Director

(Signed) David L. Baird

David L. Baird, Director

See accompanying notes to the consolidated financial statements.

TRIANTECHNOLOGIES INC.
Consolidated Statements of Loss and Deficit
Years ended December 31
(Expressed in Canadian Dollars)

	2000	1999	1998
REVENUE	\$ 2,027,262	\$ 1,354,657	\$ 450,282
COST OF REVENUE	726,496	463,536	349,510
GROSS MARGIN	1,300,766	891,121	100,772
EXPENSES			
Interest on convertible debentures (Note 11)	34,418	149,535	139,794
Research and development	1,646,542	732,097	1,143,316
Selling, general and administrative	2,247,951	1,056,454	1,688,489
Restructuring (recovery) charges	-	(2,778)	239,205
	3,928,911	1,935,308	3,210,804
LOSS FROM OPERATIONS	(2,628,145)	(1,044,187)	(3,110,032)
INTEREST AND OTHER INCOME	632,207	56,900	19,412
NET LOSS FOR THE YEAR	(1,995,938)	(987,287)	(3,090,620)
DEFICIT, BEGINNING OF YEAR	(13,883,326)	(12,896,039)	(9,805,419)
DEFICIT, END OF YEAR	\$ (15,879,264)	\$ (13,883,326)	\$ (12,896,039)
Loss per share	\$ (0.06)	\$ (0.05)	\$ (0.22)
Weighted average number of common shares outstanding	31,589,469	20,276,771	14,157,943

See accompanying notes to the consolidated financial statements.

TRIANTECHNOLOGIES INC.
Consolidated Statements of Cash Flows
Years ended December 31
(Expressed in Canadian Dollars)

	2000	1999	1998
OPERATING ACTIVITIES			
Net loss for the year	\$ (1,995,938)	\$ (987,287)	\$(3,090,620)
Items not affecting cash			
Amortization	113,935	37,346	86,154
Accretion of liability component of convertible debentures	17,560	72,035	62,294
Common shares issued as bonus	-	-	42,500
Restructuring charges (Note 4)	-	-	75,230
	(1,864,443)	(877,906)	(2,824,442)
Changes in operating assets and liabilities (Note 7)	789,103	(232,724)	243,466
	(1,075,340)	(1,110,630)	(2,580,976)
FINANCING ACTIVITIES			
Special warrants issued for cash, net of issue costs	13,833,380	-	-
Common shares issued for cash, net of issue costs	6,148,524	2,921,842	1,492,829
Share subscriptions received	-	150,000	91,405
	19,981,904	3,071,842	1,584,234
INVESTING ACTIVITY			
Capital assets	(240,325)	(46,209)	(5,089)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR			
	18,666,239	1,915,003	(1,001,831)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR			
	2,076,876	161,873	1,163,704
CASH AND CASH EQUIVALENTS, END OF YEAR			
	\$ 20,743,115	\$ 2,076,876	\$ 161,873
CASH AND CASH EQUIVALENTS ARE COMPRISED OF:			
Cash	\$ 479,136	\$ 605,981	\$ 161,351
Cash equivalents	20,263,979	1,470,895	522
	\$ 20,743,115	\$ 2,076,876	\$ 161,873

SUPPLEMENTAL CASH FLOWS DISCLOSURE:

Interest paid on convertible debentures	\$ 46,796	\$ 77,500	\$ 77,500
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SUPPLEMENTAL NON-CASH FLOWS DISCLOSURE:

Common shares issued as bonus	\$ -	\$ -	\$ 42,500
Common shares issued on conversion of debentures	\$ 950,289	\$ -	\$ -
Common shares issued on conversion of special warrants	\$ 13,833,380	\$ -	\$ -
Common shares issued for share subscriptions	\$ 21,250	\$ 158,155	\$ 118,925
Common shares issued on acquisition of technology	\$ 450,000	\$ -	\$ -

See accompanying notes to the consolidated financial statements.

TRIANTECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
December 31, 2000, 1999 and 1998
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

The Company develops, markets, and supports equipment health monitoring, advanced fault detection and sophisticated data analysis technology. The Company provides innovative software solutions that help its customers improve the productivity of their manufacturing equipment and is focused on the application of its technology primarily to the semiconductor industry and secondarily to other industries. The core technology of the Company is *UPM (Universal Process Modeling)*, a proprietary advanced mathematical algorithm that can be used to model the behavior of any correlated system or process. To address the emerging market opportunity in the semiconductor industry, the Company has developed *ModelWare[®]/RT*, an equipment health monitoring and advanced fault detection software solution, based on its core *UPM* technology. The Company also provides legacy products and services for other industries.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

(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's functional currency is the Canadian dollar. The accounts of the Company and its subsidiaries are expressed in Canadian dollars. Monetary assets and liabilities denominated in other than the Canadian dollar 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.

(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, amortization, income taxes, and contingencies. Actual results may differ from those estimates.

TRIANTECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
December 31, 2000, 1999 and 1998
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Cash and cash equivalents

The Company invests certain of its excess cash in cash equivalents which are highly liquid money market instruments with an original maturity of 90 days or less.

(e) 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, 2000 and 1999.

(f) Capital assets and amortization

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

Acquired technology	straight-line over a three-year period
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 years ended December 31, 2000 and 1999, no impairment of capital assets was identified by the Company. 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).

TRIANTECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
December 31, 2000, 1999 and 1998
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) *Revenue recognition*

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

(i) *Software and services*

Revenues from software license agreements are recognized upon delivery of software if persuasive evidence of an arrangement exists, collection is probable, the fee is fixed or determinable, and vendor-specific objective evidence exists to allocate the total fee to elements of the arrangement. Vendor-specific objective evidence is typically based on the price charged when an element is sold separately, or, in the case of an element not yet sold separately, the price established by authorized management, if it is probable that the price, once established, will not change before market introduction. Elements included in multiple element arrangements could consist of software products, upgrades, enhancements, or customer support services. If an acceptance period is required, revenues are recognized upon the earlier of customer acceptance or the expiration of the acceptance period. The Company's agreements with its customers and resellers do not contain product return rights.

Consulting revenues are primarily related to implementation services performed on a time-and-materials basis under separate service arrangements related to the installation and use of the Company's software products. Revenues from consulting services are recognized as services are performed. Provision for estimated losses on contracts is recorded when identifiable. If a transaction includes both license and service elements, license fee revenues are recognized on shipment of the software, provided services do not include significant customization or modification of the base product, and the payment terms for licenses are not subject to acceptance criteria.

In cases where license fee payments are contingent on acceptance of services, the Company defers recognition of revenues from both the license and the service elements until the acceptance criteria are met.

(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.

TRIANTECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) *Revenue recognition (continued)*

(iii) *Royalties*

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

(h) *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.

(i) *Stock-based compensation*

The Company provides stock-based compensation to eligible persons under its 1997 Share Incentive Plan, as last amended on June 28, 2000, which is described in Note 6 (g). When options are granted under this plan, no compensation expense is recognized. Any consideration paid on exercise of options is credited to share capital. When bonus shares are issued under this plan, compensation expense is recognized at the fair market value of the bonus shares issued and an equivalent amount is credited to share capital.

(j) *Income taxes*

Future income taxes relate to the expected future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax values. Future tax assets, if any, are recognized only to the extent that, in the opinion of management, it is more likely than not that the future income tax assets will be realized. Future income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment or substantive enactment.

TRIANTECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) *Loss per common share*

In fiscal 2000, the Company early adopted the accounting recommendations of the CICA Handbook Section 3500, *Earnings per Share*. Under this method, basic loss per share is computed using the weighted average number of common shares outstanding during the period. Diluted loss per share is computed using the weighted average number of common and common equivalent shares outstanding during the period using the "treasury stock" method. Common equivalent shares consist of the incremental common shares issuable upon the exercise of stock options and warrants unless their effect is antidilutive. The Company had a net loss for all periods presented herein; therefore, none of the options and warrants outstanding during each of the periods presented were included in the computation of diluted loss per share as they were antidilutive. Early adoption of this policy had no effect on previously reported loss per common share.

(l) *Comparative figures*

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

3. CAPITAL ASSETS

	2000		1999	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Acquired technology	\$ 450,000	\$ 37,500	\$ 412,500	\$ -
Computer hardware and software	331,084	94,648	236,436	57,451
Furniture and equipment	33,932	16,733	17,199	16,308
Leasehold improvements	96,951	76,102	20,849	36,835
	<u>\$ 911,967</u>	<u>\$ 224,983</u>	<u>\$ 686,984</u>	<u>\$ 110,594</u>

TRIANTECHNOLOGIES INC.
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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.

Severance costs of \$142,473 included all costs associated with the reduction of management, sales and marketing, and non-core product development staff. The write-off of capital assets of \$75,230 and excess facilities cost of \$21,502 included all costs associated with the closure of related facilities.

The Company completed its restructuring in 1998. During the year ended December 31, 1999, remaining costs of \$54,847 were paid which resulted in a recovery of restructuring charges of \$2,778, which has been reflected on the consolidated statements of loss and deficit.

5. LIABILITY AND EQUITY COMPONENTS 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 was convertible at the option of the holder into 400 common shares (\$2.50 per share) until maturity on August 12, 2002. The Company had the right to require conversion of the debentures into common shares if the common shares of the Company had traded on the Canadian Venture Exchange during any period of 20 consecutive trading days at an average closing price of not less than \$2.50. The Company also had the right to call for redemption of the debentures at any time upon giving 30 days written notice. Debenture holders could exercise their conversion right during such notice period. On issue, the liability component of the convertible debentures was recorded at \$375,000 and the equity component was recorded at \$400,000 being their respective fair values. Over the term of the convertible debentures, the liability component was accreted to the face value of the convertible debentures by the recording of additional interest expense.

Effective March 21, 2000, these debentures were converted by the holders into 310,000 common shares with a carrying value of \$950,289 comprised of debentures having a carrying value of \$550,289 and the remaining portion of the equity component of \$400,000.

TRIANTECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
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6. SHARE CAPITAL

(a) *Authorized*

100,000,000 preferred shares without par value
100,000,000 common 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, 2000, no preferred shares were issued and outstanding.

(b) *Common shares issued and outstanding*

	Number of shares	Amount
Balance at December 31, 1997	12,853,856	\$10,133,547
Issued for cash		
Private placements, net of 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
Issued for cash		
Private placements, net of issue costs	4,708,250	2,869,803
Share purchase warrants	75,000	33,000
Employee share ownership plan	544,405	158,155
Share Incentive Plan, options	25,000	13,750
	5,352,655	3,074,708
Balance at December 31, 1999	22,030,325	14,865,773
Issued for cash		
Special warrants, net of issue costs	9,375,000	13,833,380
Share purchase warrants	8,028,350	5,351,995
Employee share ownership plan	85,000	21,250
Share Incentive Plan, options	1,313,500	794,650
Issued on conversion of		
convertible debentures (Note 5)	310,000	950,289
Issued on acquisition of technology	300,000	450,000
	19,411,850	21,401,564
Balance at December 31, 2000	41,442,175	\$36,267,337

TRIANTECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
December 31, 2000, 1999 and 1998
(Expressed in Canadian Dollars)

6. SHARE CAPITAL (Continued)

(c) Private placements

Private placements of securities of the Company, including the Company's Employee Share Ownership Plan (see Note 6 (e)), are at not less than the market price as approved by the Canadian Venture 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.

(d) Special warrants and special brokers' warrants

On June 28, 2000, the Company issued by way of private placement, 9,375,000 Special Warrants at a price of \$1.60 per Special Warrant for gross proceeds of \$15,000,000 (before Special Warrant issue costs of \$1,166,620, including underwriters' fees of \$900,000). In addition, the Company issued 468,750 Special Brokers' Warrants to the underwriters as partial consideration for their services. On October 3, 2000, the Company obtained receipts from securities regulators in the provinces of British Columbia, Alberta, Ontario and Quebec for its final prospectus dated September 29, 2000 qualifying the distribution of 9,375,000 common shares upon the exercise of 9,375,000 the previously issued Special Warrants. Consequently, the Special Warrants were automatically exchanged for common shares on October 11, 2000. Also on October 3, 2000, as a result of the Company obtaining the receipts for its final prospectus, the 468,750 Special Brokers' Warrants were exchanged for 468,750 Compensation Warrants. Each Compensation Warrant entitles the holder to acquire one common share at a price of \$1.60 per share until December 28, 2001.

(e) Employee share ownership plan

The Company has an Employee Share Ownership Plan (the "ESOP") Registration Number 0048 under the Province of British Columbia Employee Investment Act. The Province of British Columbia, through its escrow agent, normally holds in escrow for a three-year period shares distributed under the ESOP which are eligible and claimed for a 20% investment tax credits under the Province of British Columbia Employee Investment Act. At December 31, 2000, a total of 125,905 common shares issued pursuant to the ESOP during the years ended December 31, 1999, 1998 and 1997 were held in escrow, of which, 11,000 shares were scheduled for release on February 15, 2001; 54,500 shares on February 16, 2001; 18,405 shares on January 29, 2002; and 42,000 shares on February 1, 2002.

TRIANTECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
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6. SHARE CAPITAL (Continued)

(f) Share purchase warrants

The following table summarizes the status of share purchase warrants at December 31, 2000 and 1999, and the changes during the years ended December 31, 2000, 1999 and 1998:

Share Purchase Warrants	2000		1999		1998	
	Number of Shares	Weighted Average Exercise Prices	Number of Shares	Weighted Average Exercise Prices	Number of Shares	Weighted Average Exercise Prices
Outstanding, beginning of year	8,917,155	\$0.73	4,682,208	\$0.71	1,162,050	\$1.20
Issued	85,000	\$0.40	5,252,655	\$0.64	3,620,158	\$0.59
Exercised	(8,028,350)	\$0.67	(75,000)	\$0.44	-	-
Lapsed	-	-	(942,708)	\$0.60	(100,000)	\$2.00
Outstanding, end of year	973,805	\$1.43	8,917,155	\$0.73	4,682,208	\$0.71

The following table summarizes information about share purchase warrants outstanding at December 31, 2000:

Number of Shares	Exercise Price	Expiry Date
948,805	\$1.45	January 31, 2001
10,000	\$0.75	April 30, 2001
15,000	\$0.90	May 31, 2001

Subsequent to the year ended December 31, 2000, share purchase warrants lapsed for 948,805 shares at an exercise price of \$1.45.

TRIANTECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
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(Expressed in Canadian Dollars)

6. SHARE CAPITAL (Continued)

(g) *Stock based compensation*

(i) *1997 Share incentive plan, as last amended on June 28, 2000*

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 last amended on June 28, 2000. This plan, as approved by the shareholders, authorizes the directors to grant options and bonus shares within the limitations of this plan and subject to the rules of applicable regulatory authorities. The exercise price of options granted under this plan is at not less than fair market value as approved by the Canadian Venture Exchange, and the price of bonus shares is at market.

On June 28, 2000, 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 1,555,000 common shares to 5,393,000 common shares of the Company. At December 31, 2000, the Company had available 1,752,500 shares for future grants of options and 460,000 shares for future grants of bonus shares.

TRIANTECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
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6. SHARE CAPITAL (Continued)

(g) *Stock based compensation (continued)*

(i) *1997 Share incentive plan, as last amended on June 28, 2000 (continued)*

The following table summarizes the status of options at December 31, 2000 and 1999, and the changes during the years then ended:

Options	2000		1999		1998	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding, beginning of year	2,711,500	\$0.66	1,934,000	\$0.59	1,228,000	\$0.98
Granted	745,000	\$1.40	847,500	\$0.82	1,512,500	\$0.74
Exercised	(1,313,500)	\$0.60	(25,000)	\$0.55	(74,000)	\$0.59
Lapsed	(452,500)	\$1.03	(45,000)	\$0.82	(732,500)	\$0.98
Outstanding, end of year	1,690,500	\$0.93	2,711,500	\$0.66	1,934,000	\$0.59
Exercisable, end of year	1,205,500	\$0.94	2,091,500	\$0.61	1,495,250	\$0.61

The following table summarizes information about options outstanding at December 31, 2000:

Weighted-average remaining years of contractual life	Number of options outstanding	Weighted-average exercise price	Number of options exercisable	Weighted-average exercise price
1.9 years	548,000	\$0.55	548,000	\$0.55
3.5 years	732,500	\$0.82	330,000	\$0.82
4.0 years	270,000	\$1.37	187,500	\$1.36
4.5 years	140,000	\$2.15	140,000	\$2.15
3.2 years	1,690,500	\$0.93	1,205,500	\$0.94

Subsequent to the year ended December 31, 2000, options were granted for 1,242,500 shares at an exercise price of \$1.00 which expire on December 31, 2005.

TRIANTECHNOLOGIES INC.
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6. SHARE CAPITAL (Continued)

(h) Acquisition of Technology

Effective on October 6, 2000, the Company completed the acquisition of certain technology relating to applications of multivariate modeling in exchange for 300,000 common shares of the Company having a fair value of \$450,000. These shares are being held in escrow and will be released in four stages of 75,000 shares on each of October 6, 2001, January 6, 2002, April 6, 2002 and July 6, 2002, respectively. The Company has also agreed to pay additional compensation to the vendors of 5%, 3% and 2% of the revenue recognized from the related intellectual property in each of the first, second and third years, respectively, following the completion of this acquisition.

7. CHANGES IN OPERATING ASSETS AND LIABILITIES

The effect on cash flows from changes in operating assets and liabilities for the years ended December 31, 2000, 1999 and 1998 are as follows:

	2000	1999	1998
Accounts receivable	\$ (326,051)	\$ 5,720	\$ 280,511
Prepaid expenses and deposits	(953)	70,021	(64,033)
Accounts payable and accrued liabilities	560,710	(245,344)	(65,454)
Deferred revenue	555,397	(5,496)	34,817
Accrued restructuring charges	-	(57,625)	57,625
	<u>\$ 789,103</u>	<u>\$ (232,724)</u>	<u>\$ 243,466</u>

TRIANTECHNOLOGIES INC.
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8. SEGMENTED AND OTHER INFORMATION

An operating segment is defined as a component that engages in business activities, whose operating results are reviewed by the chief operating decision maker, and for which discrete financial information is available. The chief operating decision-maker of the Company is the President and Chief Executive Officer, who reviews operating results to make decisions about allocating resources and who assess performance for the entire Company.

The Company operates in one segment for developing, marketing, and supporting equipment health monitoring, advanced fault detection and sophisticated data analysis technology. Since the Company operates in one segment, all financial segment information can be found in the consolidated financial statements.

Information related to geographical areas is as follows:

	2000	1999	1998
Revenue			
United States	\$ 847,256	\$ 304,721	\$ 108,061
Europe	844,445	553,163	342,221
Asia	332,529	495,063	-
Canada	3,032	1,710	-
	<u>\$ 2,027,262</u>	<u>\$ 1,354,657</u>	<u>\$ 450,282</u>

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.

Information related to revenue and cost of revenue for products and services is as follows:

	2000	1999	1998
Revenue			
Products	\$ 2,011,464	\$ 1,326,656	\$ 450,282
Services	15,798	28,001	-
	<u>\$ 2,027,262</u>	<u>\$ 1,354,657</u>	<u>\$ 450,282</u>
Cost of revenue			
Products	\$ 720,443	\$ 452,303	\$ 349,510
Services	6,053	11,233	-
	<u>\$ 726,496</u>	<u>\$ 463,536</u>	<u>\$ 349,510</u>

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9. INCOME TAXES

The reported income tax recovery differs from the amount computed by applying the Canadian basic statutory rates to the net loss. The reasons for this difference and the related tax effects are as follows:

	<u>2000</u>	<u>1999</u>	<u>1998</u>
Canadian basic statutory tax rate	45%	45%	45%
Expected income tax (recovery)	\$ (898,172)	\$ (444,279)	\$ (1,390,779)
Losses producing no current tax benefit	454,696	133,280	982,219
Losses expiring in period	290,194	268,715	337,847
Non-deductible expenses and other deductions	-	-	112,803
Research and development tax credits	-	(24,424)	-
Other	153,282	66,708	(42,090)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Future income taxes result principally from temporary differences in the recognition of certain revenue and expense items for financial and income tax reporting purposes. Significant components of the Company's future tax assets and liabilities are as follows:

	<u>2000</u>	<u>1999</u>
Future income tax assets		
Tax loss carry forwards	\$ 4,707,900	\$ 4,253,204
Research and development expenses	1,983,600	1,740,829
Book and tax base differences on assets	667,463	176,295
Valuation allowance for future income tax assets	(7,358,963)	(6,170,328)
Net future income tax assets	<u>\$ -</u>	<u>\$ -</u>
Future income tax liabilities		
Book and tax base differences on assets	\$ -	\$ -
Net future income tax liabilities	<u>\$ -</u>	<u>\$ -</u>

Due to the uncertainty surrounding the realization of the future income tax assets in future income tax returns, the Company has a 100% valuation allowance against its future income tax assets.

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9. INCOME TAXES (Continued)

At December 31, 2000, the Company has \$10,462,000 of losses for tax purposes available at various dates until 2007, to be carried forward and applied against future income for tax purposes; \$641,000 of investment tax credits available at various dates until 2007, to be carried forward and applied against future taxes payable; and \$3,767,000 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.

10. COMMITMENTS

(a) The aggregate minimum future payments under operating leases at ending December 31, 2000 are as follows:

2001	\$	184,000
2002	\$	57,000

11. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2000, the Company paid interest to directors of \$4,529 (1999 - \$7,500; 1998 - \$7,500) on convertible debentures with a face value of \$75,000.

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12. 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, and the liability component of convertible debentures.

The carrying value of cash and cash equivalents, accounts receivable, share subscriptions receivable, deposits and accounts payable and accrued liabilities approximates fair value at December 31, 2000 and 1999. The fair value of the liability component of convertible debentures at December 31, 1999 was not readily determinable.

(b) *Price risk*

The Company undertakes transactions denominated foreign currencies (mainly in United States dollars and British pounds) and as such is exposed to price risk due to fluctuations in foreign exchange rates. During the years ended December 31, 2000 – 69.7% (\$1,412,244); December 31, 1999 – 99.8% (\$1,351,535); and December 31, 1998 – 98.5% (\$443,605) of the Company's revenue was denominated in United States dollars. During the years ended December 31, 2000 – 30.2% (\$611,986); 1999 – Nil% (\$Nil); and 1998 – Nil% (\$Nil) of the Company's revenue was denominated in British pounds. At December 31, 2000 – 20.4% (\$90,000); December 31, 1999 – 97.0% (\$112,339) of accounts receivable were denominated in United States dollars. At December 31, 2000 – 78.0% (\$344,721); December 31, 1999 – Nil% (\$Nil) of accounts receivable were denominated in British pounds. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

(c) *Credit risk and economic dependence*

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, 2000 includes \$1,667,402 (82.2%) from sales to four customers (year ended December 31, 1999 - \$967,673 (71.4%) from sales to two customers; and December 31, 1998 - \$324,967 (72.2%) from sales to one customer).

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13. UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("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*

	<u>2000</u>	<u>1999</u>
Total liabilities under Canadian GAAP	\$ 1,488,473	\$ 905,095
Accretion of liability component of convertible debentures (d)	-	(157,729)
<u>Equity component of convertible debentures (d)</u>	<u>-</u>	<u>400,000</u>
<u>Total liabilities under U.S. GAAP</u>	<u>\$ 1,488,473</u>	<u>\$ 1,147,366</u>
Shareholders' equity under Canadian GAAP	\$ 20,388,073	\$ 1,403,697
Accretion of liability component of convertible debentures (d)	-	157,729
<u>Equity component of convertible debentures (d)</u>	<u>-</u>	<u>(400,000)</u>
<u>Shareholders' equity under U.S. GAAP</u>	<u>\$ 20,388,073</u>	<u>\$ 1,161,426</u>

(b) *Net loss*

	<u>2000</u>	<u>1999</u>	<u>1998</u>
Net loss under Canadian GAAP	\$ (1,995,938)	\$ (987,287)	\$ (3,090,620)
Accretion of interest on convertible debentures (d)	17,560	72,035	62,294
<u>Consulting expense (e)</u>	<u>(17,991)</u>	<u>(10,475)</u>	<u>(5,237)</u>
<u>Net loss under U.S. GAAP</u>	<u>\$ (1,996,369)</u>	<u>\$ (925,727)</u>	<u>\$ (3,033,563)</u>
Basic and diluted loss per share under U.S. GAAP	\$ (0.06)	\$ (0.05)	\$ (0.21)

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13. UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

(c) *Statement of cash flows*

Under Canadian GAAP, the net loss as reported for the year ended December 31, 2000 includes \$17,560 (1999 - \$72,035; 1998 - \$62,294) of interest expense that was accreted on the convertible debentures.

(d) *Convertible debentures*

Under Canadian GAAP, the convertible debentures issued during the year ended December 31, 1997 was segregated into their liability and equity components measured at their respective fair values at the date the convertible debentures were issued (see Note 5). Over the term of the convertible debentures until the conversion date of March 21, 2000, the liability component was 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.

(e) *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. The Company has adopted the disclosure only provisions of SFAS No. 123. 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 years ended December 31, 2000 and 1998, the Company issued options to individuals other than employees and directors which under SFAS 123 resulted in consulting expense for the year ended December 31, 2000 of \$17,991 (1999 - \$10,475; 1998 - \$5,237). 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.

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13. UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

(e) *Accounting for stock-based compensation (continued)*

Under SFAS No. 123, options granted to employees are valued at the issuance dates using the Black-Scholes valuation model and the resultant compensation cost is recognized ratably over the vesting period. Had compensation cost for this item been determined based on the Black-Scholes value at the issuance dates as prescribed by SFAS No. 123, pro forma net loss and loss per share would have been as follows:

	<u>2000</u>	<u>1999</u>	<u>1998</u>
Net loss			
As reported	\$ (1,996,369)	\$ (925,727)	\$ (3,033,563)
SFAS No. 123 pro forma	(394,104)	(294,776)	(239,567)
Pro forma net loss	(2,390,473)	(1,220,503)	(3,273,130)
Loss per share			
As reported	\$ (0.06)	\$ (0.05)	\$ (0.21)
SFAS No. 123 pro forma	(0.01)	(0.01)	(0.02)
Pro forma loss per share	(0.08)	(0.06)	(0.23)

The weighted average Black-Scholes option pricing model value of options granted under the 1997 Share Incentive Plan during the years ended December 31, 2000, 1999 and 1998 were \$0.80, \$0.17 and \$0.23, per share respectively. The fair value for those options was estimated at the date of grant using the following weighted average assumptions:

	<u>2000</u>	<u>1999</u>	<u>1998</u>
Assumptions:			
Volatility factor of expected market price of the Company's shares	95%	31%	32%
Dividend yield	0%	0%	0%
Weighted average remaining years of contractual life of options	3.2 years	3.1 years	3.4 years
Risk free interest rate	6.2%	6.4%	6.6%

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13. UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

(f) 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 years presented, there is no difference relating to the treatment of product development costs under Canadian and U.S. GAAP.

(g) 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 years 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 years presented, there is no difference relating to foreign currency transactions under Canadian and U.S. GAAP.

(h) Other accounting pronouncements

In June 1998, the FASB issued SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, which establishes accounting and reporting standards for derivative instruments and hedging activities. This statement requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The statement is effective for fiscal years beginning after June 15, 2000, as amended by SFAS No. 137. The adoption of this pronouncement will not have a material effect on the Company's consolidated financial position or results of operations.

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13. UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

(h) Other accounting pronouncements (continued)

In December 1999, the Securities and Exchange Commission (“SEC”) issued Staff Accounting Bulletin (“SAB”) No. 101, *Revenue Recognition in Financial Statements*. SAB No. 101 summarizes certain of the SEC’s views in applying generally accepted accounting principles to revenue recognition in financial statements. In October 2000, the SEC issued further guidance with respect to adoption of specific issues addressed by SAB No. 101. The adoption of SAB No. 101 did not have a material effect on the Company’s consolidated financial position or results of operations.

In March 2000, the FASB issued Interpretation No. 44 (“FI *Accounting for Certain Transactions Involving Stock Compensation - an interpretation of APB 25*”). FIN No. 44 clarifies (i) the definition of employee for purposes of applying APB Opinion No. 5, (ii) the criteria for determining whether a plan qualifies as a noncompensatory plan, (iii) the accounting consequences of various modifications to the terms of a previously fixed stock option or award, and (iv) the accounting for an exchange of stock compensation awards in a business combination. FIN No. 44 was effective July 1, 2000 but certain conclusions in this interpretation cover specific events that occur after either December 15, 1998, or January 12, 2000. The adoption of certain of the conclusions of FIN No. 44 covering events occurring during the period after December 15, 1998 or January 12, 2000 did not have a material effect on the Company’s financial position and results of operations. The adoption of the remaining conclusions did not have a material effect on the financial position or results of operations.