

**British Columbia Securities Commission**  
**Quarterly Report**  
**BC Form 51-901F**

**ISSUER DETAILS:**

<b>Name of Issuer:</b> PE-TECH Inc.	<b>For Quarter Ended:</b> February 28, 2003	<b>Date of Report:</b> Y    M    D 03   10   07
<b>Issuer's Address:</b> Suite 104, 11430 – 168 <sup>th</sup> Street	<b>City:</b> Edmonton	<b>Province:</b> Alberta
<b>Postal Code:</b> T5M 3T9	<b>Issuer Telephone:</b> 780.486.2222	<b>Issuer Facsimile:</b> 780.484.7177
<b>Contact Name:</b> D. Brad Paterson	<b>Contact Position:</b> Chief Financial Officer	<b>Contact telephone No.:</b> 780.486.2222 ext 224

**CERTIFICATE**

The schedule(s) required to complete this Quarterly Report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of this Quarterly Report will be provided to any shareholder who requests it.

*SIGNED: Brett C. Davidson (signed)*  
**NAME OF DIRECTOR**

*September 30, 2003*  
**DATE SIGNED (YY/MM/DD)**

## **PE-TECH INC.**

Quarterly Report  
For Period Ended February 28, 2003

### **Schedule A: Financial Information**

See Financial Statements for the first quarter ended February 28, 2003 attached to, and forming part of, this quarterly report. Also see Schedule C for further discussion and analysis.

### **Schedule B: Supplementary Information**

#### **Item 1. Analysis of expenses and deferred costs.**

- a. The decrease in operating expenses by \$7,988 to \$498,172 (2002 - \$506,160) is a result of the following:
  - i. Wage expense remained relatively constant at \$235,800 (2002 - \$232,957) partially due to increased efficiency of staff and internal processes. However, \$93,308 of direct labour, which was not included in the wage expense, was allocated to cost of goods and is a result of increased revenues.
  - ii. Office expenses increased by \$11,945 to \$86,709 (2002 - \$74,764) due to increase in business activity and the addition of expenses for maintaining a sales office in Texas.
  - iii. Consultant expenses increased by \$30,981 to \$51,464 (2002 - \$20,483) due to the addition of US sales staff.
  - iv. Professional fees decreased by \$36,234 to \$26,148 (2002 - \$62,382) as restructuring costs in 2002 are no longer being incurred
  - v. Repairs and Maintenance expenses decreased by \$24,286 to \$9,530 (2002 - \$33,816) due to the improved tracking of project expenses and the addition of direct project costs to cost of goods expenses.
- b. Cost of goods sold of \$359,306 represented 40% of gross income versus 40% of gross income for the previous year (2002 - \$218,163). However, for the current reporting period, direct labour expenses of \$93,308 and direct project costs of \$26,654 have been allocated to the cost of goods sold; whereas cost of goods sold for the comparative reporting period only included direct materials. The corresponding increase in gross income to 60% (2002 - 58%) was a result of changes in the pricing of integrated monitoring products.
- c. Accounts payable and accrued liabilities in the amount of \$607,746 (2002 - \$645,183) are comprised of accounts payable \$372,383 (2002 - \$494,789) and accrued liabilities \$235,363 (2002 - \$150,394). The decrease in accounts payable of \$122,406 is due to improved turnaround time on payables. The increase in accrued liabilities of \$84,969 is partially due to a payroll accrual of \$60,000 related to the secondment of personnel from an arms length organization. The remaining increase is related to an increase in GST collected

due to increase in revenues and unearned revenues and decrease in expenses and other minor accruals.

**Item 2. Summary of related party transactions.**

Wages, employee benefits, contract employees and consultants during the quarter totalled \$37,500. Portions of these amounts were paid to the president and a director of the Company. The amounts were paid as part of the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

During the reporting period, the Company has accrued interest of \$8,850 relating to promissory notes held by significant shareholders, a corporation controlled by a shareholder of the Company, and a related party to an insider of New Media Systems. The funds owed by the Company to the shareholders amount to \$422,216. No interest payments were paid and all interest continues to be accrued.

**Item 3. Summary of securities issued and options granted during reporting period.**

**a) Summary of securities issued during the period.**

Date of Issue	Security	Type of Issue	No. of Shares	Total Proceeds	Consideration	Commission Paid
N/A						

**b) Summary of options granted.**

Date of Grant	Number of Shares	Optionee	Exercise Price	Expiry Date
N/A				

**Item 4. Summary of securities as at the end of the reporting period.**

**a) Description of share capital.**

Authorized Capital:

Unlimited Class A non-cumulative, voting, common shares  
Unlimited Class B non-cumulative, non-voting, common shares

Issued and Outstanding:

Class A common	14,140,433	\$	4,134,539
Class B common	nil		nil

**b) Summary of Options, warrants, and convertible securities outstanding at the end of the reporting period.**

In connection with the reverse take-over with New Media Systems, all incentive stock options of the Company were exercised. As at November 30, 2002, there were no stock options outstanding. Any future stock option issuance will be through New Media and be subject to New Media's stock option plan.

Date Granted	Expiry date	Number of shares purchase warrants	Price per share
3-April-02	3-April-03	240,088	\$1.00
3-April-02	3-April-03	240,000	\$1.00
18-April-02	18-April-03	1,135,392	\$1.00
13-May-02	13-May-02	466,504	\$1.00

As of the date of this report the above share purchase warrants have expired; however, prior to the expiry the Company and New Media requested TSX Venture Exchange approval for the extension of the share purchase warrant for a period of three (3) months from the closing of the reverse take-over with New Media. Subsequent to the reporting period and with the closing of the reverse take-over the share purchase warrants extension was approved.

**c) Summary of shares in escrow or subject to a pooling agreement:**

Not applicable.

**Item 5. List of Directors:**

**PE-TECH Inc.**

Brett C. Davidson

## PE-TECH INC.

Quarterly Report  
For Period Ended February 28, 2003

### Schedule C: Management Discussion and Analysis

#### Item 1. Description of Business.

Core to PE-TECH's business is its intellectual property, including, but not limited to, *Pressure Pulse Technology*, an innovative technology that enhances fluid flow in natural and man-made porous media. Worldwide applications of *Pressure Pulse Technology* include:

##### Energy Sector

- more effective placement of acids and chemicals providing improved oil production rates and /or increased injectivity resulting in high economic returns;
- increasing the injection rates of water, thereby improving oil production recovery rates;
- improving injection conformance or efficiency, i.e., the uniformity with which water displaces oil resulting in higher total recovery; and
- enabling continuous injection of fluids with dispersed solids, such as waste water, slurries, and emulsions without plugging the porous media.

##### Environmental Sector

- increasing the rate of removal of free groundwater contaminants and pollution;
- optimizing placement and injection rate of remediation emulsions and chemicals for the treatment of contaminants and pollution in place; and
- maximizing the contact of remediation emulsions and chemicals with contaminants and pollution in place to ensure in place destruction.

In addition to *Pressure Pulsing Technology*, the Company provides integrated monitoring services principally to energy sector companies. The energy sector companies employ these sophisticated technologies to acquire real-time, downhole information on well production systems and reservoir conditions in order to meet the challenges of reservoir optimization. The Company's integrated monitoring services include downhole pressure and temperature, and specialized services such as fibre optic, vibration or microseismics.

#### Item 2. Operations and Financial Condition.

##### (a) Sales

Revenues for the three months ended February 28, 2003 were \$895,953, an increase of \$373,974 (2002 - \$521,979). This increase is due to increased market penetration and increases in the pricing of integrated monitoring products. All the revenue in this quarter relates to integrated monitoring products. The monitoring business is closely tied to the oilfield drilling cycle in Alberta, of which the majority occurs during the winter months. Thus almost all of the revenues from monitoring products occur in the first two quarters of the year.

For reporting purposes, the Company manages its operations based on the industry and the products and services are provided. Prism Production Technologies Inc. reflects operation in the energy sector and Wavefront Environmental Services Inc. reflects operation in the environmental sector.

**(b) Transactions with related parties**

Schedule "B" of this quarterly report provides the transactions made with related parties for the quarter ended February 28, 2003. These transactions were made in the normal course of business and were measured at the exchanged amounts, which were agreed to by the related parties. It should be noted that the Company maintains no contractual agreements with regards to compensation for related parties.

**(c) Future income tax recovery**

The future income tax recovery of \$2,659 (2002 – nil) relates to the expense associated with the amortization of the goodwill and intangible assets associated with the acquisition of the non-controlling interest of the Company's subsidiaries.

**Investor Relations Activity**

As the Company was not a reporting issuer, there were no investor relation activities undertaken.

**Natural Resource Properties**

The Company has no right natural resources or any property claims.

**Item 3. Subsequent Events.**

Subsequent to the quarter-end, revenues for the second quarter ended May 31, 2003 totaled \$1,920,110 compared to \$910,868 for the prior year's comparative period, an increase of approximately 211%. The increased revenues related to the Company's monitoring business related to the energy sector in the Western Canadian market, and are reflective of the efforts initiated in the previous fiscal year.

**Item 4. Financings, principal purposed and milestones.**

The Company has effectively changed its working capital policies such that it was cash flow positive and there was no need for external financings. However, in connection with the Company's reverse take-over of New Media Systems and in order to meet the TSX Venture Exchange's minimum listing requirements, New Media Systems will undertake a private placement of CDN \$1,100,000. The placement was priced at \$0.50 and consisted of one common share of New Media and one half of one share purchase warrant, each full share purchase warrant exercisable at CDN \$1.00 into an additional common share of New Media.

Future milestones relate to the capitalization of three additional downhole environmental tools and the successful implementation of environmental pressure pulsing projects with varying degrees of permeability.

## **Item 5. Liquidity and solvency**

Cash flow from operations as at the end of the quarter amounted to \$283,115 (2002 – negative \$140,691). This is a decrease in the use of cash in operations by \$423,806 from the prior year's comparative period. Capital expenditures for the quarter totaled \$22,297 and consisted of \$10,586 for pulsing technology tools, \$6,350 for design software and \$5,361 for other miscellaneous equipment.

As at the end of the period, the Company had negative working capital of \$608,386 compared to negative working capital of \$647,616 at the end of fiscal year 2002. The negative working capital position primarily results from notes payable to principal shareholders of \$422,262. Subject to the closing of the reverse takeover with New Media Systems, all the notes payable and \$47,218 of accounts payable and accrued liabilities owing to principal shareholders of the Company will be moved from current liabilities to long-term debt. By excluding these amounts, the working capital for the year-end increases from negative \$554,151 to negative \$84,671.

As at the end of the quarter, the bank indebtedness was \$100,288 relating to a revolving credit facility of an operating subsidiary, which is secured by principal shareholders. The credit facilities held by the Company and its subsidiaries as at the end of the quarter include revolving credit facilities of \$250,000. The Company had no long-term debt at the end of the quarter.

Given the large proportion of direct materials required in implementing integrated monitoring projects, the Company established a policy of requiring clients to provide a deposit upon execution of a purchase order or an allowance for expenditure or a contract. This assisted in the Company in better managing its cash flow and allowed it to continue operations through the 2002 / 2003 monitoring products and services seasons.

As at the end of the quarter, the Company had \$342,433 in cash and accounts receivable of \$757,549. Monthly expenses for the Company are estimated at \$150,000. Expenditures are anticipated to remain constant for the forthcoming quarter (i.e., March, April, May 2003) due to the work associated with the unearned revenue of \$913,175 that has been reported and normal high level of monitoring work associated with that time of the year.