

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

ISSUER DETAILS:

Name of Issuer: PE-TECH Inc.	For Quarter Ended: May 31, 2003	Date of Report: Y M D 03 10 07
Issuer's Address: Suite 104, 11430 – 168 th Street	City: Edmonton	Province: Alberta
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Contact Name: D. Brad Paterson	Contact Position: Chief Financial Officer	Contact telephone No.: 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 May 31, 2003

Schedule A: Financial Information

See Financial Statements for the second quarter ended May 31, 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 \$77,676 to \$518,838 (2002 - \$596,514) for the three months ended May 31, 2003 is a result of the following:
 - i. Wage expense decreased by \$47,200 to \$221,147 (2002 - \$268,347) principally due to the allocation of \$85,330 of direct labour to the cost of goods sold. The total expenses related to personnel increased due to increased seasonal staffing levels, which is a function of revenue.
 - ii. Office expenses decreased by \$20,862 to \$83,904 (2002 - \$104,766) due to improved recording of direct costs to projects and improved controls.
 - iii. Travel and Promotion expenses remained relatively constant at \$59,076 (2002 - \$51,615). The travel and promotion expenses are representative of increased activity pertaining to environmental pressure pulsing projects in the United States.
 - iv. Professional fees decreased by \$49,421 to \$30,996 (2002 - \$80,417) as restructuring costs in 2002 are no longer being incurred.
 - v. Consultant expenses increased by \$32,328 to \$61,329 (2002 - \$29,001) due to the addition of US sales and Canadian investor relations persons. The consultants are employed on a month-to-month basis with no long-term commitments.
 - vi. Repairs and Maintenance decreased by \$20,569 to \$1,892 (2002 - \$22,461) 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 \$458,172 represented 44.7% of gross income versus 69.4% of gross income for the previous year (2002 - \$269,776). However, for the current reporting period, direct labour expenses of \$85,330 and direct project costs of \$108,496 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 55.3% (2002 - 30.6%) was a result of changes in the pricing of integrated monitoring products.
- c. Accounts payable and accrued liabilities in the amount of \$622,466 (2002 - \$333,536) are comprised of accounts payable \$315,432 (2002 - \$347,451) and accrued liabilities

\$307,034 (2002 – (\$13,915)). The decrease in accounts payable of \$32,019 is due to the improved turnaround time on payables. The increase in accrued liabilities of \$320,949 is partially due to a payroll accrual of \$90,000 related to the secondment of personnel from an arms length organization. The remaining difference is related to the recording of purchases in the amount of \$121,183, which were received but no invoice has been received; increases in vacation accruals of \$67,079; interest of \$16,093 on notes payable; and other accruals amounting to \$26,000.

Item 2. Summary of related party transactions.

Wages, employee benefits, contract employees and consultants during the year totalled \$70,000. Portions of these amounts were paid to the president and directors 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 three-month period ended May 31, 2002, 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. During the reporting period, an interest payment to a shareholder and a corporation controlled by a shareholder of the Company in the amount of \$17,596 was made; no other interest payments were paid and the outstanding amounts continue 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 May 31, 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

Revenue for the six months ended May 31, 2003 were \$1,920,110 an increase of \$1,009,242 from the previous years corresponding reporting period (2002 - \$910,868). This increase is related to increased pricing and volumes related to integrated monitoring products.

The volume increases resulted from increased market penetration and the securing of a large contract related to a customized high temperature monitoring project. The increased volume

resulted from the Company's personnel's ability to perform quality service and reputation for being able to develop custom monitoring solutions for clients.

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. Included in the revenue is \$43,120 of revenue related to environmental pulsing work completed in the second quarter.

For reporting purposes, the Company manages its operations based on the industry the products and services are provided. Prism Production Technologies Inc. reflect 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 May 31, 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 \$5,319 (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, a number of environmental projects began, with contracts for these projects amounting to US \$156,000. A portion of the revenue from these projects will be recognized in the third quarter with the remainder being recognized in the fourth quarter.

Item 4. Financings, principal purposed and milestones.

The Company has effectively changed its working capital policies such that there was no need for financing at the year-end to allow the Company to maintain operations. 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 \$182,986. This is an increase in the inflow of cash from operations of \$1,026,732 from the prior year's comparative period. Capital expenditures for the quarter totaled \$19,750. These purchases relate to environmental pulsing work.

As at the end of the period, the Company had negative working capital of \$558,134 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 quarter-end increases from negative \$558,134 to negative \$88,654.

As the end of the quarter, the bank indebtedness was \$99,988 relating to a revolving credit facility of an operating subsidiary, which is secured by principal shareholders. The credit facilities 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 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 \$215,937 in cash and accounts receivable of \$338,468. Monthly expenses for the Company are estimated at \$150,000. The forthcoming reporting period (i.e., June, July, August) should represent lower activities and revenues for the Company. As a result, the Company will endeavor to reduce its expenditures.