

**Third Quarter Report
November 30, 2002**

Management's Discussion and Analysis of Financial Condition and Results of Operations Third Quarter ending November 30, 2002

Significant Events

On June 25, 2002 both secured and unsecured creditors unanimously approved the restructuring of Microforum Inc. ("Microforum" or the "Company") under the Companies Creditors Arrangement Act ("CCAA"). Accordingly, on August 7, 2002 the protection from creditors provided to Microforum by the CCAA was lifted.

As part of the ongoing repositioning of Microforum, it was determined that the majority of business units would not be cash flow positive within a short period of time. As such the Company has disposed of substantially all of the operating assets of such businesses.

During the third quarter the Company acquired 100% of the operations of Home-Link Services Canada Ltd. (see Home-Link Services Canada Investment below) for \$5.7 million satisfied through share issuance of 41,322,628 common shares and 1,280,000 Series A Preference shares.

On September 13, 2002, Brascan Financial Corporation ("Brascan Financial") subscribed for 20,000,000 Series B Preference shares in exchange for cash proceeds of \$20 million. The Company intends to invest its excess available cash in instruments that have the potential to generate a current yield that will offset, or partially offset, the dividend rate on the preferred shares.

Home-Link Services Canada Investment

On September 13, 2002, the Company announced that it had purchased 49% of the shares of Home-Link Services Canada Ltd. ("Home-Link") in exchange for the issuance of 20,248,088 common shares and 627,200 Series A Preference shares. The Home-Link shares were purchased from a subsidiary of Brascan Financial which, following this transaction had a 31% equity interest in the Company.

In addition and on the same date, the Company acquired from Brascan Financial the right to purchase the remaining 51% of the shares of Home-Link, subject to receipt of a third party consent, in exchange for the issuance of an additional 21,074,540 common shares and an additional 652,800 Series A Preference shares.

On October 7, 2002, Home-Link received the third party consent and the Company purchased on October 21, 2002, the remaining 51% of the shares of Home-Link in exchange for the issuance of 21,074,540 common shares and 652,800 Series A Preference shares. The Home-Link shares were purchased from a subsidiary of Brascan Financial which, following this transaction had a 48% equity interest in the Company.

Founded in 2000, Home-Link provides a one-stop shopping service for home buyers and sellers, offering real-estate related products and services throughout the customer's purchasing and selling cycle, coordinated by a proprietary software system and call center. Home-Link aggregates clients and sells services to its customers through an established network of service suppliers. Products and services provided include moving services, home insurance, phone/connect, cleaning, painting, repairs, remodeling and services ancillary to a residential real estate sale.

During the month of November, Home-Link's U.S. licensor of its CARE II software applied for protection from its creditors under Chapter 11 of the U.S. Bankruptcy Code. Home-Link's business operations and ownership are separate and distinct from that of its licensor and are not expected to be impacted by this announcement. Home-Link Canada has invoked its rights to the software and expects to continue growing its business and software functionality without any degradation to its operations. Management continues to monitor and assess the Chapter 11 proceedings.

Third Quarter Fiscal 2003 Compared To Third Quarter Fiscal 2002

Results of Operations

Microforum has accounted for its investment in Home-Link for the period from September 13, 2002 to October 21, 2002 using the equity method. As the remaining 51% of Home-Link was purchased on October 21, 2002, Microforum began consolidating the operations of Home-Link from this date.

The Company reported a loss of \$2.7 million (\$0.04 per share) for the three months ended November 30, 2002 compared to a loss of \$8.7 million (\$0.21 per share) for the same period of last year. Of the loss reported for the three months ended November 30, 2002, \$0.4 million is attributable to the operations of Home-Link subsequent to October 21, 2002 and \$0.2 million is attributable to Microforum's equity investment in Home-Link from September 13, 2002 to October 21, 2002. Of the remaining \$2.1 million, \$1.7 million relates to costs associated with the restructuring of Microforum under the CCAA and the closure and sale of business units and the remainder to ongoing operating costs.

Revenues were \$0.1 million during the current quarter compared to \$3.2 million for the same period of one year ago. The majority of the revenue in the current quarter is attributable to the operations of Home-Link for the period from October 21, 2002. The decrease is a result of the divestiture of the Company's business units.

Operating expenses were \$2.5 million for the three months ended November 30, 2002. Of the \$2.5 million in expenses, \$0.5 million were attributable to Home-Link. As mentioned above the operating expenses included \$1.7 million of costs associated with the restructuring of Microforum under the CCAA and the closure and sale of business units. Operating expenses during the same quarter of the previous year were \$5.2 million. The reduction in overall operating expenses is the result of the divestitures of substantially all of the operating assets of Microforum.

Amortization and write-down of capital property was \$0.1 million for the three months ended November 30, 2002 as compared to \$1.6 million for the same period last year. The amortization of \$0.1 million for the current quarter relates to assets acquired as part of the purchase of Home-Link.

There was no amortization or impairment of goodwill in the current quarter as any goodwill associated with acquisitions prior to that of Home-Link were written off during the fiscal year ended February 28, 2002. Microforum has recorded goodwill in association with its purchase of Home-Link and as required by Canadian Generally Accepted Accounting Principles will evaluate for any impairment to the amount recorded on an annual basis.

The Company recorded an additional investment loss on marketable securities of \$0.1 million during the current quarter to reflect the loss associated with the sale of 196,329 shares of Cognicase Inc. it received as part of the sale of the DCS business unit. The 196,329 shares of Cognicase Inc. were sold during the current quarter for net proceeds of \$0.6 million or an average price of \$2.81 per share resulting in a total loss of \$1.4 million on the sale of the shares during the nine months ending November 30, 2002.

Nine Months of Fiscal 2003 Compared to Nine Months of Fiscal 2002

Results of Operations

The Company reported a loss of \$4.9 million (\$0.10 per share) for the nine month period ended November 30, 2002 compared to a loss of \$20.6 million (\$0.47 per share) for the nine month period ended November 30, 2001. Of the loss for the nine-month period ended November 30, 2002, \$2.2 million is associated with restructuring under the CCAA and closure and sale of the previous business units of Microforum and \$1.4 million of investment losses associated with the sale of Cognicase Inc. shares received as part of the sale of a business unit of Microforum Inc.

Revenues were \$3.6 million during the current nine-month period compared to \$15.7 million for the same period of one year ago reflecting the repositioning of the Company and the divestiture of business units.

Operating expenses during the nine-month period ending November 30, 2002 were \$4.2 million, which included \$2.2 million of costs, associated with the restructuring under the CCAA and the divestiture of the previous business units of Microforum. Operating expenses during the same period of the previous fiscal year were \$16.1 million, which included \$3.9 million for costs associated with the divestiture of previous business units of Microforum.

Amortization and write-down of capital property was \$0.4 million for the nine months ended November 30, 2002 as compared to \$3.7 million for the same period last year. The decrease is the result of the divestiture of the previous business units of Microforum.

As previously mentioned the Company recorded an investment loss of \$1.4 million during the nine month period to reflect the loss associated with the sale of 196,329 shares of Cognicase Inc. it received as part of the sale of the DCS business unit.

During the nine month period ended November 30, 2002, the Company reported a one-time gain of \$0.8 million following the application of its Plan of Compromise and Arrangement.

During the current period, the Company generated a net gain of \$0.2 million in connection with the sale of the CSG business unit.

Liquidity and Capital Resources

As at November 30, 2002, the Company had positive working capital of \$19 million compared to working capital of \$4.4 million as at February 28, 2002. The increase in working capital as at November 30, 2002 is the result of the investment in 20,000,000 Series B Preference shares of the Company by Brascan Financial in exchange for cash proceeds of \$20 million.

Cash and cash equivalents on hand at November 30, 2002 was \$21 million compared to \$5.9 million as at February 28, 2002. The increase in cash is attributable to the investment in Series B Preference shares of the Company by Brascan Financial.

Accounts receivable of \$0.2 million at November 30, 2002 represent a reduction of \$3.6 million from the accounts receivable reported at February 28, 2002. This reduction is the combined effect of actual cash collections and the reclassification of the proceeds from the sale of the DCS business unit for \$2.0 million, which were received in the form of common shares in Cognicase Inc. subsequent to the end of the year and re-classified as Marketable Securities.

Work in progress at November 30, 2002 was nil compared to \$1.2 million at February 28, 2002. As a result of the sale of the CSG business unit there is no further work in progress.

Accounts payable and accrued charges were \$0.7 million as at November 30, 2002, a decrease of \$4.5 million from the \$5.2 million reported at February 28, 2002. The large decrease reflects the actual payments made to the compromised creditors under the CCAA Plan.

Deferred revenue at November 30, 2002 was \$0.3 million compared to \$1.4 million reported at February 28, 2002. The current deferred revenue balance is the result of amortization of service and marketing fee revenue of Home-Link's operation over the term of the contract to provide the services. The decrease of \$1.1 million is attributable to the sale of the CSG unit during the current period.

Microforum Inc. believes it has sufficient liquid assets to meet its obligations and continue to fund the operations of Home-Link for the foreseeable future.

Outlook

Microforum is currently comprised of two business units. The first area is the Credit Adjudication & Lending Management System ("CALMS") which is co-owned with White Clarke North America Inc ("WCG"). Microforum continues to work with WCG to develop applications for CALMS. The second area of operation is the recently acquired Home-Link business unit. The Company is continuing to grow the Home-Link service offering by signing on new brokerage locations and is working with the broker, agent and supplier network to increase transaction based revenue.

Microforum Inc.
Consolidated Balance Sheet

	November 30 2002 (unaudited)	February 28 2002 (audited)
<i>(thousands of dollars)</i>		
Assets		
Current Assets		
Cash and cash equivalents	21,076	5,853
Accounts receivable	241	3,888
Work in progress	-	1,177
Other assets	22	132
	<u>21,339</u>	<u>11,050</u>
Property, plant and equipment	1,523	300
Goodwill	4,419	-
	<u>27,281</u>	<u>11,350</u>
 Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts Payable and accrued liabilities	730	5,233
Due to related party	618	-
Dividends payable	403	-
Deferred revenue	266	1,360
	<u>2,017</u>	<u>6,593</u>
 Shareholders' Equity		
Share capital	27,651	27,487
Deficit	(2,387)	(22,730)
	<u>25,264</u>	<u>4,757</u>
	<u>27,281</u>	<u>11,350</u>

Microforum Inc.
Unaudited
Consolidated Statement of Operations and
Statement of Retained Earnings and Deficit

	Three months ended		Nine months ended	
	November 30		November 30	
(thousands of dollars - except per share amounts)	2002	2001	2002	2001
Sales	84	3,202	3,636	15,744
Cost of sales	-	4,348	3,334	12,614
Gross profit	84	(1,146)	302	3,130
Operating expenses				
Selling, general and administration	941	3,830	2,094	12,504
Severance and other costs	1,696	1,562	2,239	3,908
Interest on long-term debt	-	70	-	134
Investment income	(100)	(222)	(133)	(382)
	2,537	5,240	4,200	16,164
	(2,453)	(6,386)	(3,898)	(13,034)
Investment loss on marketable securities	48	-	1,448	-
Gain from acceptance of CCAA plan	-	-	(835)	-
Gain on sale of business unit	-	-	(200)	-
Loss before amortization and write-down of capital assets, amortization and impairment of goodwill and income taxes	(2,501)	(6,386)	(4,311)	(13,034)
Amortization and write-down of capital assets	58	1,600	358	3,748
Amortization and impairment of goodwill	-	1,563	-	4,375
Loss from continuing operations before income taxes	(2,559)	(9,549)	(4,669)	(21,157)
Income tax recovery (expense)	-	163	(50)	(107)
Loss from continuing operations	(2,559)	(9,386)	(4,719)	(21,264)
Income from discontinued operations	-	649	-	649
Loss for the period before minority interest	(2,559)	(8,737)	(4,719)	(20,615)
Minority interest	174	-	174	-
Loss for the period	(2,733)	(8,737)	(4,893)	(20,615)
Retained earnings (deficit), beginning of period	749	(11,878)	(22,731)	(73,577)
Dividends payable	(403)	-	(403)	-
Deficit applied to stated capital	-	-	25,640	73,577
Deficit, end of the period	(2,387)	(20,615)	(2,387)	(20,615)
Loss per share	(0.04)	(0.21)	(0.10)	(0.47)

Microforum Inc.
Unaudited
Consolidated Statement of Cash Flow

(thousands of dollars)	Three months ended		Nine months ended	
	November 30		November 30	
	2002	2001	2002	2001
Cash provided by (used in):				
Operating Activities				
Loss from continuing operations	(2,559)	(9,386)	(4,719)	(21,264)
Items not affecting cash				
Amortization and write-down of capital assets	58	1,600	358	3,748
Gain on disposal of capital assets	-	78	-	57
Amortization and impairment of goodwill	-	1,563	-	4,375
Loss on marketable securities	48	-	1,448	-
	(2,453)	(6,145)	(2,913)	(13,084)
Increase (decrease) in non-cash working capital	934	2,173	(2,416)	(2,741)
	(1,519)	(3,972)	(5,329)	(15,825)
Investing Activities				
Investment in Home-Link	(5,700)	-	(5,700)	-
Proceeds from sale of marketable securities	552	-	552	-
Disposition of capital assets, net	-	336	-	(128)
	(5,148)	336	(5,148)	(128)
Financing Activities				
Issuance of common shares	4,420	-	4,420	-
Issuance of preference shares	21,280	-	21,280	-
Repayments under capital lease obligations	-	(87)	-	(279)
	25,700	(87)	25,700	(279)
Increase (decrease) in cash from continuing operations				
during the period	19,033	(3,723)	15,223	(16,232)
Increase in cash for discontinued operations during the period	-	2,470	-	4,061
Net increase (decrease) in cash during the period	19,033	(1,253)	15,223	(12,171)
Cash and cash equivalents, beginning of period	2,043	10,904	5,853	21,822
Cash and cash equivalents, end of period	21,076	9,651	21,076	9,651

Supplemental Cash Flow Information

Interest paid	-	-	-	\$ 64
Income taxes paid	-	-	-	\$ 153

Supplemental Disclosure of Non-Cash Investing and Financing Activities

Common shares issued under outside Directors compensation program	-	-	\$ 4	-
Common shares issued as part of settlement with landlord	-	-	\$ 100	-
Conversion of receivable into common shares of Cognicase Inc.	-	-	\$ 2,000	-
Gain from acceptance of CCAA Plan	-	-	\$ (835)	-

1. BASIS OF PRESENTATION

The unaudited interim financial statements of Microforum Inc. ("Microforum" or the "Company") for the period ending November 30, 2002 should be read in conjunction with the consolidated financial statements for the year ended February 28, 2002 as interim financial statements do not conform in all respects to the note disclosure requirements of generally accepted accounting principles for annual financial statements.

Except as otherwise noted in this interim report, the unaudited interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the year ended February 28, 2002.

On June 25, 2002 both secured and unsecured creditors unanimously approved the restructuring of Microforum under the Companies Creditors Arrangement Act ("CCAA"). Accordingly, on August 7, 2002 the protection from creditors provided to Microforum by the CCAA was lifted.

Under Canadian generally accepted accounting principles, a company is required to comprehensively revalue its assets and liabilities after a financial reorganization that results in a substantial realignment of the equity and non-equity interest in the company. As there was no change in the control of Microforum subsequent to the restructuring under the CCAA, the assets and liabilities have not been revalued.

As part of the ongoing repositioning of Microforum, it was determined that the majority of business units would not be cash flow positive within a short period of time. As such the Company has disposed of substantially all of the operating assets related to such businesses.

2. ACQUISITIONS AND DIVESTITURES

On September 13, 2002 the Company acquired 49% of the shares of Home-Link Services Canada Ltd. ("Home-Link") in exchange for the issuance of 20,248,088 common shares and 627,200 Series A Preference shares. On October 21, 2002 the Company acquired the remaining 51% of the shares of Home-Link in exchange for the issuance of 21,074,540 common shares and 652,800 Series A Preference shares.

The 41,322,628 common shares have been valued at \$4.42 million and the total 1,280,000 Series A Preference shares have been valued at \$1.28 million for total consideration of \$5.7 million, which reflects the fair market value of the assets acquired.

Microforum has accounted for its investment in Home-Link for the period from September 13, 2002 to October 21, 2002 using the equity method. As the remaining 51% of Home-Link was purchased on October 21, 2002, Microforum began consolidating the operations of Home-Link from this date and accordingly these interim financial statements include the results of operation of Home-Link from October 21, 2002.

The acquisition of Home-Link was accounted for using the purchase method and the purchase price was allocated to the fair value of the net assets acquired as follows:

<u>(thousands of dollars)</u>	
Capital assets	\$ 1,574
Goodwill	4,593
Working capital	(467)
<u>Net Assets</u>	<u>\$ 5,700</u>

Home-Link provides a one-stop shopping service for home buyers and sellers, offering real-estate related products and services throughout the customer's purchasing and selling cycle.

Strategy Marketing Business ("PPL")

On April 26, 2002, the Company entered into a sale agreement at a nominal amount, effective as of April 15, 2002. In exchange for substantially all of the assets in the Strategic Marketing segment, the purchaser agreed to assume all obligations associated with retaining the existing employees of

the Company, the real property lease, equipment leases and vehicle leases related to that business. Assets of the disposed business consisted of equipment, permits, licences, books and records, contracts, intellectual property, certain accounts receivable and work-in-process. As part of the sale agreement, the Company retained certain accounts receivable and accounts payable.

Deployed Consulting Services (“DCS”)

The Company entered into an asset purchase agreement with Cognicase Inc. (“Cognicase”) which was completed on March 1, 2002, with an effective date of January 31, 2002. The purchase price for the assets was \$2 million, which was satisfied by the issuance on March 19, 2002 of 196,329 common shares of Cognicase at a price of \$10.187 per share, as determined by the procedure set forth in the agreement. As a result, a gain of \$2 million was recognized in the previous year. The common shares of Cognicase are traded on the TSX under the symbol “COG”. During the third quarter the Cognicase common shares were sold for net proceeds of \$552,000 or \$2.81 per share.

Enterprise Solutions Group (“ESG”)

The ESG unit sold, implemented and supported Navision, a third-party enterprise resource planning software for small and medium-sized enterprise clients. The Company closed this business unit in March 2002.

Media Replication Services (“MRS”)

On January 14, 2002, the Company completed the sale of all of the assets comprising this business unit to three former members of management of this business unit for a purchase price of \$299,000 consisting of a cash payment of \$200,000 on closing and the delivery of a secured promissory note in the amount of \$99,000 payable over 18 months. On March 6, 2002, the Company received a cash payment of \$70,000 in exchange for the cancellation of this promissory note.

CALMS Solution Group (“CSG”)

On July 19, 2002, the Company completed the sale of all of the assets comprising this business unit to White Clark North America Inc. (“WCG”), a wholly owned subsidiary of White Clarke and Partners Limited (U.K.) for net cash proceeds of \$210,000 plus a two-year earn-out based on net profitability.

As part of the transaction, the Company retained a co-ownership of the CALMS software solution and entered into a non-competition agreement with WCG in respect of certain businesses.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) the more significant of which are discussed below.

a) Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. On consolidation, all inter-company transactions and balances have been eliminated.

b) Cash and cash equivalents

Cash and cash equivalents represents cash and short-term deposits with maturity dates of less than 3 months when acquired.

c) Property, plant and equipment

Capital assets are recorded at cost. Depreciation and amortization are recorded at the following rates:

Leasehold improvements	over the term of the lease
------------------------	----------------------------

Furniture and fixtures	straight-line basis over 5 years
Licensing costs	straight-line basis over 5 years
Computer equipment	straight-line basis over 3 years
Software	straight-line basis over 3 years
Telephone equipment	straight-line basis over 5 years

d) Revenue recognition

Service Fees

Upon signing of a contract with the Company the broker is obligated to pay a service fee. In most circumstances, the service fee is based on the number of residential real estate home sale transactions for the immediately prior fiscal year or twelve-month period of the broker. In these cases, the service fees are recognized on a straight-line basis over the term of the contract. In other cases, the fee is based on the number of customers the broker enters into the Company's system. In these cases, the revenue is recognized over the term of the contract.

Transaction Fees

Transaction fees of a fixed amount or as a percentage of gross revenue are charged to suppliers who provide services to customers through the Company's service offering. The Company recognizes its share of these fees upon completion of the service to the customer.

Marketing Fees

The Company earns fees annually from suppliers for the provision of access to the Company's service. This revenue is recognized on a straight-line basis over the term of the contract.

e) Goodwill

As required by CICA 3062 Goodwill and Other Intangible Assets, goodwill acquired in a business combination with an acquisition date subsequent to June 30, 2002, is not amortized. Accordingly, goodwill resulting from the acquisition of Home-Link will not be amortized. The Company will perform an impairment test on an annual basis or whenever an event or circumstance occurs that will more likely than not reduces the fair value of a reporting unit below its carrying amount.

4. DUE TO RELATED PARTY

The amount due to related party is unsecured, non-interest bearing and has no fixed terms of repayment.

5. CAPITAL STOCK

Authorized:

- Unlimited Preference shares
- Unlimited Common shares

Issued:

Preference shares

Class A (thousands)	Number of Shares	Amount
Balance February 28, 2002	-	\$ -
Issued on acquisition of 49% of Home-Link Services Canada Ltd.	627	627
Issued on acquisition of 51% of Home-Link Services Canada Ltd.	653	653
Balance November 30, 2002	1,280	\$ 1,280

Notes to Unaudited Interim Consolidated Financial Statements

Class B (thousands)	Number of Shares	Amount
Balance February 28, 2002	-	\$ -
Issued for cash by way of private placement	20,000	20,000
Balance November 30, 2002	20,000	\$ 20,000

Issued:

Common shares

(thousands)	Number of Shares	Amount
Balance February 28, 2001	42,814	\$ 101,003
Issued on acquisition of Icom Alliance Incorporated	397	254
Cancelled in satisfaction of agreement between the Company and a former officer of the Company	(91)	(213)
Cancelled upon settlement with certain former principals of the Company	(24)	(182)
Reduction of stated capital	-	(73,577)
Issued upon surrender of warrants by former principals of P2P3	225	95
Issued under Outside Directors Compensation Plan	35	12
Issued under Restricted Share Plan	376	94
Balance February 28, 2002	43,732	\$ 27,486
Issued under Outside Directors Compensation Plan	43	4
Issued in connection with settlement with Landlord	1,000	100
Reduction of stated capital	-	(25,639)
Issued on acquisition of 49% of Home-Link	20,248	2,166
Issued on acquisition of 51% of Home-Link	21,075	2,254
Balance November 30, 2002	86,098	\$ 6,371

The Series A Preference shares are non-convertible, non-voting and redeemable by the Company for \$1 per share after December 1, 2004. The holder thereof is entitled to receive, if declared by the board of directors of the Company, a fixed preferential cumulative quarterly dividend of 2.25% of the redemption value of the Series A Preference shares and a cumulative aggregate preferential annual participation dividend of 0.64% of the Company's annual consolidated net income before tax calculated in accordance with GAAP with the first such annual dividend accruing on February 28, 2003.

The Series B Preference shares are non-convertible, non-voting and redeemable by the Company for \$1 per share after December 1, 2004. The holder thereof is entitled to receive, if declared by the board of directors of the Company, a fixed preferential cumulative quarterly dividend of 2.25% of the redemption value of the Series B Preference shares and a cumulative aggregate preferential annual participation dividend of 10% of the Company's annual consolidated net income before tax calculated in accordance with GAAP with the first such annual dividend accruing on February 28, 2003.

Stated capital reduction

On August 2, 2001, a special resolution was passed by the shareholders of the Company to eliminate the deficit of the Company at February 28, 2001, by reducing the stated capital by \$73,577,171.

On August 26, 2002, a special resolution was passed by the shareholders of the Company to eliminate the deficit of the Company at February 28, 2002, by reducing the stated capital by \$25,639,467.

These deficits were accumulated in connection with the Company's historical operations and do not relate to the Company's current business mandate.

6. STOCK OPTIONS

Pursuant to a plan authorized by the directors on April 1, 1996, as amended, options were granted to directors, officers, employees and other service providers, entitling the holders to purchase an aggregate of 8,250,000 common shares from treasury, exercisable at a price equal to or greater than the market price on the day preceding the date of grant. Each set of options vests under circumstances, as described below.

Effective March 1, 2002 the Company adopted CICA 3870 Stock-based Compensation and Other Stock-based payments. As permitted by CICA 3870 the Company has applied this change prospectively for new awards granted on or after March 1, 2002. The Company has chosen to recognize no compensation when stock options are granted to employees and directors under stock option plans with no cash settlement features. However, direct awards of stock to employees and stock and stock option awards granted to non-employees have been accounted for in accordance with the fair value method of accounting for stock-based compensation. The fair value of direct awards of stock are determined by the quoted market price of the Company's stock and the fair value of stock options are determined using the Black Scholes option pricing model. In periods prior to March 1, 2002, the Company recognized no compensation when stock or stock options were issued to employees. For the three months and nine-months ended November 30, 2002, the Company did not grant any options under its stock based compensation plan. As a result, the fair market value method of valuing stock based compensation plans, applied prospectively in accordance with CICA section 3870 and has resulted in no pro-forma compensation charge or pro-forma EPS adjustment

a) Fixed Options:

These options vest over a three-year period, commencing on the first anniversary of the date of grant and expire on or before the tenth anniversary of the date of grant. As at November 30, 2002, 1,122,123 (February 28, 2002 – 5,067,273) options were outstanding at a weighted average exercise price of \$2.33 (February 28, 2002 - \$1.70)

The decrease of 2,045,000 in the number of outstanding options from the second quarter ended August 31, 2002 is the result of the recovery for cancellation of 2,045,000 fixed employee options at an average price of \$0.61. The options were recovered from former directors and officers of the Company as part of the purchase agreement for Home-Link.

b) Performance Options:

These options expire three years after their issuance and vest upon the Company's stock price reaching certain thresholds. As at November 30, 2002, 120,000 (February 28, 2002 – 395,000) options were outstanding at a weighted average exercise price of \$0.42 (February 28, 2002 - \$0.48).

The decrease of 200,000 in the number of outstanding options from the second quarter ended August 31, 2002 is the result of the recovery for cancellation of 200,000 performance options at an average price of \$0.51. The options were recovered from former directors and officers of the Company as part of the purchase agreement for Home-Link.

As a result of the divestiture and sale of substantially all of the Company's previous operating business units, substantially all of the stock options outstanding under both the fixed and performance based programs will expire by September 2003.

7. RELATED PARTY TRANSACTIONS

The Company had the following transactions with a related party of a significant shareholder in the Company. These transactions have been recorded at the exchange amount agreed to between the parties except where noted otherwise.

(thousands of dollars)	Three months Ended November 30, 2002	Nine months Ended November 30, 2002
a) Expenses		
Management fee	25	25
Cost reimbursement	50	100
Rent expense	15	15
b) Revenue	74	74
c) Dividends payable	403	403

8. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's financial statement presentation.

Corporate Information

BOARD OF DIRECTORS

Joseph S. Freedman
Chairman of the Board
Microforum Inc.

Simon P. Dean
President &
Chief Executive Officer
Microforum Inc.

Jason D. Meretsky
Secretary, Microforum Inc.

Donald W. Paterson

Craig Wallace

SENIOR MANAGEMENT

Simon P. Dean
President &
Chief Executive Officer

Kevin Cash
Chief Financial Officer

CORPORATE HEADQUARTERS

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AUDITORS

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STOCK LISTING

On August 29, 2002, the Company's common shares ceased to be listed for trading on the Toronto Stock Exchange.

INVESTOR RELATIONS

Requests for a copy of the Annual Report or additional corporate materials should be directed to:

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