



# first quarter report 1999

SECURING INFORMATION THROUGH INNOVATION

May 18, 1999

Dear Shareholder:

For the three months ended March 31, 1999, Mytec Technologies Inc. reported revenues of \$3,330,018 compared to \$3,204,557 during the same period last year. Monitoring revenues increased by 7.6% to \$3,176,875 in the first quarter of 1999, compared to \$2,952,109 in the same period in 1998. Earnings from operations before interest and amortization for the first quarter in 1999 increased to \$108,625 from \$5,674 during the same period last year. Net loss for the three months in 1999 was \$589,856 compared to a net loss of \$586,068 for the same period in 1998.

In the first quarter the Company announced two new biometric products: Mytec Gateway its new product for the physical access control market and Touchstone Pro at one-third the size and one-third the price of Mytec's previous network access product. With the introduction of these products Mytec is well positioned to supply the physical access control and network access security markets with biometric solutions.

## Year 2000 Update:

The Company has completed the process of identifying potential Year 2000 problems, which may exist in its hardware, vendor owned software, internet software, and administrative and building systems. The Company has successfully completed its date testing of the alarm monitoring software, accounting systems and other critical equipment. The company is currently reviewing contingency requirements and plans and expects to complete these by June 30, 1999.

Incremental expenses to achieve Year 2000 readiness incurred to date, and those estimated for 1999, are not expected to be material to the Company's operating result. There can be no assurance, however, that the Company's own systems or those of third parties it relies upon, will be fully Year 2000 compliant before December 31, 1999. As such, these could have a material adverse effect on the Company's business, financial condition and results of operations.

D.W. Hollingshead  
President & CEO

Ross Hutchison  
Chairman

## Consolidated Balance Sheets

March 31, 1999 and 1998  
(unaudited)

	1999	1998
<b>Assets</b>		
<b>Current Assets</b>		
Cash and short-term investments	\$ 287,054	\$ 1,011,609
Accounts receivable	586,817	1,079,937
Inventory	784,729	41,881
Prepaid dealer standby fees	1,540,723	1,552,856
Prepaid expenses	144,610	207,896
	<b>3,343,933</b>	<b>3,894,176</b>
<b>Fixed Assets</b>		
Subscriber Base	1,663,672	1,932,057
Deferred Development and Pre-operating Costs	7,667,156	6,624,848
Long-term Investment	2,552,138	3,042,074
Prepaid Royalty Fees	432,720	432,720
Deferred Financing Costs	274,840	274,840
	62,500	-
	<b>\$ 15,996,959</b>	<b>\$16,200,718</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Bank indebtedness	\$ 1,390,000	\$ -
Accounts payable and accrued liabilities	1,173,503	1,310,985
Deferred revenue	3,301,771	3,330,526
Current portion of obligation under capital lease	33,600	33,600
	<b>5,898,874</b>	<b>4,675,111</b>
Obligation Under Capital Lease	<b>114,728</b>	<b>147,482</b>
<b>Shareholders' Equity</b>		
Share Capital	21,294,895	19,580,399
Share Commitment	1,353,091	1,600,028
Deficit	(12,664,629)	(9,802,302)
	9,983,357	11,378,125
	<b>\$ 15,996,959</b>	<b>\$16,200,718</b>

## Consolidated Statements of Earnings and Deficit

3 Months ended March 31, 1999 and 1998  
(unaudited)

	1999	1998
<b>Revenue</b>		
Monitoring	\$ 3,176,875	\$ 2,952,109
Alarm response	132,299	215,887
Equipment and supplies	20,844	36,561
	<u>3,330,018</u>	<u>3,204,557</u>
<b>Expenses</b>		
Dealer standby and reconnect fees	1,417,347	1,358,625
Selling, general and administration	1,194,390	1,080,672
Monitoring station	357,370	385,988
Alarm response fees	114,837	185,352
Equipment and supplies	14,881	39,302
Research	122,568	148,944
	<u>3,221,393</u>	<u>3,198,883</u>
<b>Earnings from Operations</b>		
<b>Before Amortization</b>	<b>108,625</b>	<b>5,674</b>
<b>Amortization</b>		
Subscriber base	426,206	383,213
Fixed assets	101,732	84,265
Deferred development and pre-operating costs	145,623	145,623
Financing costs	12,501	-
	<u>686,062</u>	<u>613,101</u>
<b>Loss from Operations</b>	<b>(577,437)</b>	<b>(607,427)</b>
<b>Other</b>		
Interest income	7,802	23,199
Interest expense	(20,221)	(1,840)
	<u>(12,419)</u>	<u>21,359</u>
<b>Net Loss</b>	<b>(589,856)</b>	<b>(586,068)</b>
<b>Deficit, Beginning of Period</b>	<b>(12,074,773)</b>	<b>(9,216,234)</b>
<b>Deficit, End of Period</b>	<b>\$(12,664,629)</b>	<b>\$(9,802,302)</b>
<b>Loss Per Share</b>		
Basic	(2.4¢)	(2.6¢)
Fully diluted	ANTIDILUTIVE	ANTIDILUTIVE

## Consolidated Statements of Cash Flow

3 Months ended March 31, 1999 and 1998  
(unaudited)

	1999	1998
<b>Net Inflow (Outflow) of Cash Related to the Following Activities:</b>		
<b>Operating</b>		
Net loss	\$ (589,856)	\$ (586,068)
Items not affecting cash:		
Amortization:		
Subscriber base	426,206	383,213
Fixed assets	101,732	84,265
Deferred development and pre-operating costs	145,623	145,623
Financing costs	12,501	-
	<u>96,206</u>	<u>27,033</u>
Changes in non-cash operating working capital items:		
Accounts receivable	93,702	(63,517)
Inventory	(951)	(35,756)
Prepaid dealer standby fees	(46,891)	(25,534)
Prepaid expenses	(42,953)	5,384
Accounts payable and accrued liabilities	(100,827)	(306,069)
Deferred revenue	113,534	42,583
	<u>111,820</u>	<u>(355,876)</u>
<b>Investing</b>		
Purchase of fixed assets	(56,202)	(367,964)
Additions to subscriber base:		
Share entitlement	(135,488)	(127,957)
Cash	(591,100)	(303,685)
Deferred development and pre-operating costs	(124,127)	(279,320)
	<u>(906,917)</u>	<u>(1,078,926)</u>
<b>Financing</b>		
Obligation under capital lease	(8,188)	181,082
Issue of common shares	-	12,870
Increase in share commitment	135,488	127,958
	<u>127,300</u>	<u>321,910</u>
<b>Change in Cash and Cash Equivalents</b>	<b>(667,797)</b>	<b>(1,112,892)</b>
<b>Cash and Cash Equivalents, Beginning of Period</b>	<b>(435,149)</b>	<b>2,124,501</b>
<b>Cash and Cash Equivalents, End of Period</b>	<b>\$ (1,102,946)</b>	<b>\$ 1,011,609</b>
Cash and Short-term Investments	\$ 287,054	\$ 1,011,609
Bank indebtedness	(1,390,000)	-
<b>Cash and Cash Equivalents</b>	<b>\$ (1,102,946)</b>	<b>\$ 1,011,609</b>
<b>Supplementary Information</b>		
Interest paid during period	\$ 20,221	\$ 1,840



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