

PEER 1 NETWORK ENTERPRISES INC.
(formerly Talltree Resources Ltd.)

Vancouver, BC

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended August 31, 2002

PEER 1 NETWORK ENTERPRISES INC.
(formerly Talltree Resources Ltd.)

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Cinnamon Jang Willoughby & Company

Chartered Accountants

A Partnership of Incorporated Professionals

AUDITORS' REPORT

To the Directors of **Peer 1 Network Enterprises Inc.:** (formerly Talltree Resources Ltd.)

We have audited the consolidated balance sheet of Peer 1 Network Enterprises Inc. (formerly Talltree Resources Ltd.) as at August 31, 2002 and August 31, 2001, and the consolidated statements of loss and deficit and cash flows for the year and period, respectively, then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at August 31, 2002 and August 31, 2001, and the results of its operations and its cash flows for the year and period, respectively, then ended in accordance with Canadian generally accepted accounting principles. As required by the Company Act of British Columbia, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

"Cinnamon Jang Willoughby & Company"

Chartered Accountants

Burnaby, BC

October 30, 2002

PEER 1 NETWORK ENTERPRISES INC.
(formerly Talltree Resources Ltd.)
Consolidated Balance Sheet
August 31, 2002

Assets	2002	2001
Current:		
Cash and short-term deposits	\$ 48,068	\$ 65,610
Accounts receivable	1,418,638	809,165
Prepaid expenses	550,114	212,333
	2,016,820	1,087,108
Future income taxes	58,554	30,329
Capital (Note 4)	2,777,869	2,316,210
Goodwill (Note 10)	-	63,483
	\$4,853,243	\$3,497,130

Liabilities

Current:		
Accounts payable and accrued liabilities	\$3,054,520	\$1,531,162
Deferred income	198,147	122,868
Current portion of obligations under capital leases	484,561	502,082
	3,737,228	2,156,112
Obligations under capital leases (Note 6)	57,446	501,474
Notes payable (Note 7)	1,762,481	-
Loan payable	21,250	-
Advances payable	-	670,010
	5,578,405	3,327,596

Shareholders' Deficiency

Share Capital (Note 8)	4,927,407	1,384,918
Deficit, per Exhibit "B"	5,652,569	1,215,384
	(725,162)	169,534
Commitments (Note 13)		
Going Concern (Note 14)		
Contingent Liabilities (Note 16)		
	\$4,853,243	\$3,497,130

Approved by the Directors:

"Geoff Hampson"

"Lance Tracey"

- See accompanying notes -

PEER 1 NETWORK ENTERPRISES INC.
(formerly Talltree Resources Ltd.)
Consolidated Statement of Loss and Deficit
For the Year Ended August 31, 2002

	2002	2001
Revenue:		
Co-location space	\$1,385,523	\$ 470,757
Internet traffic	4,372,820	858,699
Services	140,861	36,326
Other	13,664	19,041
	5,912,868	1,384,823
Cost of Sales:		
Co-location space rental	1,865,255	260,750
Data transmission	3,787,237	930,996
Services	122,995	24,933
Miscellaneous	17,789	1,829
	5,793,276	1,218,508
Gross Profit	119,592	166,315
Expenses:		
Accounting	50,405	29,882
Advertising and promotion	558,351	175,087
Amortization	138,652	290,949
Bad debts	291,333	8,728
Consulting fees	377,523	113,717
Interest on long-term debt	177,726	26,902
Legal fees	99,439	9,759
Office and miscellaneous	381,550	117,728
Rent	367,519	97,472
Salaries and benefits	1,852,021	523,667
Subcontractors' fees	76,451	7,412
Telecommunication	97,834	21,608
	4,468,804	1,422,911
Operating Loss	4,349,212	1,256,596
Non-Operating:		
Foreign exchange (gain) loss	52,716	(10,883)
Loss before income taxes	4,401,928	1,245,713
Future income taxes (recovery)	(28,226)	(30,329)
Net Loss	4,373,702	1,215,384
Deficit, beginning	1,215,384	-
Goodwill impairment (Note 10)	63,483	-
Deficit, ending, to Exhibit "A"	\$5,652,569	\$1,215,384
Basic Earnings per Share (Note 8(f))	\$ (0.58)	\$ (0.17)

- See accompanying notes -

PEER 1 NETWORK ENTERPRISES INC.
(formerly Talltree Resources Ltd.)
Consolidated Statement of Cash Flows
For the Year Ended August 31, 2002

	2002	2001
Operating Activities:		
Net Loss, per Exhibit "B"	\$(4,373,702)	\$(1,215,384)
Adjustment for - Amortization	138,652	290,949
	(4,235,050)	(924,435)
Changes in non-cash working capital -		
(Increase) Decrease in accounts receivable	(609,473)	(809,165)
(Increase) Decrease in prepaid expenses	(337,781)	(212,333)
(Increase) Decrease in future income taxes	(28,225)	(30,329)
Increase (Decrease) in accounts payable and accrued liabilities	1,523,358	1,460,625
Increase (Decrease) in deferred income	75,279	122,868
Cash flows (used in) operating activities	(3,611,892)	(392,769)
Investing Activity:		
Acquisition of capital assets	(600,311)	(2,600,105)
Financing Activities:		
Proceeds from obligations under capital leases	-	1,003,556
Repayment of obligations under capital leases	(461,549)	-
Proceeds from notes payable	1,762,481	-
Proceeds from loan payable	21,250	-
Proceeds from advances payable	-	670,010
Repayment of advances payable	(670,010)	-
Issuance of share capital	3,542,489	1,384,918
Cash flows from financing activities	4,194,661	3,058,484
Net Increase (Decrease) in Cash	(17,542)	65,610
Cash, beginning	65,610	-
Cash, ending	\$ 48,068	\$ 65,610

Supplemental Disclosure of Cash Flow Information (Note 11)

PEER 1 NETWORK ENTERPRISES INC.
(formerly Talltree Resources Ltd.)
Notes to Consolidated Financial Statements
August 31, 2002

1. Nature of Operations and Basis of Presentation:

Peer 1 Network Enterprises Inc. (the "Company") incorporated under the laws of British Columbia, provides high performance internet bandwidth and co-location facilities to web-centric customers across North America. Building on a redundant, 100% Cisco powered internal network, Peer 1 guarantees 100% uptime internet access for companies with mission-critical applications. The company has established local offices and co-location facilities in Vancouver, Toronto, Montreal and New York and also has POP's (points of presence) in Seattle and Chicago.

On July 23, 2002, shareholders' approval was received for a name change from Talltree Resources Ltd. to Peer 1 Network Enterprises Inc. On July 24, 2002, Peer 1 Network Enterprises Inc. (formerly Talltree Resources Ltd.), a public company listed on the TSX Venture Exchange, purchased all of the issued and outstanding shares of Peer 1 Network Inc. in consideration for the issuance of 20,000,000 shares to the shareholders of Peer 1 Network Inc. The business combination was considered a reverse acquisition and recapitalization of the public company. (See Notes 5 and 8).

The company's historical consolidated financial statements reflect the financial position, results of operations and cash flows of Peer 1 Network Inc. for the year ended August 31, 2002 and the period ended August 31, 2001 and include the operations of Peer 1 Network Enterprises Inc. from the date of the reverse acquisition, being July 24, 2002. Shareholders' equity gives effect to the shares issued to the shareholders of Peer 1 Network Inc. prior to July 24, 2002 and of the "company" thereafter.

2. Accounting Policies:

a) Cash -

Cash consists of cash and bank accounts integral to the company's cash management.

b) Basis of Consolidated Financial Statements -

These consolidated financial statements include the accounts of the company and its subsidiaries, Peer 1 Network Inc., Colobrokers.com Inc. and 585065 B.C. Ltd. On July 24, 2002, Peer 1 Network Inc. completed the reverse acquisition of Peer 1 Network Enterprises Inc. (formerly Talltree Resources Ltd.), therefore the operations of Peer 1 Network Enterprises Inc. are from the respective date of acquisition (Note 5).

c) Capital Assets -

Capital assets are recorded at cost. Amortization is provided on a declining balance basis at the following annual rates:

Co-location equipment	20%
Computer equipment	30%
Computer software	100%
Furniture and fixtures	20%
Network equipment	20%
Assets under capital lease	30%

For the year of acquisition, the rate used is one-half of that shown above.

Amortization of leasehold improvements is provided on a straight-line basis over the terms of the leases.

PEER 1 NETWORK ENTERPRISES INC.
(formerly Talltree Resources Ltd.)
Notes to Consolidated Financial Statements
August 31, 2002

2. Accounting Policies: (Continued)

d) Assets Under Capital Leases -

Assets acquired under capital leases and their related obligations are recorded at an amount equal to the lesser of the present value of the future minimum lease payments discounted at the interest rate implicit in the lease and the fair market value of the leased assets at the inception of the lease.

e) Future Income Taxes -

Income taxes are calculated using the liability method of tax allocation. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet and unutilized losses carried forward are used to calculate future income tax liabilities or assets. Future income tax liabilities or assets are calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. The carrying value of future income tax assets is limited to the amount that is more likely than not to be realized.

The company has not recognized a future income tax asset arising from tax losses carried forward as the company is uncertain when the benefit of these losses will be realized.

f) Share Issuance Costs -

Costs directly identifiable with the raising of capital are charged against the related share capital.

g) Translation of Foreign Currencies -

Amounts in foreign currencies are translated into Canadian dollars as follows:

- i) current assets and current liabilities at the exchange rate prevailing at the end of the year;
- ii) capital assets at the exchange rate prevailing on the date of acquisition; and
- iii) income and expenses at the average annual exchange rate.

h) Revenue Recognition -

The company has three resources of revenue, co-location, internet traffic, and general services.

Co-location is invoiced one month in advance and these revenues are recognized in the month following the invoice date. Monthly co-location invoiced is therefore classified on the company's balance sheet as deferred revenue at the end of the month. Co-location revenue is regarded as a MRR (monthly recurring revenue) stream.

Internet traffic is invoiced at the end of the month to reflect the actual usage and is therefore recognized in the same month as invoiced. Internet traffic revenue is regarded as a MRR (monthly recurring revenue) stream.

General services include installation, IP monitoring, tape back-up, technical support, additional access cards, and DNS services. Revenue in this category are non-recurring in nature and generally account for less than five percent of monthly revenue.

PEER 1 NETWORK ENTERPRISES INC.
(formerly Talltree Resources Ltd.)
Notes to Consolidated Financial Statements
August 31, 2002

2. Accounting Policies: (Continued)

i) Stock Based Compensation -

The company has issued stock options which are described in Note 8(e). No compensation expense is recorded for options granted under the plan when stock options are issued to directors and employees. Any consideration paid by the directors and employees on exercise of share purchase options is credited to share capital.

j) Use of Estimates -

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying disclosures. Although these estimates are based on management's best knowledge of current events and actions the company may undertake in the future, actual results may differ from the estimates.

3. Financial Instruments:

a) Fair Values -

Unless otherwise noted, cash and short-term deposits, accounts receivable, deferred income, accounts payable and accrued liabilities, obligations under capital leases, notes payable and loan payable are stated at amounts that approximate their fair value.

b) Currency Risk -

The company has accounts receivable and accounts payable denominated in foreign currencies. The carrying value of these items may change due to fluctuations in foreign exchange rates.

c) Credit Risk -

The company's accounts receivable are subject to credit risk as several customers operate in a volatile segment of the economy.

4. Capital Assets:

	Cost 2002	Accumulated Amortization 2002	Net Book Value 2002	Net Book Value 2001
Co-location equipment	\$ 864,373	\$130,561	\$ 733,812	\$ 213,954
Computer equipment	155,033	58,416	96,617	112,068
Computer software	37,533	13,659	23,874	6,095
Furniture and fixtures	48,605	11,614	36,991	30,097
Leasehold improvements	893,865	153,659	740,206	819,237
Network equipment	378,212	48,494	329,718	440
Assets under capital lease	1,392,377	575,726	816,651	1,134,319
	\$3,769,998	\$992,129	\$2,777,869	\$2,316,210

5. Acquisition:

Pursuant to terms of a Letter Agreement dated October 22, 2001 (as amended on December 17, 2001, January 18, 2002 and April 30, 2002), the company purchased all of the issued common shares of Peer 1 Network Inc. in consideration for the issuance of 20,000,000 shares to the shareholders of Peer 1 Network Inc. (See Note 8(b)).

PEER 1 NETWORK ENTERPRISES INC.
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Notes to Consolidated Financial Statements
August 31, 2002

5. Acquisition: (Continued)

The acquisition is a reverse takeover transaction whereby Peer 1 Network Inc. is identified as the acquirer (accounting parent) of Peer 1 Network Enterprises Inc. The purchase price of Peer 1 Network Enterprises Inc. is assumed to be equal to its book value and no goodwill is recorded on the transaction. The amount ascribed to the shares issued to the shareholders of Peer 1 Network Inc. represents the net book value of Peer 1 Network Enterprises Inc. at date of closing, July 24, 2002.

Details of the net liabilities acquired at book value at the acquisition dates are as follows:

Current assets	\$ 56,317
Less: Current liabilities	(59,553)
	<u>\$ (3,236)</u>

Supplemental Information for Peer 1 Network Enterprises Inc. (formerly Talltree Resources Ltd.):

Summary Balance Sheets

	July 24, 2002	August 31, 2001
Current assets	\$ 56,317	\$ 74,066
Non-current assets	-	293,232
Liabilities	(59,553)	(6,903)
Net Assets (Liabilities) (Note 8(b))	<u>\$ (3,236)</u>	<u>\$360,395</u>
Share Capital:		
Authorized - 100,000,000 common shares without par value		
Issued - 3,100,001 common shares without par value (Note 8(b))	\$ 696,000	\$ 696,000
Deficit	(699,236)	(335,605)
Share Capital and Deficit	<u>\$ (3,236)</u>	<u>\$ 360,395</u>

Summary Statements of Operations

	For the Period Ended July 24, 2002	For the Year Ended August 31, 2001
Interest income	\$ 291	\$ 3,905
General and administrative expenses	70,690	78,733
Mineral properties written-off	293,232	-
Income tax expense	-	1,571
	<u>363,922</u>	<u>80,304</u>
Net Loss for the Period	<u>\$363,631</u>	<u>\$76,399</u>

PEER 1 NETWORK ENTERPRISES INC.
(formerly Talltree Resources Ltd.)
Notes to Consolidated Financial Statements
August 31, 2002

Exhibit "D"
Continued

6. Obligations Under Capital Leases:

The future minimum lease payments under capital leases are as follows:

2003	\$533,299
2004	67,564
	600,863
Total future minimum lease payments	600,863
Less: Amount representing interest	(58,856)
	542,007
Present value of minimum lease payments	542,007
Less: Current portion	484,561
	\$ 57,446

7. Notes Payable:

On May 10, 2002, the company entered into convertible note agreements. Under the terms of the convertible promissory note, interest accrues at the rate of 10% per annum compounded monthly and is due 66 months from the date of the note. The holders of the note may, after the 18th month, but prior to the 60th month, convert in whole or in part, the principal sum and interest into common shares of the company. The conversion price shall be \$0.45 until the second anniversary of the note, and thereafter the conversion price shall increase at the rate of \$0.10 per year. As additional consideration for the purchase of the convertible note, the company agreed to issue 222,222 bonus shares at a deemed price of \$0.45 per share. See Notes 8 and 12.

8. Share Capital:

- a) Authorized -
100,000,000 Common shares without par value

	Number of Shares	Amount
b) Issued and Fully Paid -		
June 8, 2000 issued for cash (private stage)	399,881	\$ 3,998
June 8, 2000 issued to acquire investments (private stage)	119	11
Balance, August 31, 2000	400,000	4,009
March 31, 2001 issued to acquire peer1.net joint venture (private stage)	480,000	1,279,884
April 1, 2001 34:1 stock split (private stage)	29,040,000	-
July 6, 2001 private placement (private stage)	200,000	50,000
July 26, 2001 private placement (private stage)	204,100	51,025
Balance, August 31, 2001 carried forward	30,324,100	\$1,384,918

PEER 1 NETWORK ENTERPRISES INC.
(formerly Talltree Resources Ltd.)
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8. Share Capital: (Continued)

	<u>Number of Shares</u>	<u>Amount</u>
b) Issued and Fully Paid - (Continued)		
Balance, August 31, 2001 brought forward	30,324,100	\$1,384,918
October 30, 2001 share conversion (private stage)	4,799,999	720,000
December 10, 2001 share conversion (private stage)	200,000	30,000
Shares issued to shareholders of Peer 1 Network Inc. on recapitalization (*).	20,000,000	(3,236)
Share adjustment on recapitalization	(35,324,099)	-
Incorporation of share capital of inactive public company (Note 5)	3,100,001	-
Warrants exercised at \$0.36 per share	4,166,666	1,499,623
Agent's fee on special warrants at \$0.36 per share	138,750	49,950
Bonus shares issued as consideration on convertible debenture at \$0.45 per share	222,222	100,000
Issued for cash at \$0.45 per share	4,000,000	1,800,000
	31,627,639	5,581,255
Less: Share issuance costs	-	653,848
	31,627,639	\$4,927,407

(*) On July 24, 2002, Peer 1 Network Inc. purchased an inactive public company and continued as Peer 1 Network Enterprises Inc. The business combination was considered a reverse acquisition and a recapitalization of the public company. The public company's net monetary liabilities of \$3,236 (Note 5) were charged to share capital of the continuing entity.

c) Warrants Outstanding -

The company has the following non-transferrable share purchase warrants outstanding:

Number	Terms	Expiry Date
4,305,416	Exercisable into one common share at the exercise price of \$0.72 per share	July 24, 2004
400,000	Exercisable into one common share at the exercise price of \$0.45 per share	July 24, 2003

The fair market value of the warrants outstanding for the year ended August 31, 2002 are deemed to be nil.

d) Shares Held in Escrow -

As at August 31, 2002, 19,527,300 (2001 - 693,631) shares of the company are subject to an escrow agreement and may not be transferred, assigned or otherwise dealt with without the consent of the regulatory body having jurisdiction thereon.

PEER 1 NETWORK ENTERPRISES INC.
(formerly Talltree Resources Ltd.)
Notes to Consolidated Financial Statements
August 31, 2002

8. Share Capital: (Continued)

e) Stock Options -

The company has outstanding stock options to certain directors, officers and employees to acquire 2,680,250 shares at a price of \$0.45 per share. These stock options expire July 24, 2007.

f) Earnings Per Share -

Basic earnings per share are based on the weighted number of common shares outstanding during the year. As described in Note 1, the operations of the company prior to July 24, 2002 are exclusively those of Peer 1 Network Inc. For comparative purposes, the weighted average number of common shares outstanding for periods prior to July 24, 2002 are based upon the number of Peer 1 Network Inc. common shares then outstanding restated to give effect to the share exchange on the reverse acquisition as stated in Note 1.

The exercise of outstanding stock options and warrants as at August 31, 2002 would have had a non-dilutive effect on the earnings per share.

9. Income Taxes:

The company has non-capital losses of approximately \$5,857,000 which may be carried forward to apply against future years' income for tax purposes.

These losses expire as follows:

2003	\$ 2,000
2004	7,000
2005	54,000
2006	128,000
2007	68,000
2008	800,000
2009	3,919,000
2010	879,000

The potential income tax benefits of these losses carried forward have not been recorded in the accounts.

10. Goodwill Impairment:

- i) The company accounts for business combinations using the purchase method.
- ii) On June 8, 2000, Peer 1 Network Inc. acquired through a share for share exchange 100% of the outstanding shares of Colobrokers.com Inc. Because the parties are not considered to deal at arms-length, this acquisition has been recorded at net book value. The identifiable assets acquired were as follows:

Accounts receivable	\$ 5,770
Capital assets	83,764
Due to related parties	(160,071)
Goodwill	70,537

PEER 1 NETWORK ENTERPRISES INC.
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Notes to Consolidated Financial Statements
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10. Goodwill Impairment: (Continued)

- iii) The company has adopted the new CICA Handbook Section 3062 in the quarter ended December 31, 2001 and has recorded an impairment loss of \$63,483 which is the remaining goodwill at June 30, 2001. The amount has been charged to the opening deficit since the impairment loss is recognized as a result of the transitional impairment test of goodwill. The company has determined goodwill to be impaired due to the negligible increase in cash flow from the acquired company.

11. Statement of Cash Flows:

- a) Supplemental Disclosure -

	2002	2001
Interest	\$68,885	\$37,102

- b) Non-Cash Transactions -

- i) The company obtained all the shares of Peer 1 Network Inc. by issuing 20,000,000 common shares. See Notes 5 and 8.
- ii) The company paid agent's fees by issuing 138,750 shares. The fair market value of the shares issued were \$49,950. See Note 8.
- iii) The company issued 222,222 shares as additional consideration on the convertible note. The fair market value of the shares issued were \$100,000. See Note 8.

12. Related Parties:

The company is related to one of its shareholders Sutton Group Financial Services Ltd., and to its subsidiary, Sutton Group Realty Services Ltd.. It is also related to various companies directly and indirectly owned by its shareholders and officers.

	2002	2001
Balances at year-end -		
Included in accounts receivable	\$ 19,257	\$ 51,967
Included in accounts payable and accrued liabilities	110,424	151,590
Included in notes payable	714,587	-
These balances are due on demand and have arisen in the course of normal operations.		
Transactions during the year -		
Internet traffic earned	58,402	16,506
Interest expensed	2,389	1,546
Consulting fees paid	280,000	75,000

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

See Note 7.

PEER 1 NETWORK ENTERPRISES INC.
(formerly Talltree Resources Ltd.)
Notes to Consolidated Financial Statements
August 31, 2002

13. Commitments:

a) Premises Leases -

The company has entered into agreements to lease premises which expire in 2005, 2009, 2011 and 2012. The future minimum lease payments for the next five years are as follows:

2003	\$466,152
2004	464,258
2005	429,570
2006	394,092
2007	414,703

b) Consulting Agreement -

The company has entered into a consulting agreement for management services. This agreement requires monthly payments of \$15,000.

c) Employment Agreements -

The company has entered into three employment agreements that require monthly payments of \$26,000 and US \$11,250. These agreements also include bonuses based on performance.

d) Co-location Agreements -

The company has entered into various co-location agreements requiring monthly payments of \$2,175 and US \$6,400. These lease agreements expire in 2003 and 2004.

e) Dedicated Telecommunication Line Agreements -

The company has entered into agreements to rent dedicated telecommunication lines. The minimum monthly payments are US \$137,550. These agreements expire in 2003 and 2004.

f) Dedicated Internet Access Agreements -

The company has entered into agreements to rent dedicated internet access lines. The minimum monthly payments are \$1,000 and US \$53,020. These agreements expire in 2003 and 2004.

g) Fiber Optics Lease Agreements -

The company has entered into lease agreements for fiber optics requiring monthly payments of \$102,043 and US \$14,457. These agreements expire in 2003 and 2006.

h) Co-location Centre -

The company has entered into an agreement for the construction of a new co-location centre in New York. A total of US \$207,000 is owing upon completion of various stages of the project.

PEER 1 NETWORK ENTERPRISES INC.
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Notes to Consolidated Financial Statements
August 31, 2002

14. Going Concern:

The financial statements have been prepared on the assumption that the company will continue as a going concern. Since the company is still in the start-up phase, the continuation of the business is dependent on the company attaining additional capital to satisfy its liabilities as they come due.

15. Segmented Information:

The company operates in the following geographical segments:

August 31, 2002					
	British Columbia	Ontario	Quebec	New York	Totals
Revenue:					
Co-location space	\$1,144,404	\$ 64,044	\$137,652	\$ 6,101	\$1,352,201
Internet traffic	3,109,096	870,154	374,468	69,419	4,423,137
Services	85,989	18,548	20,701	3,229	128,467
Other	7,563	600	900	-	9,063
	\$4,347,052	\$953,346	\$533,721	\$78,749	\$5,912,868
Segment Operating Loss	\$3,060,655	\$427,960	\$547,872	\$312,725	\$4,349,212
Amortization	393,374	89,928	89,658	53,068	626,028
Identifiable Assets	1,745,518	399,034	397,841	235,476	2,777,869
August 31, 2001					
	British Columbia	Ontario	Quebec	New York	Totals
Revenue:					
Co-location space	\$ 496,368	\$ 7,150	\$ 2,200	\$ -	\$ 505,718
Internet traffic	807,391	25,724	176	-	833,291
Services	26,373	-	400	-	26,773
Other	19,041	-	-	-	19,041
	\$1,349,173	\$32,874	\$ 2,776	\$ -	\$1,384,823
Segment Operating Loss	\$1,048,302	\$61,657	\$141,319	\$ 5,318	\$1,256,596
Amortization	280,221	2,240	8,423	65	290,949
Identifiable Assets	2,230,808	17,828	67,058	516	2,316,210

PEER 1 NETWORK ENTERPRISES INC.
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Notes to Consolidated Financial Statements
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16. Contingent Liabilities:

During the year, an action was commenced against the company alleging that services were provided and are unpaid. Damages have been claimed in the amount of approximately \$908,792 and US \$160,014 plus interest and legal costs. The company is currently in negotiations to settle the outstanding balance. Except for accounts payable of \$110,338 and US \$12,534, no amounts have been accrued in the accounts in respect to this matter since the outcome is unknown.

The company has a contingent liability of \$77,591 for unreported GST. The company is appealing an assessment by Canada Customs and Revenue Agency based on rulings received by other companies in the same industry. Advisors to the company believe they will successfully appeal this assessment.

17. Comparative Figures:

The 2001 comparative figures are for the period April 1, 2001 to August 31, 2001. Although Peer 1 Network Inc. was incorporated June 8, 2000 it did not begin active operations until April 1, 2001. The 2001 comparative figures have been reclassified, where applicable, in order to conform with the presentation used in the current year.