E VIDEOTV INC/DE
Form 10QSB
November 14, 2002

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-QSB

(Mark One)

[X] Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended Sept 30, 2002

[ ] Transition report under Section 13 or 15(d) of the Exchange Act

For the transition period from ___________ to ___________

Commission file number 0-27043

E-VIDEOTV, INC.

(Exact Name of Small Business Issuer as Specified in its Charter)

Delaware	51-0389325
(State or Other Jurisdiction of Incorporation or Organization)	IRS Employer Identification No.)

2111 Wilson Blvd - Suite #700, Arlington VA 22201

(Address of Principal Executive Offices)

703-351-5011

(Issuer's Telephone Number, Including Area Code)

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

APPLICABLE ONLY TO ISSUERS INVOLVED IN
BANKRUPTCY PROCEEDINGS DURING THE
PRECEDING FIVE YEARS

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court.

Yes ___ No ___

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common shares, as of the latest practicable date: 32,223,882

Transitional Small Business Disclosure Format (check one):

Yes ___ No X

E-VIDEOTV, INC.
FORM 10-QSB
FOR THE QUARTERLY PERIOD ENDED Sept 30,2002

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PART I
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

The following financial statements are included as part of this quarterly report:

Unaudited Consolidated Balance Sheet at Sept 30, 2002 and December 31, 2001.
Unaudited Consolidated Statement of Operations for the period from inception, March 5, 1999, to Sept 30, 2002, and the nine months ended Sept 30, 2002 and 2001.

Unaudited Consolidated Statement of Cash Flows for the period from inception, March 5, 1999, to Sept 30, 2002, and the nine months ended Sept 30, 2002 and 2001.

Notes to the Unaudited Consolidated Financial Statements . . . .

E-VIDEOTV, INC.
(A Development Stage Company)
CONSOLIDATED BALANCE SHEETS
(Expressed in U.S. Dollars)

	Sept 30 2002	December 2001
	(unaudited)	(audited
ASSETS		
Current		
Cash	$ 1,813	$
Sundry receivables	4,300	
Prepaid expenses	-	4,2
	6,113	4,2
Non-current receivables (Note 4)	80,500	32,5
Computer equipment (net of accumulated depreciation of $52,966 (2001: $22,398))	31,833	21,0
Software development costs (net of accumulated amortization of $59,800)	593,330	
Advances to Ziracom Digital Communications, Inc.	-	269,7
Debt issue costs (Note 7)	55,242	113,7
	$ 767,018	$ 441,3
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 5)	$ 624,097	$ 233,3
Loans from related parties (Note 6)	127,788	102,7
Convertible debentures (Note 7)	555,022	237,6
Loan payable	-	100,1
	1,306,907	673,8
Deferred revenue	340,000	
	1,646,907	673,8
SHAREHOLDERS' DEFICIENCY		
Capital stock (Note 8)		
Issued and outstanding:		
32,223,882 (2001: 18,397,743) common shares	3,222	1,8
Additional paid-in capital	5,490,272	5,151,4
Share subscriptions	79,200	79,2
	5,572,694	5,232,4
Deficit accumulated during the development stage	(6,452,583)	(5,464,9
	(879,889)	(232,5
	$ 767,018	$ 441,3

Continuance of operations (Note 1)
Commitments (Note 11)
Contingency (Note 12)

See accompanying notes to the consolidated financial statements.

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E-VIDEOTV, INC.
(A Development Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS
(Expressed in U.S. Dollars)

	Cumulative March 5, 1999 to Sept 30 2002	Nine Months Ended Sept 30 2002	Nine Months Ended Sept 30 2001	Quarter Ended Sept 30 2002
Revenue	$ 60,000	60,000	$ -	$ 20,000
General and administrative expenses				
Amortization	722,677	96,507	238,761	31,400
Compensation expense for stock option (Note 8)	408,583	16,000	-	-
Corporate promotion	280,191	20,072	63,193	1,554
General corporate expenses	186,924	11,525	52,809	(1,508)
Interest expense	878,411	487,394	177,948	142,363
Management and consulting fees	1,457,458	243,720	444,634	131,704
Office expenses	214,312	25,651	55,716	1,899
Professional fees	425,436	78,239	88,600	20,101
Rent	170,686	35,954	39,880	-
Royalties	250,000	-	166,667	-
Travel	212,344	32,530	53,799	11,629
	5,207,022	1,047,592	1,382,007	339,142
Write-off software development costs (Note 3)	1,316,935	-	-	-
Interest income	(11,374)	-	(1,319)	-
Net loss	6,452,583	987,592	1,380,688	319,142
Weighted average number of common shares outstanding		29,444,379	16,657,738	32,223,882
Net loss per share, basic and Diluted		$ 0.03	$ 0.08	$ 0.01

See accompanying notes to the consolidated financial statements.

E-VIDEOTV, INC.
(A Development Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in U.S. Dollars)

	Cumulative March 5, 1999 to June 30 2002	Nine Mont Ended Sept 30 2002
CASH DERIVED FROM (APPLIED TO)		
OPERATING		
Net loss for period	$ (6,452,583)	$ (987,5
Compensation expense for stock options	408,583	16,0
Write-off of distribution rights and software development costs	1,316,935	
Depreciation and amortization	732,611	96,5
Amortization of debenture discount	789,788	437,2
Debenture Interest paid in shares	4,433	3,1
Management fee paid in shares	238,000	
Subscription of shares for services	25,200	
Deferred revenue	(60,000)	(60,0
Change in non-cash operating capital		
Receivables and prepaids	14,736	6,3
Prepaid royalties	-	
Payables and accruals	526,436	271,3
	(2,455,861)	(216,9
FINANCING		
Proceeds from issuance of common shares	1,538,101	
Shares subscribed	-	
Convertible debentures issued	1,000,000	
Convertible debenture issue costs	(163,250)	
Loans from related parties	187,288	25,0
Loans from parent company prior to acquisition	115,000	
Loan payable	-	(100,1
Cash acquired on acquisition of parent company	1,001,481	
	3,678,620	(75,0
INVESTING		
Advances to Ziracom Digital Communications, Inc.	76,843	346,5
Non-current receivables	(80,500)	(48,0
Computer equipment	(48,258)	(4,7
Distribution rights	(300,000)	
License	(445,000)	
Software development	(424,031)	
	(1,220,946)	293,8

Net increase in cash	1,813	1,8
Cash, beginning of period	-	
Cash, end of period	$ 1,813	$ 1,8
NON-CASH ACTIVITIES NOT INCLUDED IN CASH FLOWS		
Shares issued to acquire Ziracom (Note 3)	$ 259,654	259,6
Shares issued on conversion of debentures	$ 126,758	61,4
Compensation expense for stock options	$ 408,583	16,0
Debenture interest paid in shares	$ 4,433	3,1
Shares issued to settle loan from related party	$ 59,500	$
Shares subscribed to settle trade payables	$ 54,000	$
Shares issued to pay management fees	$ 238,000	$
Shares issued to acquire license	$ 791,773	$
Cancellation of loans from parent company on acquisition	$ 115,000	$
Value of shares issued in excess of cash acquired on acquisition of parent company	$ 95,374	$
Shares cancelled on termination of license	$ 30,163	$

See accompanying notes to the consolidated financial statements.

E-VIDEOTV, INC.
(A Development Stage Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
September 30, 2002
(Unaudited)

1. BASIS OF PRESENTATION

The company was incorporated in the state of Delaware, U.S.A. on July 25, 1997 under the name Oro Rico Mining Corporation. On August 25, 1997, ORM, Inc., an inactive company incorporated in Colorado on July 25, 1997, was merged into the company. The name of the company was changed to Asia Pacific Enterprises, Inc. on October 16, 1997 and to e-VideoTV, Inc. on August 6, 1999.

On June 23, 1999 the company acquired all of the outstanding shares of e-Video U.S.A., Inc. This business combination has been accounted for as an acquisition of the company by e-Video U.S.A., Inc.

The company had previously commenced its planned principal operations although it had not yet earned any revenue. The company's previous operational focus was to secure licensing operators for its Faster-Than-Real-Time ("FTRT") video on demand service. To that end, management devoted substantially all of the company's resources to the identification and qualification of such potential licenses.

In November 2001, the company changed its operational focus from the licensing of FTRT video on demand service to focus on the acquisition of technologies, especially in the field of video compression, and sell these technologies to interested parties and/or enter into reseller agreements. The company has sold its exclusive license rights in the U.S.A. for analog copy protection for video transmissions received in FTRT back to Macrovision Corporation. The company still has its agreement with U.S.A. Video Interactive Corp. to exclusively sub-license their "Store and Forward Video System" patent in areas related to digital set-top boxes with hard-drives in the U.S.A. (Note 11). This agreement has yet to be completed.

The company has acquired, through its acquisition of Ziracom Digital Communications, Inc. ("Ziracom") (Note 3), video compression technology. The Alpha-Omega CODEC uses a set of proprietary algorithms to analyse a video signal and determine how best to apply its selection of compression techniques. The compression techniques utilized in Alpha-Omega include MPEG-Discrete Cosine Transforms, Wavelet Transforms, Color Tables, Color Quantization, and Video Masking. The company has commenced its new planned principal operations and has generated revenues in the first three quarters of $60,000. This is revenue earned from the sale of a five (5) year license for a total consideration of $400,000. All funds were paid in January 2002.

The Company's consolidated financial statements for the period ended Sept 30, 2002, have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business for the foreseeable future. The Company incurred a net loss of $987,592 for the nine months ended Sept 30, 2002 and has a working capital deficiency of $1,380,794 and accumulated deficit of $6,452,583 at Sept 30, 2002. These factors raise substantial doubt about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent upon its ability to achieve capital through private placements and other types of venture fundings and through financing agreements with its clients. The outcome of these matters cannot be predicted at this time. No assurances can be given that the Company will be successful in raising sufficient additional capital. Further, there can be no assurance, assuming the Company successfully raises additional funds, that the Company will achieve positive cash flow. If the Company is unable to obtain adequate additional financing, management will be required to curtail the Company's operating expenses. These consolidated financial statements do not include any adjustments to the specific amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue in business.

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E-VIDEOTV, INC.
(A Development Stage Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
September 30, 2002
(Unaudited)

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

These unaudited consolidated financial statements are presented in U.S. dollars in accordance with accounting principles generally accepted in the United States of America and have been prepared on the same basis as the annual audited consolidated financial statements.

In the opinion of management, these audited consolidated financial statements reflect all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation for each of the periods presented. The results of operations for interim periods are not necessarily indicative of results to be achieved for full fiscal years.

As contemplated by the Securities and Exchange Commission (SEC) under Rule 10-01 of Regulation S-X, the accompanying consolidated financial statements and related footnotes have been condensed and do not contain certain information that will be included in the company's annual consolidated financial statements and footnotes. For further information, refer to the consolidated financial statements and related footnotes for the years ended December 31, 2001 and 2000 included in the company's Annual Report on Form 10-KSB.

SOFTWARE DEVELOPMENT COSTS

In accordance with Statement of Financial Accounting Standards (FAS) 86, Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed, the company has capitalized certain computer software development costs upon the establishment of technological feasibility. Technological feasibility is considered to have occurred upon completion of a detailed program design which has been confirmed by documenting and tracing the detail program design to product specifications and has been reviewed for high-risk development issues, or to the extent a detailed program design is not pursued, upon completion of a working model that has been confirmed by testing to be consistent with the product design. Amortization is provided based on the greater of the ratios that current gross revenues for a product bear to the total of current and anticipated future gross revenues for that product, or the straight line method over the estimated useful life of the product commencing upon technological feasibility. The estimated useful life for the straight-line method is determined to be five years.

Management regularly reviews the carrying value of its software development costs to assess whether or not there has been an impairment in its carrying value. When the carrying values of these assets exceed their estimated net recoverable amounts, an impairment provision is recorded.

RECENT ACCOUNTING PRONOUNCEMENTS

SFAS 141 and 142

On July 20, 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") 141, Business Combinations, and SFAS 142, Goodwill and Intangible Assets. SFAS 142 is effective for fiscal years beginning after December 15, 2001; however, certain provisions of this statement apply to goodwill and other intangible assets acquired between July 1, 2001 and the effective date of SFAS 142. Major provisions of these Statements and their effective dates for the company are as follows:

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- all business combinations initiated after June 30, 2001 must use the purchase method of accounting. The pooling of interest method of accounting is prohibited except for transactions initiated before July 1, 2001;

- intangible assets acquired in a business combination must be recorded separately from goodwill if they arise from contractual or other legal rights or are separable from the acquired entity and can be sold, transferred, licensed, rented or exchanged, either individually or as part of a related contract, asset or liability;
- effective January 1, 2002, goodwill and intangible assets with indefinite lives will be tested for impairment annually and whenever there is an impairment indicator;
- all acquired goodwill must be assigned to reporting units for purposes of impairment testing and segment reporting.

The company has followed SFAS 141 and 142 in accounting for its acquisition of Ziracom Digital Communications Inc. (Note 3).

SFAS 143 and 144

In July 2001, FASB issued SFAS No 143, Accounting for Asset Retirement Obligations. This statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assts and the associated asset retirement costs. This Statement applies to all entities. It applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development, and (or) the normal operation of a long-lived asset, except for certain obligations of lessees. This Statement is effective for financial statements issued for fiscal years beginning after June 15, 2002.

In August 2001, the FASB issued SFAS No 144, Accounting for the impairment or Disposal of Long-Lived Assets. The statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supersedes FASB Statement No 121, Accounting for the impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of. The provisions of the statement are effective for financial statements issued for fiscal years beginning after December 15, 2001.

The Company is evaluating the impact of the adoption of these standards and has not yet determined the effect of adoption on its financial position and results of operations.

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3. ACQUISITION

Pursuant to a Share Purchase Agreement entered into between the Company, Ziracom Digital Communications Inc, and its shareholders, the company agreed to purchase all of Ziracoms' outstanding common shares for 8,655,139 of the Company's common shares. This transaction closed on February 14, 2002.

Ziracom shareholders would have received additional shares should earnings before interest, taxes, depreciation and amortization exceed $500,000 for the period August 1, 2001 and August 31, 2002. This did not happen and no additional shares are due to the Ziracom shareholders.

As a result of this transaction, Ziracom became a subsidiary of e-VideoTV, Inc. The transaction has been accounted for by the purchase method with the company as the acquirer. The results of Ziracom's operations are included subsequent to its acquisition date.

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(A Development Stage Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
September 30, 2002
(Unaudited)

3. ACQUISITION (Continued)

Net identifiable assets acquired:

Receivables	$ 6,432
Due from Ziracom Digital Communications Inc.	76,843
Capital assets	25,724
Software development costs	670,086
Payables and accruals	(119,431)
Deferred revenue	(400,000)
	$ 259,654

Consideration

8,655,139 common shares	$ 259,654

4. NON-CURRENT RECEIVABLES

As at Sept 30, 2002, the company had advanced $80,500 (December 31, 2001: $32,500) to companies that it is considering either acquiring or entering into a business relationship with. These loans bear no interest and have no set terms of repayment.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	Sept 30 2002	December 31 2001
Accrued management fees (Note 10)	$237,500	$ 70,000
Trade payables and accrued liabilities	386,597	163,341
	$624,097	$ 233,341

6. LOANS FROM RELATED PARTIES	Sept 30 2002	December 31 2001
Loans from directors with no specific terms of repayment	$103,788	$ 78,713
Loans from shareholders bearing no interest, unsecured and repayable at $3,000 per month. At Sept 30, 2002, the company's payments under this loan are 13 months in arrears	24,000	24,000
	$127,788	$ 102,713

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E-VIDEOTV, INC.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Unaudited)
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7. CONVERTIBLE DEBENTURES

On July 6, 2001, the company received $1,000,000 from the sale of convertible debentures and warrants to purchase up to 666,666 shares of the company's common stock (Note 8). The principal on the debentures is due June 6, 2003. Interest at 8% per annum on the debenture principal outstanding is due quarterly commencing September 30, 2001. The debentures and any unpaid and accrued interest may be converted at the option of the holder into common shares of the company. The conversion price per share is the lesser of $0.4747 and 80% of the average of the three lowest closing prices of the common shares on the principal market where the shares trade for the sixty trading days prior to conversion.

The company may redeem the convertible debentures on five days notice by paying the holders 190% of the principal outstanding plus accrued interest. Upon receiving the repayment notice, the debenture holders have the option of converting the debentures to common shares within five days.

The company has determined the fair value of the warrants to be $486,600, using the Black Scholes option-pricing model. This warrant value is reflected as an addition to paid-in capital and a discount to the debenture principal.

The debentures contain a "beneficial conversion" feature as the fair value of the underlying stock was greater than the fair value of the debenture at the date of issuance. The value of the beneficial conversion feature has been calculated as $513,400, which has been recognized as an addition to paid-in capital and a discount to the debenture principal.

The discounts to the debenture principal are amortized over the life of the debentures as interest expense. Any unamortized discounts related to debentures converted to common stock are written off as interest expense at the conversion date.

The company incurred $163,750 in cash commissions and expenses related to the issuance of the debentures, which has been recognized as a deferred cost to be amortized by the interest method over the term of the debt. Any unamortized issue costs related to debentures converted to common stock are written off as interest expense at the conversion date.

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E-VIDEOTV, INC.
(A Development Stage Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
September 30, 2002
(Unaudited)
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(Expressed in U.S. Dollars)

7. CONVERTIBLE DEBENTURES (Continued)

The following table summarizes the activity in the debentures to September 30, 2002.

	Convertible Debentures			
	Original Principal	Unamortized Discounts	Net Book Value	Deferred Issue Costs
DURING THE YEAR ENDED DECEMBER 31, 2001				
Debentures issued on July 6, 2001	$1,000,000	$ 1,000,000	$ -	$ 163,250
Debentures converted to common stock	(65,354)	(59,251)	(6,103)	(9,673)
Amortization of discounts		(243,770)	243,770	(39,795)
	934,646	696,979	237,667	113,782
Balance, December 31, 2001				
DURING THE NINE MONTHS ENDED SEPTEMBER 30, 2002				
Debentures converted to common stock	(61,403)	(45,789)	(15,614)	(6,434)
Amortization of discounts	-	(332,969)	332,969	(52,106)
Balance, Sept 30, 2002	$ 873,243	$ 318,221	$ 555,022	$ 55,242

The company has not made interest payments as required under the terms of the convertible debenture agreements. At Sept 30, 2002, $83,999 in interest on these convertible debentures has been accrued but is unpaid. Notwithstanding this technical default, the creditor has agreed not to demand repayment of the loan.

8. CAPITAL STOCK

AUTHORIZED CAPITAL

100,000,000 shares of common stock with a par value of $0.0001
5,000,000 shares of preferred stock with a par value of $0.0001

8. CAPITAL STOCK (Continued)

STOCK OPTIONS

(Expressed in U.S. Dollars)

The company accounts for the options issued to directors and employees in accordance with the provisions of APB Opinion No. 25, Accounting for Stock Options Issued to Employees. Had compensation cost for the stock option plan been determined based on the fair value at the grant date consistent with the method of SFAS No. 123, Accounting for Stock-Based Compensation, the company's net loss and net loss per share would have been the pro forma amounts indicated below:

	Sept 30 2002	December 31 2001
NET LOSS:		
Actual net loss	$ (987,592)	$ (2,756,522)
Pro forma net loss	$(1,025,592)	$ (3,300,362)
LOSS PER SHARE:		
Actual net loss per share	$ (0.02)	$ (0.16)
Pro forma net loss per share	$ (0.02)	$ (0.19)

The fair value of each option grant was estimated at the grant date using the Black-Scholes option-pricing model for the period ended Sept 30, 2002, assuming a risk-free interest rate of 4.88%, volatility of 2.16%, zero dividend yield, and an expected life of 5.00 years.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options and warrants which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because the company's employee stock options and warrants have characteristics significantly different from traded options, and because changes in the subjective input assumptions can materially affect the fair value estimates, in management's opinion, the existing models do not necessarily provide a reliable measure of the fair value of its employee stock options.

The company granted options to purchase 4,100,000 shares of the company's common stock to directors during the period ended Sept 30, 2002. There were no changes in the quarter ending Sept 30, 2002.

During the period ended Sept 30, 2002, the company granted 800,000 options to purchase shares to consultants and recognized expense related to these options of $16,000. The expense amount was determined by the fair value of the options issued calculated using the Black-Scholes model.

8. CAPITAL STOCK (Continued)

SHARES ISSUABLE UNDER CONVERTIBLE DEBENTURES

Based on an estimate of the company's share price at Sept 30, 2002, the terms of the company's convertible debenture (Note 7) would enable the debenture holder to exercise its conversion rights in the amount of approximately 88,000,000 common shares. There were no conversions in the quarter ending Sept 30, 2002.

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9. INCOME TAXES

At Sept 30, 2002, the company had net operating losses carried forward of approximately $6,400,000 (December 31, 2001: $5,140,000) that may offset against future taxable income until 2020. The potential tax benefits of the losses carried forward are offset by a valuation allowance of the same amount as there is substantial uncertainty that the losses will be used before they expire.

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10. RELATED PARTY TRANSACTIONS

During the period ending Sept 30, 2002 consulting fees of $60,000 (2001: $249,000) have been accrued to other companies that employ current directors and officers of the company. Accrued liabilities at Sept 30, 2002 include $216,500 (2001: $70,000) of amounts due to officers, directors and former directors under management or consulting agreements.

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11. COMMITMENTS

PATENT LICENSING AGREEMENT

On June 27, 2001, the company entered into a short form sub-licensing agreement for certain digital video delivery technology with an international designer and supplier of high-tech internet streaming video and video-on-demand systems, services and innovative end-to-end solutions.

In consideration of this sub-license, the company has agreed to issue $300,000 of its common shares on the date a long form agreement is signed. The parties have yet to finalize this long form agreement. Based on an estimate of the company's share price at December 31, 2001, the company would be required to issue 6,000,000 shares upon finalization of a long form agreement.

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12. CONTINGENCY

On January 8, 2002, the company was served with a writ regarding allegations of intentional and negligent interference with business relationships. This writ was also served to Ziracom Digital Communications, Inc., and three of its directors. The plaintiffs in the lawsuit have claimed damages of approximately $2,000,000. Company's counsel has concluded that it is reasonably possible that an agreement on the amount of damages exigible will be met. A trial on related matters involving the plaintiffs recently completed and the jury ruled against the plaintiffs and awarded damages to the defendants The Company is not certain as to the status of the outstanding writ nor is it aware at this time whether or not the case will proceed. Accordingly, the amount of damages to be awarded (if any), is not determinable at this time and as such, no amounts have been recorded in these financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

During the quarter ending Sept 30,2002, the company continued development of its "Alpha -Omega" Video Compression CODEC including video conferencing and continued beta testing of its CODEC. The acquisition on February 14, 2002 was completed by issuance of 8,655,139 restricted common shares of the Company for 100% of the issued and outstanding shares of Ziracom. There will be no additional shares issued to Ziracom shareholders as original profit projections to August 31 2002 that could have resulted in additional shares being issued, were not achieved and the shares issued February 14, 2002 constitute full payment for 100% of the shares of Ziracom.

The "Alpha-Omega" Video Compression CODEC, owned by e-Video offers a powerful solution to users needing high compression rates while maintaining excellent video quality for video streaming applications, video file downloads, and video conferencing.

The development of the Alpha-Omega CODEC continues the company's focus on video compression technologies to electronically deliver video signals for remote video surveillance, education and entertainment, wireless hand-held computers, and video cell phones.

During the quarter ending Sept 30, 2002 the Company executed a contract for a non-exclusive Marketing Agreement with a company that has existing clients interested in the Alpha-Omega software. This Company is currently demonstrating the software technology with prospective customers.

The Alpha-Omega software has a number of proprietary techniques to perform video compression using an automated intelligent algorithm that selects in real- time the most efficient combinations of its internal compression methods for each scene and frame. The Alpha-Omega also incorporates additional proprietary methods to reduce image macro blocking in low bandwidth applications. The Alpha-Omega supports file formats of type ASF (streaming) and AVI (video files).

In January 2002, the Company completed a 5-year licensing agreement with a customer for $400,000. The Company received the entire $400,000 in January 2002, and has recognized $60,000 of this as revenue in its financial statements for the nine months ending Sept 30, 2002. The remaining funds received will be recognized over the remaining period of the license.

The Company intends to market the Alpha-Omega technology through non-exclusive Marketing Agreements similar to the one mentioned above and through its own in-house personnel.

The Company has relocated its head office to 2111 Wilson Blvd, Arlington Virginia, 22201, where key personnel will be located, including technical and marketing staff. An administration and marketing office will be maintained in Vancouver BC Canada. The Company has interested parties who are currently assessing the Alpha-Omega software. The applications for the Alpha-Omega include Internet video streaming, wireless video devices, video cell phones, cable & satellite television broadcasts, remote security devices, remote newsgathering, and downloading of movies. Both the encoder and decoder can be customized to be compatible with alternate platforms, custom solutions, and stand-alone solutions.

The Company will continue its research and development program to extend this technology to include handheld PDA devices, and fully intends to license the Alpha-Omega to semiconductor companies for embedding into their devices. This research will continue at its relocated head office.

The Company recognizes that it will require additional financing even though its Alpha-Omega software is now ready for market. Additional funding will be required for continued development of its Alpha-Omega software, doing product demonstrations, as well as general operating expenses for the Company. The Company acknowledges that it currently does not have sufficient funds to carry on its operation but management intends to seek financial assistance through private loans from existing directors, shareholders and outside parties although there can be no assurance that the Company will be able to secure this financial assistance. As well, the Company anticipates revenue from its technology in the last quarter of 2002 or early in the first quarter of 2003.

LIQUIDITY AND CAPITAL RESOURCES

During the quarter ending Sept 30 2002, the Company had revenue of $20,000, while the nine-month results show revenue of $60,000. This represents the first nine months of a five (5) year license agreement for a total of $400,000. These funds were all received in January 2002, but the revenue recognition is being recorded over the five-year life of the license. During the quarter ending Sept 30, 2002, the Company incurred losses of $319,142 vs. $617,556 for the quarter ending Sept 30 2001. For the nine months ended Sept 30, 2002, these losses amounted to $987,592 vs. $1,380,688 for the nine months ending Sept 30 2001. The losses for the nine-month period ending Sept 30 2002 include depreciation and amortization of $96,507 and amortization of debenture discount of $437,298. As these are not cash expenses, the actual cash loss was significantly lower. The Company has successfully reduced general and administrative expenses for the nine months ending Sept 30 2002. Management and consulting fees have been reduced to $243,000 to Sept 30 2002, compared to $444,634 for the nine months ending Sept 30 2001. General expenses such as travel, rent, professional fees, office and general corporate expenses amount to $203,971 for the nine months ending Sept 30 2002 compared to $393,496 for the nine months ending Sept 30 2001.

Operating expenses have been reduced significantly and will continue to decline as significant the marketing activities are being conducted by other parties on a revenue sharing basis.

The 8% convertible debenture closed on July 6 2001, with the Company receiving $1,000,000 less issue costs. Interest is payable quarterly and to date, this interest has accrued and not been paid. At Sept 30 2002, the accrued interest amounted to $83,999. This includes $17,883 in the quarter ending Sept 30 2002. The debenture is due June 6 2003. The unconverted balance of this debenture at Sept 30 2002 is $873,242. The Lender has provided a waiver re default on the outstanding interest. The debenture is convertible based on a conversion formula. In addition to the debenture, the fund received 666,666 warrants to purchase additional shares in the Company. These warrants have an exercise price of approximately $0.40 per share. The Company is in discussions with the Lender regarding the debt and both parties are actively working towards a mutually satisfactory option to the ultimate repayment of this debt.

The floating conversion price for the convertible debentures is the lesser of (i) 80% of the average of the three lowest closing bid prices of the common stock for the twenty (20) trading days prior to the closing date, or (ii) 80% of the average of the three lowest closing bid prices of the common stock for the sixty (60) trading days prior to the conversion date, as defined in the convertible debenture. The maximum number of shares of common stock that the subscriber or group of affiliated subscribers may own after conversion at any given time is 4.99%. In connection with the financing, the company entered into certain covenants including, but not limited to, the following: (i) the company may not redeem the convertible debentures without the consent of the holder; (ii) the company will pay to certain finders a cash fee of ten percent (10%) of the principal amount of the convertible debentures for location of the financings; (iii) the company has agreed to incur certain penalties for untimely delivery of the shares.

The Company further recognizes that its development schedule will be delayed unless additional capital required is available when needed. The Company anticipates revenue from licensing of its Alpha-Omega software either in the last quarter of 2002 or early in the first quarter of 2003. In addition to this, the Company is exploring loans from private investors, and additional loans from directors and/or existing shareholders although there can be no assurance that these loans will be successfully obtained. In the event that the Company is not able to obtain these loans it will be unable to fund its operations.

Inflation has not been a factor during the quarter ending Sept 30 2002.

PART II

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

On January 8 2002, the company was served with a writ regarding allegations of intentional and negligent interference with business relationships. This writ was also served to Ziracom Digital Communications, Inc. and three of its directors. The Company feels the complaint is without merit and will defend its position vigorously should the complaint proceed. The plaintiffs in the lawsuit with e-Video have claimed damages of approximately $2,000,000. The amount of damages to be awarded (if any) however, is not determinable at this time and as such, no amounts have been recorded in these financial statements

A trial was completed recently on a complaint with defendants who are also defendants in the litigation that the Company has been named in. While the Company was not a party to this litigation, this case was somewhat similar and the jury in this case awarded damages of $3,000,000 to the defendants. The plaintiffs are the same people regarding the Ziracom, e-Video lawsuit and it is unknown whether they intend to try to appeal the jury decision nor is it known if they will proceed with the action filed against the Company.

ITEM 2. CHANGES IN SECURITIES.

There are no changes in the Company's securities.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

There have been no defaults upon senior securities.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

No matters were submitted to a vote of security holders during the six months ended June 30, 2002.

ITEM 5. OTHER INFORMATION.

The Company has no other information to report.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits.

None.

(b) Reports on Form 8-K.

None

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed by the undersigned, thereunto duly authorized.

E-VIDEOTV, INC.

Date November , 2002 By /s/ Robert G. Dinning

Robert G. Dinning
Chairman and Chief Financial Officer

Date November , 2002 By /s/ Gianfranco Fiorio

Gianfranco Fiorio
Chief Executive Officer

Certification of Principal Financial Officer Regarding Facts and Circumstances Relating to Exchange Act Filings

I, Robert G. Dinning, certify that:

1. I have read this quarterly report on Form 10-QSB of e-VideoTV, Inc.;

2. To my knowledge, the information in this report is true in all important respects as of September 30, 2002; and

3. This report contains all information about the company of which I am aware that I believe is important to a reasonable investor, in light of the subjects required to be addressed in this report, as of September 30, 2002.

4. I:

(a) am responsible for establishing and maintaining internal controls;

(b) have designed such internal controls to ensure that material information relating to the company is made known to me by others within the company, particularly during the period in which the periodic reports are being prepared;

(c) have evaluated the effectiveness of the issuer's internal controls as of a date within 90 days prior to the report; and

(d) have presented in the report my conclusions about the effectiveness of their internal controls based on my evaluation as of that date;

5. I have disclosed to the company's auditors and the audit committee of the board of directors (or persons fulfilling the equivalent function):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the company's ability to record, process, summarize, and report financial data and have identified for the company's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal controls; and

6. I have indicated in the report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

For purposes of this certification, information is "important to a reasonable investor" if:

(a) There is a substantial likelihood that a reasonable investor would view the information as significantly altering the total mix of information in the report; and

(b) The report would be misleading to a reasonable investor if the information is omitted from the report.

BY: /s/ Robert G. Dinning

Robert G. Dinning, Chairman and C.F.O.
(Principal Executive Officer)

DATE: November 14, 2002

Subscribed and sworn to before me this 14 day of November, 2002

/s/ Ann Croudy

Notary Public

My Commission Expires:
Comm #1264893 - Riverside County California