

Cardinal Factor Corporation

Interim Consolidated Financial Statements

July 31, 2001

Cardinal Factor Corporation

Consolidated Balance Sheets

(unaudited)

	Note	July 31, 2001	January 31, 2001
Assets			
Current			
Prepaid expenses		\$ 3,865	\$ 3,865
		3,865	3,865
Capital assets	3	16,072	18,658
		\$ 19,937	\$ 22,523

Liabilities

Current			
Bank indebtedness	4	\$ 5,834	\$ 31,530
Accounts payable and accrued liabilities		30,697	62,022
		36,531	93,552

Shareholders' Deficiency

Capital stock	5	285,987	133,737
Deficit		(302,581)	(204,766)
		(16,594)	(71,029)
		\$ 19,937	\$ 22,523

Approved by the Board "Andrew Colebeck" Director "Tom Reber" Director
(Signed) (Signed)

See accompanying notes.

Cardinal Factor Corporation

Consolidated Statements of Operations and Deficit

(unaudited)

	Three Months Ended July 31, 2001	Three Months Ended July 31, 2000	Six Months Ended July 31, 2001	Period from Incorporation (March 16, 2000) to July 31, 2000
Expenses				
Consulting	1,000	21,577	1,000	21,577
Development costs	-	-	2,050	-
General and administrative	-	1,141	-	2,753
Professional fees	19,419	5,166	20,919	5,808
Occupancy costs costs	8,133	-	15,903	-
Office and general	18,127	-	20,991	-
Management fees	11,000	-	40,500	-
Amortization	1,293	1,951	2,586	2,197
	58,972	29,835	103,949	32,335
Less: consulting income	2,469	-	6,134	-
Loss before write-down of goodwill	(56,503)	(29,835)	(97,815)	(32,335)
Write-down of goodwill	-	-	-	52,363
Net loss	(56,503)	(29,835)	(97,815)	(84,698)
Deficit at beginning of period	(246,078)	(54,863)	(204,766)	-
Deficit at end of period	\$ (302,581)	\$ (84,698)	\$ (302,581)	\$ (84,698)
Net loss per share	\$ (0.003)	\$ (0.001)	\$ (0.006)	\$ (0.002)

See accompanying notes.

Cardinal Factor Corporation

Consolidated Statements of Cash Flows

(unaudited)

	Three Months Ended July 31, 2001	Three Months Ended July 31, 2000	Six Months Ended July 31, 2001	Period from Incorporation (March 16, 2000) to July 31, 2000
Cash flows from operating activities				
Net for year	\$ (56,503)	\$ (29,835)	(97,815)	(84,698)
Add item not affecting cash				
Amortization	1,293	1,951	2,586	2,197
Write-down of goodwill	-	-	-	52,363
	(55,210)	(27,884)	(95,229)	(30,138)
Changes in non-cash working capital items				
Accounts receivable	-	(2,489)	-	(2,489)
Prepaid expenses	2,590	(2,000)	-	(2,000)
Accounts payable and accrued liabilities	146	(6,585)	(31,325)	(6,585)
Deferred costs	-	(525)	-	(525)
	(52,474)	(39,483)	(126,554)	(41,737)
Cash flows from investing activities				
Acquisition, net of cash acquired	-	-	-	(50,069)
Cash flows from financing activities				
Issuance of capital stock	52,250	55,716	152,250	55,736
Increase (decrease) in cash during the year	(224)	16,233	25,696	(36,070)
Bank indebtedness at beginning of year	(5,610)	(52,303)	(31,530)	-
Bank indebtedness at end of year	\$ (5,834)	\$ (36,070)	\$ (5,834)	\$ (36,070)

Supplemental Disclosure

1) Cash paid for interest	\$ 469	\$ 1,978	\$ 1,331	\$ -
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See accompanying notes.

Cardinal Factor Corporation

Notes to Consolidated Financial Statements

July 31, 2001

(unaudited)

1. NATURE OF BUSINESS AND BASIS OF PRESENTATION

Cardinal Factor Corporation ("Cardinal" or the "Company") is a development stage enterprise focussed on the development of internet technology and internet business. The Company seeks to capitalize on the growth in internet based business to business technology. The Company's mission is to target lucrative opportunities to develop and market internet network based technologies through the synergies created by its wholly-owned subsidiaries.

The continuation of the Company's development activities and the attainment of profitable operations is dependent on the Company's ability to successfully complete its development programs and finance its cash requirements through a combination of equity financing and payments from strategic partners. It is not possible to predict the outcome of future development programs or the Company's ability to fund its cash requirements over the term of its development stage.

2. SIGNIFICANT ACCOUNTING POLICIES

The interim financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements and should be read in conjunction with those statements.

3. CAPITAL ASSETS

	Cost	Accumulated Amortization	2001	Net 2000
Furniture and fixtures	\$ 7,307	\$ 1,389	\$ 5,918	\$ 6,576
Computer equipment	7,470	3,112	4,358	5,128
Leasehold improvements	8,345	2,549	5,796	6,954
	\$ 23,122	\$ 7,050	\$ 16,072	\$ 18,658

4. BANK INDEBTEDNESS

The Company has a line of credit of \$50,000 which bears interest at the bank's prime rate plus 1.5% per annum. The line of credit is secured by a general security agreement covering all assets of the Company and personal guarantees from certain officers and directors of the Company.

Cardinal Factor Corporation

Notes to Consolidated Financial Statements

July 31, 2001

(unaudited)

5. CAPITAL STOCK

Authorized
unlimited common shares

	Number of Shares	Amount
Issued		
Pre-reverse takeover transactions:		
Cardinal Factor Inc.		
On incorporation, March 16, 2000	200	\$ 20
Issued for cash	85	55,716
Balance at July 18, 2000	285	\$ 55,736
Cardinal Factor Corporation		
Balance at March 16, 2000	1,502,716	\$ 1
Balance at July 18, 2000	1,502,716	\$ 1
Post reverse takeover transactions:		
Balance at July 18, 2000	1,502,716	\$ 55,736
Issued to effect reverse takeover	14,250,000	1
Issued for cash on exercise of warrants	845,000	76,500
Issued for cash on exercise of stock options	7,500	1,500
Balance at January 31, 2001	16,605,216	133,737
Issued for cash on exercise of warrants	1,625,643	152,250
Balance at July 31, 2001	18,230,859	\$ 285,987

6. STOCK OPTIONS AND WARRANTS

The Company has the following stock options outstanding to officers and directors:

Number of Options	Exercise Price	Expiry Date
1,042,500	\$0.20	February 19, 2002
50,000	\$0.40	February 19, 2002

The Company has the following warrants outstanding:

Number of Warrants	Purchase Price	Expiry Date
11,770,000	\$0.10	July 28, 2002

Cardinal Factor Corporation

Notes to Consolidated Financial Statements

July 31, 2001

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7. LOSS PER SHARE

The loss per share amounts were calculated using the weighted average number of shares outstanding of 17,417,716 (2000 - 15,752,716).

8. RELATED PARTY TRANSACTIONS

During the three month period ended July 31, 2001, the Company paid management fees of \$11,000 to shareholders and directors or companies owned by directors and shareholders.