

Cardinal Factor Corporation

Interim Consolidated Financial Statements

July 31, 2002

Cardinal Factor Corporation

Consolidated Balance Sheets

(unaudited)

	Note	July 31, 2002	January 31, 2002 (audited)
Assets			
Current			
Accounts receivable		\$ 8,453	\$ 3,294
Prepaid expenses		3,865	3,865
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		12,318	7,159
Capital assets	3	11,755	14,996
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		\$ 24,073	\$ 22,155

Liabilities

Current			
Bank indebtedness	4	\$ 47,282	\$ 49,399
Accounts payable and accrued liabilities		102,222	66,620
Loan payable	5	5,000	-
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		154,504	116,019

Shareholders' Deficiency

Capital stock	9	384,137	384,137
Deficit		(514,568)	(478,001)
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		(130,431)	(93,864)
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		\$ 24,073	\$ 22,155

Approved by the Board _____ Director
Director

See accompanying notes.

Cardinal Factor Corporation

Consolidated Statements of Operations and Deficit

(unaudited)

	Three Months Ended July 31		Six Months Ended July 31		Period from Incorporation (March 16, 2000) to July 31, 2002
	2002	2001	2002	2001	
Revenue					
Revenue	\$ 10,322	\$ -	\$ 41,786	\$ -	\$ 63,200
Expenses					
Consulting and development	6,068	1,000	9,936	3,050	185,693
Website hosting	7,669	-	16,810	-	47,194
Professional fees	2,463	19,419	16,467	20,919	104,336
Occupancy costs	3,739	8,133	18,692	15,903	64,651
Office and administrative	2,184	18,127	4,604	20,991	58,572
Management fees	-	11,000	-	40,500	-
Transfer agent and shareholder costs	5,908	-	8,603	-	50,772
Amortization	1,865	1,293	3,241	2,586	14,187
	29,896	58,972	78,353	103,949	525,405
Less: consulting income	-	2,469	-	6,134	-
Loss before write-down of goodwill	(19,574)	(56,503)	(36,567)	(97,815)	(462,205)
Write-down of goodwill	-	-	-	-	52,363
Net loss	(19,574)	(56,503)	(36,567)	(97,815)	(514,568)
Deficit at beginning of period	(494,994)	(246,078)	(478,001)	(204,766)	-
Deficit at end of period	\$514,568)	\$302,581)	\$514,568)	\$302,581)	\$514,568)
Net loss per share	\$ (0.001)	\$ (0.003)	\$ (0.002)	\$ (0.006)	\$ (0.002)

See accompanying notes.

Cardinal Factor Corporation

Consolidated Statements of Cash Flows

(unaudited)

	Three Months Ended July 31		Six Months Ended July 31		Period from Incorporation (March 16, 2000) to July 31, 2002
	2002	2001	2002	2001	
Cash flows from operating activities					
Net loss for period	\$ (19,574)	\$ (56,503)	\$ (36,567)	\$ (97,815)	\$ 514,568
Add items not affecting cash					
Amortization	1,865	1,293	3,241	2,586	14,187
Non-monetary transaction	-	-	-	-	6,500
Write-down of goodwill	-	-	-	-	52,363
	(17,709)	(55,210)	(33,326)	(95,229)	(441,518)
Changes in non-cash working capital items					
Accounts receivable	(5,768)	-	(5,159)	-	(8,453)
Prepaid expenses	-	2,590	-	-	(3,865)
Accounts payable and accrued liabilities	25,858	146	35,602	(31,325)	90,639
	2,381	(52,474)	(2,883)	(126,554)	(363,197)
Cash flows from investing activities					
Purchase of capital assets	-	-	-	-	(16,652)
Acquisition, net of cash acquired	-	-	-	-	(50,069)
	-	-	-	-	(66,721)
Cash flows from financing activities					
Advances in loans payable	-	-	5,000	-	5,000
Issuance of capital stock	-	52,250	-	152,250	377,636
	-	52,250	5,000	152,250	382,636
Increase (decrease) in cash during the period	2,381	(224)	2,117	25,696	(47,282)
Bank indebtedness at beginning of period	(49,663)	(5,610)	(49,399)	(31,530)	-
Bank indebtedness at end of period	\$ (47,282)	\$ (5,834)	\$ (47,282)	\$ (5,834)	\$ (47,282)

See accompanying notes.

Cardinal Factor Corporation

Notes to Consolidated Financial Statements

July 31, 2002

(unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

The financial statements of Cardinal Factor Corporation ("Cardinal" or the "Company") have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

Since inception, the Company has incurred losses and has negative working capital.

The Company's ability to continue as a going concern depends on its ability to generate sufficient cash flows through successful completion of its development programs and to finance its cash requirements through equity financing. 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. These financial statements do not reflect any adjustments that would be necessary if the going concern basis were not appropriate.

Cardinal is a development stage enterprise focused 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.

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	2002	Net 2001
Furniture and fixtures	\$ 7,307	\$ 3,126	\$ 4,181	\$ 5,261
Computer equipment	10,290	5,808	4,482	5,562
Leasehold improvements	8,345	5,253	3,092	4,173
	<u>\$ 25,942</u>	<u>\$ 14,187</u>	<u>\$ 11,755</u>	<u>\$ 14,996</u>

Cardinal Factor Corporation

Notes to Consolidated Financial Statements

July 31, 2002

(unaudited)

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.

5. LOAN PAYABLE

The amount bears interest at 10% per annum and is due on demand.

6. STOCK OPTIONS AND WARRANTS

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

<u>Number of Options</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
70,000	\$2.50	May 30, 2003

During the reporting period, all outstanding warrants expired.

7. LOSS PER SHARE

The loss per share amounts were calculated using the weighted average number of shares outstanding of 19,725,216 (2001 - 17,150,216).

8. RELATED PARTY TRANSACTIONS

The Company paid consulting and development fees of \$7,450 (2001 - \$29,500) to shareholders and directors or companies owned by directors and shareholders.

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Notes to Consolidated Financial Statements

July 31, 2002

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9. CAPITAL STOCK

	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 common share purchase warrants	2,645,000	243,900
Issued as consideration for intellectual property	475,000	6,500
Balance at July 31, 2002	19,725,216	\$ 384,137

10. COMMITMENTS

The Company and its subsidiaries are committed to non-cancelable operating leases for premises. Minimum payments are required as follows:

2003	\$ 31,500
2004	11,000
	\$ 42,500