

# **Cardinal Factor Corporation**

**Interim Consolidated Financial Statements**

**April 30, 2002**

# Cardinal Factor Corporation

## Consolidated Balance Sheets (unaudited)

	Note	April 30 2002	January 31 2002 (audited)
<b>Assets</b>			
<b>Current</b>			
Accounts receivable		\$ 2,685	\$ 3,294
Prepaid expenses		3,865	3,865
		6,550	7,159
<b>Capital assets</b>	3	13,620	14,996
		\$ 20,170	\$ 22,155

## Liabilities

<b>Current</b>			
Bank indebtedness	4	\$ 49,663	\$ 49,399
Accounts payable and accrued liabilities		76,364	66,620
Loans payable	5	5,000	-
		131,027	116,019

## Shareholders' Deficiency

Capital stock	9	384,137	384,137
<b>Deficit</b>		(494,994)	(478,001)
		(110,857)	(93,864)
		\$ 20,170	\$ 22,155

Approved by the Board "Andrew Colebeck" Director "William R. Sloan" Director  
(Signed) (Signed)

See accompanying notes.

# Cardinal Factor Corporation

## Consolidated Statements of Operations and Deficit (unaudited)

	Three Months Ended April 30, 2002	Three Months Ended April 30, 2001	From the Date of Incorporation to April 30, 2002
<b>Consulting income</b>	<b>\$ 31,464</b>	<b>\$ 3,665</b>	<b>\$ 52,878</b>
<b>Expenses</b>			
Consulting and development	3,868	31,550	179,625
Website hosting	9,141	-	39,525
Occupancy costs	14,953	7,770	60,912
Office and administrative	2,420	2,864	56,388
Professional fees	14,004	1,500	101,873
Transfer agent and shareholder costs	2,695	-	44,864
Amortization	1,376	1,293	12,322
	<b>48,457</b>	<b>44,977</b>	<b>495,509</b>
<b>Loss before write-down of goodwill</b>	<b>(16,993)</b>	<b>(41,312)</b>	<b>(442,631)</b>
<b>Write-down of goodwill</b>	<b>-</b>	<b>-</b>	<b>52,363</b>
<b>Net loss</b>	<b>(16,993)</b>	<b>(41,312)</b>	<b>(494,994)</b>
<b>Deficit at beginning of period</b>	<b>(478,001)</b>	<b>(204,766)</b>	<b>-</b>
<b>Deficit at end of period</b>	<b>\$ (494,994)</b>	<b>\$ (246,078)</b>	<b>\$ (494,994)</b>
<b>Loss per share</b>	<b>\$ 0.001</b>	<b>\$ 0.002</b>	<b>\$ 0.025</b>

See accompanying notes.

# Cardinal Factor Corporation

## Consolidated Statements of Cash Flows (unaudited)

	Three Months Ended April 30, 2002	Three Months Ended April 30, 2001	From the Date of Incorporation to April 30, 2002
<b>Cash flows from operating activities</b>			
Net loss for period	\$ (16,993)	\$ (41,312)	\$ (494,994)
Add items not affecting cash			
Amortization	1,376	1,293	12,322
Non-monetary transaction	-	-	6,500
Write-down of goodwill	-	-	52,363
	<b>(15,617)</b>	<b>(40,019)</b>	<b>(423,809)</b>
Changes in non-cash working capital items			
Accounts receivable	609	-	(2,685)
Prepaid expenses	-	(2,590)	(3,865)
Accounts payable and accrued liabilities	9,744	(31,471)	64,781
	<b>(5,264)</b>	<b>(74,080)</b>	<b>(365,578)</b>
<b>Cash flows from investing activities</b>			
Purchase of capital assets	-	-	(16,652)
Acquisition, net of cash acquired	-	-	(50,069)
	-	-	(66,721)
<b>Cash flows from financing activities</b>			
Advances in loans payable	5,000	-	5,000
Issuance of capital stock	-	100,000	377,636
	<b>5,000</b>	<b>100,000</b>	<b>382,636</b>
<b>Increase (decrease) in cash during the period</b>	<b>(264)</b>	<b>25,920</b>	<b>(49,663)</b>
<b>Bank indebtedness at beginning of period</b>	<b>(49,399)</b>	<b>(31,530)</b>	<b>-</b>
<b>Bank indebtedness at end of period</b>	<b>\$ (49,663)</b>	<b>\$ (5,610)</b>	<b>\$ (49,663)</b>

See accompanying notes.

# Cardinal Factor Corporation

## Notes to Consolidated Financial Statements

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### 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 capitalise 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

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	Cost	Accumulated Amortization	Net April 30, 2002	Net January 31, 2002
Furniture and fixtures	\$ 7,307	\$ 2,309	\$ 4,998	\$ 5,261
Computer equipment	10,290	5,145	5,145	5,562
Leasehold improvements	8,345	4,868	3,477	4,173
	<b>\$ 25,942</b>	<b>\$ 12,322</b>	<b>\$ 13,620</b>	<b>\$ 14,996</b>

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# Cardinal Factor Corporation

## Notes to Consolidated Financial Statements

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### 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. Included in the bank indebtedness amount at April 30, 2002 is \$49,572 (January 30, 2002 - \$49,750) drawn on this facility.

### 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:

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

The Company has the following warrants outstanding:

<b>Number of Warrants</b>	<b>Purchase Price</b>	<b>Expiry Date</b>
10,715,000	\$0.10	July 28, 2002

### 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 \$2,000 (2001- \$29,500) to shareholders and directors or companies owned by directors and shareholders.

# Cardinal Factor Corporation

## Notes to Consolidated Financial Statements

### 9. 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 common share purchase 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 April 30, 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	\$ 31,495
2004	18,830
	<b>\$ 50,325</b>