

# **CardinalFactor**

**Internet Business Development**

## **Management Discussion and Analysis** **For The Year Ending January 31, 2002**

The following discussion should be read in conjunction with the audited financial statements of Cardinal Factor Corporation for the year ending January 31, 2002, and accompanying notes.

### The Corporation

Cardinal Factor Corporation is a Canadian-based Internet business development company whose shares trade on the Canadian Unlisted Board (CUB) with the symbol CAFA and in the United States on the NASDAQ exchange (OTC:BB) with the foreign clearing symbol CIFCF.

Cardinal Factor identifies niche marketplaces to develop Internet application service technologies. Its xguru, Inc. consulting business provides corporate clients with managed services, xml expertise and web development. The corporation owns ReallyFastFood.com Inc., an online service for the take-out and delivery marketplace segment, and GardenSupply.com, an online gardening resource. Cardinal Factor Corporation operates in the small and mid-sized business management software marketplace through its wholly owned BWare Software Inc. subsidiary.

### Fiscal 2002 Performance Highlights

#### July 2001

- ❑ Signed Letter of Intent with Nica-Elke Corp. to obtain Internet properties specializing xml-based technologies, training, and education

#### October 2001

- ❑ Completed transaction with Nica-Elke Corp.
- ❑ Launched xguru, Inc. consulting services company

#### November 2001

- ❑ Developed next generation of ReallyFastFood.com online ordering platform

#### January 2002

- ❑ xguru, Inc. publishes first in a series of "White Papers" featuring new technology concepts as part of online resources project

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## **Cardinal Factor Corporation**

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# CardinalFactor

## Internet Business Development

### Operations

#### I. Revenue

Revenues continue to reflect the challenging operating environment within which the company conducts business. Year-end revenues from Cardinal Factor and its' subsidiaries totaled \$ 18,114 compared with \$ 3,300 from the previous period. These revenues were derived primarily from xguru, Inc. customers and included fees for web design, application development and hosting, and affiliate revenues from GardenSupply.com Inc.

#### II. Expenses

Continued emphasis on maintaining strict cost control by management has continued from the previous year. The 54% increase in professional fees, and the 65% increase in consulting and development costs, over the previous year are related to the accelerated business development activities behind the launch of xguru, Inc.

Business expenses (as a percentage of total expenses) are allocated as follows:

- ❑ Consulting and development (43.5% vs. 29.2% for 2000)
- ❑ Website hosting (5.1% vs. 9.8 % for 2000)
- ❑ Occupancy costs (11.7 % vs. 19% for 2000)
- ❑ Office and administrative expenses (7.6% vs. 8.7% for 2000)
- ❑ Professional fees (21.6% vs. 18.7% for 2000)
- ❑ Shareholder relations expenses (8.2% vs. 11.6% for 2000)
- ❑ Amortization (2.2% vs. 2.9% for 2000)

#### III. Share Capital

The company raised in excess of \$243,000 through the exercise of warrants to fund RTO and business development costs, initiate operations and invest in technology development.

#### IV. Liquidity and Capital Resources

The company drew upon existing banking facilities during the fiscal year raising bank indebtedness to \$49,399 from \$31,350.

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