

Cardinal Factor Corporation

Consolidated Financial Statements

**For the Period from the Date of Incorporation
(March 16, 2000) to January 31, 2001**

AUDITORS' REPORT

To the Shareholders of
Cardinal Factor Corporation

We have audited the consolidated balance sheet of **Cardinal Factor Corporation** as at **January 31, 2001** and the consolidated statements of operations and deficit and cash flows for the period then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at **January 31, 2001** and the results of its operations and cash flows for the period then ended in accordance with generally accepted accounting principles.

"DAREN, MARTENFELD, CARR, TESTA AND COMPANY LLP"
(signed)

April 30, 2001

Cardinal Factor Corporation

Consolidated Balance Sheet

As at January 31, 2001

	Note	2001
Assets		
Current		
Prepaid expenses		\$ 3,865
Capital assets	4	18,658
		\$ 22,523

Liabilities

Current		
Bank indebtedness	5	\$ 31,530
Accounts payable and accrued liabilities		62,022
		93,552

Shareholders' Deficiency

Capital stock	6	133,737
Deficit		(204,766)
		(71,029)
		\$ 22,523

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

See accompanying notes.

Cardinal Factor Corporation

Consolidated Statement of Operations and Deficit

For the Period from the Date of Incorporation (March 16, 2000) to January 31, 2001

Expenses

Development costs	\$ 15,445
Website hosting fees	15,300
Occupancy costs	29,721
Office and general	13,622
Professional fees	29,181
Management fees	29,877
Shareholder relations	18,093
Amortization	4,464
	<hr/>
	155,703
Less: consulting income	<hr/>
	3,300
Loss before write-down of goodwill	<hr/>
	(152,403)
Write-down of goodwill	<hr/>
	52,363
Net loss and deficit at end of period	<hr/>
	\$ (204,766)
Loss per share	<hr/>
	\$ 0.013

See accompanying notes.

Cardinal Factor Corporation

Consolidated Statement of Cash Flows

For the Period from the Date of Incorporation (March 16, 2000) to January 31, 2001

Cash flows from operating activities

Net loss for period	\$ (204,766)
Add items not affecting cash	
Amortization	4,464
Write-down of goodwill	52,363

(147,939)

Changes in non-cash working capital items

Prepaid expenses	(3,865)
Accounts payable and accrued liabilities	50,439

(101,365)

Cash flows from investing activities

Purchase of capital assets	(13,832)
Acquisition, net of cash acquired	(50,069)

(63,901)

Cash flows from financing activities

Issuance of capital stock	133,736
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Decrease in cash during the period and bank indebtedness at end of period \$ (31,530)

See accompanying notes.

Cardinal Factor Corporation

Notes to Consolidated Financial Statements

January 31, 2001

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.

Subsequent to the year-end, the Company raised funds sufficient to meet its current liabilities (Note 13).

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

These financial statements include the accounts of the Company and its wholly-owned subsidiaries, Cardinal Factor Inc., Bware Software Inc., Reallyfastfood.com Inc. and Gardensupply.com Inc.

Capital Assets

Capital assets are recorded at cost and are amortized over their estimated useful lives at the following annual rates:

Furniture and fixtures	- 20%, declining balance basis
Computer equipment	- 30%, declining balance basis
Leasehold improvements	- straight-line over the term of the lease

Goodwill

Goodwill represents the excess of the cost of the acquisition of Bware Software Inc. by Cardinal Factor Inc. over the fair value of the identifiable net assets in a transaction that occurred prior to the reverse take over in note 3. Management has determined that there has been a permanent decline in value based on the various uncertainties surrounding the current and expected earnings of the underlying business. Accordingly, goodwill was written down during the period.

Share Issuance Costs

Costs incurred in respect of raising capital are charged to capital stock as a reduction of the equity proceeds.

Cardinal Factor Corporation

Notes to Consolidated Financial Statements

January 31, 2001

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Future Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on temporary differences between financial reporting and tax bases of assets and liabilities, as well as for the benefit of losses available to be carried forward to future years for tax purposes. Future income tax assets and liabilities are measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Future income tax assets are recorded in the financial statements if realization is considered more likely than not.

Foreign Currency

Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at rates of exchange at each transaction date. Revenue and expenses are translated at the rate of exchange at each transaction date. Gains or losses on translation are included in income.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the year. Actual results could differ from those estimates.

Stock-based Compensation Plan

The Company maintains a stock-based compensation plan, which is described in Note 7. No compensation expense is recognized for this plan when stock options or shares are issued to employees. Any consideration received from plan participants upon exercise of stock options or purchase of shares is credited to share capital.

Cardinal Factor Corporation

Notes to Consolidated Financial Statements

January 31, 2001

3. ACQUISITION OF CALDERONE CORPORATION

Effective July 19, 2000, Calderone Corporation entered into an agreement with the shareholders of Cardinal Factor Inc. for the acquisition of all issued and outstanding common shares of Cardinal Factor Inc. in exchange for 14,250,000 common shares of Calderone Corporation. The completion of this transaction resulted in the former shareholders of Cardinal Factor Inc. controlling Calderone Corporation and accordingly, the share exchange has been recorded as a reverse takeover acquisition of Calderone Corporation by Cardinal Factor Inc.

Subsequent to the reverse takeover transaction, Calderone Corporation changed its name to Cardinal Factor Corporation.

The acquisition was accounted for using the purchase method which results in the following:

- (i) The consolidated financial statements are considered to be a continuation of the financial statements of Cardinal Factor Inc.
- (ii) These financial statements cover the reporting period beginning with Cardinal Factor Inc.'s incorporation, March 16, 2000 to January 31, 2001, its fiscal year-end. Accordingly, there are no comparative figures.
- (iii) As Cardinal Factor Inc. is the acquirer for accounting purposes, its assets and liabilities are included in the financial statements at their historical carrying values.
- (iv) Control of the net assets and operations of Calderone Corporation is acquired by Cardinal Factor Inc.
- (v) The fair value of Calderone Corporation's net assets at the date of the reverse takeover is recorded as an increase to the stated capital amounts of the consolidated entity.
- (vi) The purchase price and the fair value of the net assets acquired is \$1.

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net
Furniture and fixtures	\$ 7,307	\$ 731	\$ 6,576
Computer equipment	7,470	2,342	5,128
Leasehold improvements	8,345	1,391	6,954
	\$ 23,122	\$ 4,464	\$ 18,658

5. 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. As at January 31, 2001, the Company had \$32,000 drawn on this facility.

Cardinal Factor Corporation

Notes to Consolidated Financial Statements

January 31, 2001

6. 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

7. 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
13,395,000	\$0.10	July 28, 2002

The warrants were issued in connection with the acquisition of Calderone Corporation as described in Note 3.

Cardinal Factor Corporation

Notes to Consolidated Financial Statements

January 31, 2001

8. LOSS PER SHARE

The loss per share amounts were calculated using the weighted average number of shares outstanding of 16,098,859.

9. INCOME TAXES

The following table reconciles income taxes calculated at combined Canadian federal/provincial tax rates with the income tax expense in the consolidated financial statements:

Loss before income taxes	\$ (204,766)
Statutory rate	44%
Expected income tax recovery	(90,097)
Non-deductible write-down of goodwill	34,504
Unutilized tax losses	55,593
Income tax expense	\$ -

The temporary differences that give rise to future income tax assets and future income tax liabilities are presented below:

Future tax assets	
Amounts related to tax loss and credit carry forwards	\$ 90,100
Share issue costs	11,000
	101,100
Valuation allowance	101,100
Balance at end of period	\$ -

As at January 31, 2001, loss carryovers of approximately \$204,700 are available to reduce future taxable income. The losses expire in 2007 and 2008.

10. RELATED PARTY TRANSACTIONS

The Company paid management fees of \$29,877 and website hosting fees of \$15,300 to shareholders and directors or companies owned by directors and shareholders.

11. FINANCIAL INSTRUMENTS

The carrying values of accounts payable and accrued liabilities approximate fair values due to the relatively short term to maturity.

Cardinal Factor Corporation

Notes to Consolidated Financial Statements

January 31, 2001

12. COMMITMENTS

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

2002	\$	30,150
2003		31,495
2004		18,830
	\$	80,475

13. SUBSEQUENT EVENT

Subsequent to year-end, the Company raised \$100,000 net of costs pursuant to the exercise of 1,090,000 common share purchase warrants.