Cardinal Factor Corporation

Consolidated Financial Statements

January 31, 2002 and 2001

AUDITORS' REPORT

To the Shareholders of
Cardinal Factor Corporation

We have audited the consolidated balance sheets of **Cardinal Factor Corporation** as at **January 31, 2002 and 2001** and the consolidated statements of operations and deficit and cash flows for the periods 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 audits.

We conducted our audits in accordance with Canadian generally accepted auditing 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, 2002 and 2001** and the results of its operations and cash flows for the periods then ended in accordance with Canadian generally accepted accounting principles.

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

April 9, 2002

Cardinal Factor Corporation

Consolidated Balance Sheets
As at January 31, 2002 and 2001

	Note	2002	2001
Assets			
Current			
Accounts receivable		**$ 3,294**	$ -
Prepaid expenses		**3,865**	3,865
		7,159	3,865
Capital assets	4	**14,996**	18,658
		$ 22,155	$ 22,523
Liabilities			
Current			
Bank indebtedness	5	**$ 49,399**	$ 31,530
Accounts payable and accrued liabilities		**66,620**	62,022
		116,019	93,552
Shareholders' Deficiency			
Capital stock	6	**384,137**	133,737
Deficit		**(478,001)**	(204,766)
		(93,864)	(71,029)
		$ 22,155	$ 22,523

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
For the Year Ended January 31, 2002 and for the Period from the Date of Incorporation (March 16, 2000) to January 31, 2001

	2002	2001	From the Date of Incorporation to January 31, 2002
Consulting income	**$ 18,114**	$ 3,300	$ 21,414
Expenses			
Consulting and development	**130,435**	45,322	175,757
Website hosting	**15,084**	15,300	30,384
Occupancy costs	**30,150**	15,809	45,959
Office and administrative	**26,434**	27,534	53,968
Professional fees	**58,688**	29,181	87,869
Transfer agent and shareholder costs	**24,076**	18,093	42,169
Amortization	**6,482**	4,464	10,946
	291,349	155,703	447,052
Loss before write-down of goodwill	**(273,235)**	(152,403)	(425,638)
Write-down of goodwill	**-**	52,363	52,363
Net loss	**(273,235)**	(204,766)	(478,001)
Deficit at beginning of period	**(204,766)**	-	-
Deficit at end of period	**$ (478,001)**	$ (204,766)	$ (478,001)
Loss per share	**$ 0.015**	$ 0.013	$ 0.033

See accompanying notes.

Cardinal Factor Corporation

Consolidated Statements of Cash Flows
For the Year Ended January 31, 2002 and for the Period from the Date of Incorporation (March 16, 2000) to January 31, 2001

	2002	2001	From the Date of Incorporation to January 31, 2002
Cash flows from operating activities			
Net loss for period	**$ (273,235)**	$ (204,766)	$ (478,001)
Add items not affecting cash			
Amortization	**6,482**	4,464	10,946
Non-monetary transaction	**6,500**	-	6,500
Write-down of goodwill	**-**	52,363	52,363
	(260,253)	(147,939)	(408,192)
Changes in non-cash working capital items			
Accounts receivable	**(3,294)**	-	(3,294)
Prepaid expenses	**-**	(3,865)	(3,865)
Accounts payable and accrued liabilities	**4,598**	50,439	55,037
	(258,949)	(101,365)	(360,314)
Cash flows from investing activities			
Purchase of capital assets	**(2,820)**	(13,832)	(16,652)
Acquisition, net of cash acquired	**-**	(50,069)	(50,069)
	(2,820)	(63,901)	(66,721)
Cash flows from financing activities			
Issuance of capital stock	**243,900**	133,736	377,636
Decrease in cash during the period	**(17,869)**	(31,530)	(49,399)
Bank indebtedness at beginning of period	**(31,530)**	-	-
Bank indebtedness at end of period	**$ (49,399)**	$ (31,530)	$ (49,399)

See accompanying notes.

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

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 xguru.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 in the period ended January 31, 2001.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Share Issuance Costs

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

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 Canadian 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.

3. ACQUISITION

Effective July 19, 2000, Cardinal Factor 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 Cardinal Factor Corporation. The completion of this transaction resulted in the former shareholders of Cardinal Factor Inc. controlling Cardinal Factor Corporation and accordingly, the share exchange has been recorded as a reverse takeover acquisition of Cardinal Factor Corporation by Cardinal Factor Inc.

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 year ended January 31, 2002 (its fiscal year-end) and reporting period beginning with Cardinal Factor Inc.'s incorporation, March 16, 2000 to January 31, 2001.

(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 Cardinal Factor Corporation is acquired by Cardinal Factor Inc.

(v) The fair value of Cardinal Factor 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 2002	Net 2001
Furniture and fixtures	$ 7,307	$ 2,046	$ 5,261	$ 6,576
Computer equipment	10,290	4,728	5,562	5,128
Leasehold improvements	8,345	4,172	4,173	6,954
	$ 25,942	$ 10,946	$ 14,996	$ 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. Included in the bank indebtedness amount at January 31, 2002 is $49,750 (2001 - $32,000) drawn on this facility.

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**
Issued for cash on exercise of common share purchase warrants	2,645,000	**243,900**
Issued as consideration for intellectual property (i)	475,000	**6,500**
Balance at January 31, 2002	19,725,216	**$ 384,137**

(i) During the year, the Company acquired certain assets from Nika-Elke Corp., including domain names and their related Website technology. As consideration, the Company issued 475,000 treasury shares. The Company is committed to issuing a further 175,000 treasury shares upon completion of certain conditions for no additional consideration.

7. STOCK OPTIONS AND WARRANTS

The Company has the following stock options outstanding to officers and directors, employees, and service providers:

Number of Options	Exercise Price	Expiry Date
1,042,500	$0.20	February 19, 2002 (i)
50,000	$0.40	February 19, 2002 (i)
70,000	$2.50	May 30, 2003
1,162,500		

(i) These options expired subsequent to year-end.

The Company has the following warrants outstanding:

Number of Warrants	Purchase Price	Expiry Date
10,715,000	$0.10	July 28, 2002

The warrants were issued in connection with the acquisition described in Note 3.

8. LOSS PER SHARE

The loss per share amounts were calculated using the weighted average number of shares outstanding of 18,254,627 (2001 - 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:

	2002	2001
Loss before income taxes	**$ (273,235)**	$ (204,766)
Statutory rate	**42%**	44%
Expected income tax recovery	**(114,700)**	(90,100)
Goodwill and other items	**-**	23,100
Unutilized tax losses	**114,700**	67,000
Income tax expense	**$ -**	$ -

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

	2002	2001
Future tax assets		
Amounts related to tax losses	**$ 204,800**	$ 90,100
Share issue costs	**16,300**	11,000
	221,100	101,100
Valuation allowance (i)	**221,100**	$ 101,100
Balance at end of period	**$ -**	$ -

(i) The benefit of future tax assets has not been recognized in these financial statements as realization is uncertain.

As at January 31, 2002, loss carryovers of approximately $480,000 (2001 - $204,700) are available to reduce future taxable income. The losses expire between 2007 and 2009.

10. RELATED PARTY TRANSACTIONS

The Company paid consulting and development fees of $75,061 (2001 - $29,877) and, in the prior period, 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 receivable and accounts payable and accrued liabilities approximate fair values due to the relatively short term to maturity of these instruments.

12. 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
	$ 50,325