ZTEST Electronics Inc.

Consolidated Financial Statements

June 30, 2003

MOORE STEPHENS COOPER MOLYNEUX LLP
CHARTERED ACCOUNTANTS

8th Floor, 701 Evans Avenue
Toronto, Ontario
Canada M9C 1A3

Telephone: (416) 626-6000
Facsimile: (416) 626-8650
Web Site: www.mscm.ca

Auditors' Report

To the Shareholders of ZTEST Electronics Inc.

We have audited the consolidated balance sheets of ZTEST Electronics Inc. as at June 30, 2003 and June 30, 2002, and the consolidated statements of operations and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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 consolidated 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 June 30, 2003 and June 30, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Signed: ***"Moore Stephens Cooper Molyneux LLP"***

Chartered Accountants

Toronto, Ontario
August 22, 2003

ZTEST Electronics Inc.

Consolidated Balance Sheet
June 30

		2003		2002
Assets				
Current assets				
Cash	**$**	**8,226**	$	9,198
Accounts receivable		**284,717**		263,967
Inventories *(note 4)*		**70,217**		72,721
Prepaid expenses and other assets		**30,592**		51,990
Current portion of amounts receivable *(note 5)*		**7,290**		66,000
		401,042		463,876
Amounts receivable *(note 5)*		**-**		190,812
Capital assets *(note 6)*		**508,418**		963,284
Investments and advances *(note 7)*		**4**		4
	$	**909,464**	$	1,617,976
Liabilities				
Current liabilities				
Customer deposits	**$**	**24,835**	$	-
Accounts payable and accrued liabilities		**969,865**		723,888
Current portion of long-term debt *(note 8)*		**1,040,051**		63,560
Current portion of lease obligations *(note 9)*		**3,334**		202,189
Notes payable and other advances *(note 10)*		**388,064**		202,251
		2,426,149		1,191,888
Long-term debt *(note 8)*		**325,421**		1,352,460
Obligations under capital leases *(note 9)*		**1,971**		341,996
Preferred shares *(note 11)*		**1,471,908**		1,471,908
		4,225,449		4,358,252
Commitments *(note 12)*		**-**		-
Deficiency in assets				
Share capital *(note 11)*		**19,534,887**		19,522,287
Deficit		**(22,850,872)**		(22,262,563)
		(3,315,985)		(2,740,276)
	$	**909,464**	$	1,617,976

The accompanying notes are an integral part of these financial statements.

Approved by the Board

Signed: *"John Perrault"*

Director

Signed: *"Wojciech Drzazga"*

Director

ZTEST Electronics Inc.

Consolidated Statement of Operations and Deficit
for the year ended June 30

	2003	2002
Revenue		
Product sales	$ **1,838,567**	$ 1,501,131
Interest and other	**34,833**	18,960
Design services	**19,450**	900
	1,892,850	1,520,991
Expenses		
Cost of product sales	**1,441,379**	1,190,051
Selling, general and administrative	**754,633**	1,251,115
Interest expense - long-term debt	**195,235**	56,480
Dividends on preferred shares	**104,638**	115,230
Interest expense - other	**85,035**	87,071
Amortization of capital assets	**52,844**	90,418
Amortization of goodwill	**-**	811,206
	2,633,764	3,601,571
Loss from operations	**(740,914)**	(2,080,580)
Non-controlling interest in loss of subsidiary	**-**	26,992
Loss on decline in value of investment	**-**	(10,420)
Loss on mineral properties	**-**	(50,000)
Gain (loss) on disposal / writedown of capital and other assets *(note 5 and 9)*	**201,059**	(177,063)
Loss from continuing operations	**(539,855)**	(2,291,071)
Discontinued operations *(note 14)*		
Net loss from operations	**-**	(201,709)
Gain on disposal	**-**	408,181
Loss before provision for income taxes	**(539,855)**	(2,084,599)
Provision for income taxes *(note 15)*	**-**	-
Net loss for the year	**(539,855)**	(2,084,599)
Deficit, beginning of year	**(22,262,563)**	(20,119,389)
	(22,802,418)	**(22,203,988)**
Dividends	**(48,454)**	(58,575)
Deficit, end of year	$ **(22,850,872)**	$ (22,262,563)
Net loss per share	$ **(0.017)**	$ (0.076)
Net loss per share from continuing operations	$ **(0.017)**	$ (0.084)
Weighted average shares outstanding	**31,800,977**	27,352,990

The accompanying notes are an integral part of these financial statements.

ZTEST Electronics Inc.

Consolidated Statement of Cash Flows
for the year ended June 30

	2003	2002
Cash flow from operating activities		
Net loss for the year	**$ (539,855)**	$ (2,084,599)
Items not involving cash		
Amortization of capital assets	**180,976**	183,309
Writedown of inventory	**-**	80,969
Amortization of goodwill	**-**	811,206
(Gain) loss on disposal / writedown of capital and other assets	**(175,487)**	220,065
Non-controlling interest in loss of subsidiary	**-**	(26,992)
Loss on decline in value of investment	**-**	2,000
Loss on abandonment of mining properties	**-**	78,536
Gain from discontinued operations	**-**	(408,181)
Changes in non-cash working capital items		
Accounts receivable	**(33,717)**	494,066
Inventories	**2,504**	18,951
Prepaid expenses and other assets	**21,398**	(21,080)
Amounts receivable	**58,710**	(66,000)
Accounts payable and accrued liabilities	**251,328**	(155,970)
Customer deposits	**12,398**	-
	(221,745)	(873,720)
Cash flow from investing activities		
Funds held in trust	**-**	2,643
Net (cost) proceeds of capital assets	**(145,046)**	42,650
	(145,046)	45,293
Cash flow from financing activities		
Repayments of capital lease obligations	**(16,421)**	(51,825)
Net proceeds on long-term debt	**382,240**	801,828
Decrease in bank indebtedness	**-**	(225,703)
Issuance of preferred shares	**-**	93,300
Dividends paid on preferred shares	**-**	(58,575)
Issuance of common shares	**-**	149,999
	365,819	709,024
Decrease in cash	**(972)**	(119,403)
Cash, beginning of year	**9,198**	128,601
Cash, end of year	**$ 8,226**	$ 9,198

Supplemental Disclosure of Cash Flow Information

During the year the Company had cash flows arising from interest and income taxes paid as follows:

	2003	2002
Cash paid for interest	**$ 95,517**	$ 127,996
Income taxes	**$ -**	$ -

The accompanying notes are an integral part of these financial statements.

1. Business of the Company

ZTEST Electronics Inc. ("the Company") amalgamated under the laws of Ontario and carries on business manufacturing, selling, designing and developing circuit boards and other electronic equipment. The Company's shares trade on the Canadian Venture Exchange ("CDNX") under the symbol "YZT".

2. Significant Accounting Policies

Going concern basis of presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. This assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

As at June 30, 2003 the Company has incurred losses and has a deficit, to date, of $22,850,872.

Basis of consolidation

These consolidated financial statements have been prepared using the consolidation method and accordingly include the following subsidiaries' assets and liabilities as well as the revenues and expenses arising, subsequent to the date of acquisition:

Permatech Electronics Corporation	- 100% owned
Northern Cross Minerals Inc.	- 66.7% owned

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and highly liquid short-term interest bearing securities with maturity at the date of purchase of three months or less. At June 30, 2003 and June 30, 2002 there were no cash equivalents on hand.

Inventories

Inventories are valued at the lower of cost and replacement cost. Cost is determined on the first-in, first-out basis.

Investments

Investments in entities over which the Company has significant influence but not control are accounted for under the equity method of accounting. Investments in entities over which the Company has neither significant influence nor control are accounted for under the cost method. The Company currently has investments in three inactive corporations and holds preference shares of another. The carrying value of each of these investments have been written down to their estimated net realizable value of $1 and any further recoveries, should any arise, will be accounted for on a cash basis.

Capital assets

Capital assets are stated at cost. Amortization is provided over the related assets' estimated useful lives using the following methods and annual rates with one-half of the rates noted above used in the year of acquisition:

Computer software	-	100	%	declining balance
Computer equipment	-	30	%	declining balance
Office equipment and furniture	-	20	%	declining balance
Manufacturing equipment	-	20	%	declining balance
Leasehold improvements	-	10	yrs	straight line

2. Significant Accounting Policies - continued

Revenue recognition

Revenue is recorded when the product is delivered and/or the service is completed.

Earnings per share

Basic earnings (loss) per share have been determined based upon the weighted average number of common shares issued and outstanding throughout the year. Fully diluted information, which is not presented, is anti-dilutive because the Company has incurred losses in each year.

Foreign exchange

As at the transaction date all asset, liability, revenue, and expense amounts denominated in foreign currencies are translated into Canadian dollars using the exchange rate in effect as at that date. At the year end date all monetary assets and liabilities are translated into Canadian dollars using the exchange rate in effect as at that date. The resulting foreign exchange gains and losses are included in income of the current period.

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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial instruments

Unless otherwise noted, the Company's financial instruments do not expose the Company to significant interest, currency or credit risks.

Stock based compensation

The Company has a stock-based compensation plan whereby stock options are granted in accordance with the policies of regulatory authorities. The Company applies the "settlement method" of accounting for stock-based compensation awards. No compensation expense is recognized for those options when issued to employees and directors. Any consideration paid by employees and directors upon exercise of stock options is credited to share capital.

Effective for fiscal years beginning on or after January 1, 2002, public companies are required to adopt the new recommendations of the Canadian Institute of Chartered Accountants regarding accounting for Canadian Stock-Based Compensation. These new requirements require that all stock based payments to non-employees and direct awards of stock to employees be accounted for using a fair value based method of accounting. However, the new standard permits the Company to continue its existing policy of not recording compensation cost on the grant of stock options to employees with the addition of pro forma information. The Company has elected to apply the pro forma disclosure provisions of the new standard to awards granted on or after July 1, 2002.

Future income taxes

The Company follows the asset and liability method of accounting for income taxes. Current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes only if it is more likely than not that they can be realized.

3. Business Acquisitions

Permatech Electronics Corporation

On January 15, 2002, the Company increased its holdings in Permatech Electronics Corporation ("Permatech") to 100% of the issued and outstanding shares in the corporation through the acquisition of 40 common shares and 175,770 preferred shares for net proceeds of $785,445. This followed the August 14, 2000 acquisition of 60 common shares, 250,000 Class A preferred shares, a demand loan and all security therefore for net proceeds of $210,000. Permatech is a contract manufacturer in the electronics industry.

Each business combination was accounted for using the purchase method. The net assets acquired at fair market value were as follows:

	January 15 2002	August 14 2001
Current assets	**$ 194,383**	$ 254,543
Capital assets	**320,320**	177,791
	514,703	432,334
Less: Liabilities	**1,052,622**	436,349
Net deficiency of Permatech assets acquired	**537,919**	4,015
Adjustment for amounts already recognized	**(537,919)**	-
Consideration paid	**609,675**	210,000
Excess of purchase price over net assets - allocated to goodwill	**$ 609,675**	$ 214,015

	2003	2002
Goodwill	**$ -**	$ 823,690
Less: Accumulated amortization	**-**	823,690
	$ -	$ -

4. Inventories

	2003	2002
Raw materials and supplies	**$ 43,233**	$ 46,539
Work in process	**16,595**	26,182
Finished goods	**10,389**	-
	$ 70,217	$ 72,721

5. Amounts Receivable

	2003	2002
Note receivable, bears interest at 8.5% per annum. No payments until October 2002, followed by six monthly payments of interest only, and then blended monthly payments of $6,025 are required to maturity.(1) (see *note 8*)	**$ -**	$ 190,812
Demand promissory notes bearing interest at 9.5% per annum with no fixed maturity dates.	**7,290**	66,000
	7,290	256,812
Less: Current portion	**7,290**	66,000
	$ -	$ 190,812

5. Amounts Receivable - continued

(1) The note and related interest, which were receivable from a company that is controlled by the spouse of one of the Company's Directors, was settled through the year through the receipt of a promissory note issued by Permatech Electronics Corp. valued at $288,020. This note was immediately retired resulting in recognition of a gain in the amount of $71,806.

6. Capital Assets

			2003	2002
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Computer software	**$ 34,269**	**$ 34,269**	**$ -**	$ -
Computer equipment	**256,625**	**236,106**	**20,519**	28,633
Office equipment and furniture	**114,847**	**90,437**	**24,410**	30,408
Manufacturing equipment	**964,834**	**548,840**	**415,994**	848,679
Leasehold improvements	**95,732**	**48,237**	**47,495**	55,564
	$ 1,466,307	**$ 957,889**	**$ 508,418**	$ 963,284

7. Investments and Advances

	2003	2002
Gametele Systems Inc. and Dion Entertainment Corp. (a)		
2,153,973 common shares of Dion Entertainment Corp. ("Dion"). As at the balance sheet date the shares of Dion were suspended from trading.	**$ 1,840,185**	$ 1,393,369
Debenture bearing interest at 6% starting November 15, 2002, secured by a GSA, matures November 2006. Interest payments are due annually. Semi annual payments of $446,815 are due starting May 2002 until November 2003 followed by annual payments of $893,630. Dion has the right to settle this debenture at any time, in whole or in part, through the issuance of 1 common share for each $1.2412 outstanding. The Company has the right to demand shares on the same basis in settlement of any overdue amounts. As at the balance sheet date the amount of $446,815 is overdue and interest income in the amount of $138,973 has not been accrued due to the uncertainty of collection. This income will be recognized in the event that payment is received.	**3,574,522**	4,021,338
Write down to estimated net realizable value.	**(5,414,706)**	(5,414,706)
	1	1

The Company also holds various securities in the following entities, each of which are not currently operational nor do they retain any tangible security to be acted upon. Each has been written down to their estimated net realizable value:

7. Investments and Advances - continued

	2003	2002
Nexsys Commtech International Inc.		
5,480,314 common shares and 1,830,000 preferred shares representing approximately a 43% voting interest. The Company also holds 4,750,000 warrants and has granted an option to a creditor on 400,000 common shares of Nexsys.	**-**	-
Uniqrypt.Com Inc.		
1,900,500 common shares representing a 10.0% investment and a convertible debenture having a face value of $318,000, which is in default.	**1**	1
Med Minder Enterprises Inc.		
100,000 shares representing a 2.4% investment and a $120,000 amount receivable for which the Company provided notice of intent to convert but never received the requisite shares.	**1**	1
Chessen Group Inc.		
1,705,871 Class A Preference shares.	**1**	1
	$ 4	$ 4

(a) During the 2003 fiscal year, the Company received an additional 359,986 common shares of Dion Entertainment Corp. in settlement of one of the $446,815 installments due during the year under the terms of the debenture.

During the 2002 fiscal year, the Company completed the following transactions related to its investment in and advances to Gametele:

(i) exercised an option to acquire 750,000 common shares of Gametele in exchange for the surrender of a loan receivable in the amount of $148,000 plus a note payable in the amount of $2,000.

(ii) converted a $250,000 debenture into 3,000,000 common shares of Gametele, and

(iii) tendered the 3,750,000 common shares acquired, along with 1,420,000 common shares previously held, to a takeover bid made by Dion, a company listed on the Toronto Stock Exchange under the symbol "DIO".

In accordance with the takeover bid the Company received 1,034,000 common shares of Dion on the basis of 1 common share of Dion in exchange for every 5 common shares of Gametele tendered. As a condition of the takeover bid, the common shares of Dion are subject to an escrow arrangement whereby 50% have been released as at the balance sheet date, 30% are to be released December 2003, and the remaining 20% are to be released June 2004. The shares of Dion are currently suspended from trading.

In connection with the takeover bid, the Company converted all outstanding debentures and other accounts receivable from Gametele into 400,000 common shares of Dion and a new debenture having a face value of $4,468,153. The 400,000 common shares were issued in settlement of accounts receivable having a face value of $496,462. The Company later received 719,974 common shares in settlement of the first two installments due under the debenture.

As a further condition to the takeover bid, the Company was required to surrender all unexercised share purchase warrants received from Gametele, surrender all options on Gametele shares that it had received from other parties, and to negotiate the cancellation of an option on 400,000 common shares of Gametele that it had issued in a prior year.

8. Long-Term Debt

	2003	2002
Bank loan, interest at Bank of Montreal prime plus 1/2%, secured by a related party guarantee, matures October 2003. Monthly payments of $4,865 are required.	**$ 14,972**	$ 71,058
Convertible debentures bear interest at 10.5% and mature December 3, 2003. Monthly interest payments are required. Convertible, in whole or in part, into units of the Company at the rate of one unit for each $0.11 converted. Each unit consists of one common share and one share purchase warrant which entitles the holder to acquire an additional common share for $0.11 for a period of two years from the date of conversion. The Company may redeem these debentures, in whole or in part, any time after July 3, 2003. (1)	**599,500**	599,500
Convertible debentures bear interest at 8% and mature February 14, 2004. Monthly interest payments are required. Convertible, in whole or in part, into units of the Company at the rate of one unit for each $0.125 converted. Each unit consists of one common share and one share purchase warrant which entitles the holder to acquire an additional common share for $0.15 for a period that is the lesser of two years from the date of issuance of the debenture or six months from the date of conversion. The Company may redeem these debentures, in whole or in part, any time after August 15, 2003. (2)	**300,000**	300,000
Convertible debentures bear interest at 8% and mature May 21, 2004. Monthly interest payments are required. Convertible, in whole or in part, into units of the Company at the rate of one unit for each $0.16 converted. Each unit consists of one common share and one share purchase warrant which entitles the holder to acquire an additional common share for $0.18 for a period that is the lesser of two years from the date of issuance of the debenture or six months from the date of conversion. The Company may redeem these debentures, in whole or in part, any time after November 21, 2003.	**120,000**	**120,000**
Convertible debentures bear interest at 8% and mature July 12, 2004. Monthly interest payments are required. Convertible, in whole or in part, into units of the Company at the rate of one unit for each $0.15 converted. Each unit consists of one common share and one share purchase warrant which entitles the holder to acquire an additional common share for $0.15 for a period that is the lesser of two years from the date of issuance of the debenture and six months following conversion. The Company may redeem these debentures, in whole or in part, any time after January 12, 2004. (3)	**56,000**	**-**
Convertible debentures bear interest at 8% and mature September 9, 2004. Monthly interest payments are required. Convertible, in whole or in part, into units of the Company at the rate of one unit for each $0.10 converted. Each unit consists of one common share and one share purchase warrant which entitles the holder to acquire an additional common share for $0.10 for a period that is the lesser of two years from the date of issuance of the debenture and six months following conversion. The Company may redeem these debentures, in whole or in part, any time after March 9, 2004.	**65,000**	-

8. Long-Term Debt - continued

	2003	2002
Convertible debentures bear interest at 8% and mature October 25, 2004. Monthly interest payments are required. Convertible, in whole or in part, into units of the Company at the rate of one unit for each $0.10 converted. Each unit consists of one common share and one share purchase warrant which entitles the holder to acquire an additional common share for $0.10 for a period that is the lesser of two years from the date of issuance of the debenture and six months following conversion. The Company may redeem these debentures, in whole or in part, any time after April 25, 2004. (4)	**80,000**	-
Convertible debenture bear interest at 8% and matures January 31, 2005. Monthly interest payments are required. Convertible, in whole or in part, into common shares of the Company at the rate of one common share for each $0.05 converted. The holder also received 2,000,000 share purchase warrants which entitles them to acquire an additional common share for $0.10 on or before January 31, 2004.	**100,000**	-
Notes payable bear interest at 8.5%. Monthly payments of $947 are required commencing in July 2003. (5)	**30,000**	318,020
Business Improvement Loan, interest at prime plus 3.75%, due on demand. Monthly interest payments are required.	**-**	7,442
	1,365,472	1,416,020
Less: Current portion	**1,040,051**	63,560
	$ 325,421	$ 1,352,460

(1) Debentures valued at $49,500 are held by Officers of the Company and/or their spouses.

(2) Debentures valued at $42,750 are held by Officers of the Company and/or their spouses.

(3) Debentures valued at $21,000 are held by Officers of the Company and/or their spouses.

(4) Debentures valued at $45,000 are held by Officers of the Company and/or their spouses.

(5) These notes are payable to a company that is controlled by the spouse of one of the Company's Directors. (see *note 5*)

The future minimum principal repayments are as follows:

2004	$ 1,040,051
2005	310,663
2006	14,758
	$ 1,365,472

9. Obligations Under Capital Lease

		2003		2002
Interest at 13.83%, matures July 2002. Blended monthly payments of $573 are required.	**$**	**-**	$	2,217
Interest at 14.31%, matures September 2003. Blended monthly payments of $113 are required.		**223**		1,454
Interest at 9.8%, matures January 2005. Blended monthly payments of $289 are required.		**5,082**		7,906
Interest at 13.10%, matures August 2004. Blended monthly payments of $25,097 are required commencing in August 2002.(1)		**-**		532,608
		5,305		544,185
Less: Current portion		**3,334**		202,189
Non-current portion	**$**	**1,971**	$	341,996

9. Obligations Under Capital Lease - continued

The future minimum payments are:		
2004	$	3,710
2005		2,036
		5,746
Less: Imputed interest		441
	$	5,305

(1) During the current year the Company negotiated the termination of a capital lease agreement and replaced it with a short-term rental agreement covering the same piece of equipment. As at the date that the lease was terminated the Company was carrying a capital asset with a net book value of $418,936 and associated liabilities in the amount of $548,189. The disposal of these amounts resulted in the recognition of a gain in the amount of $129,253.

10. Notes Payable and Other Advances

Interest	Security	Terms		2003		2002
6%	Unsecured	On demand	**$**	**16,767**	$	16,767
33%	Trade accounts receivable	Collection of security (2)		**225,047**		78,792
8%	Unsecured	No repayment terms		**17,500**		35,000
Prime + 2%	Unsecured	No repayment terms (1)		**78,692**		57,692
Nil	Unsecured	No repayment terms		**2,000**		2,000
8%	Unsecured	No repayment terms (1)		**48,058**		12,000
			$	**388,064**	$	202,251

(1) Notes payable to Officers of the Company.

(2) Loan payable to a corporation that is a shareholder of the Company and whose President is a Director of the Company. The loan is secured by the trade accounts receivable of the Company's subsidiary Permatech Electronics Corporation.

11. Share Capital

(a) **Authorized**

Unlimited Common shares

Unlimited Non-voting, non-participating Class A special shares redeemable by the Company or the holders on a one-for-one basis for common shares of Northern Cross Minerals Inc., whose primary assets are Mineral Properties.

Unlimited Preferred shares in one or more series of which the following three series are currently authorized:

Series A redeemable, voting (1), with 8% cumulative dividends payable monthly. These shares can be converted into common shares at a rate of 1 common share for each 1.40625 Series A share until May 2004 at which time the Company must repurchase all remaining shares.

Series C redeemable, voting (1), with 7% cumulative dividends payable monthly. These shares can be converted into common shares of the Company at a rate of 1 common share for each 1.4286 Series C shares until May 2004 and then at a rate of 1 common share for each 1.7143 Series C shares until May 2007 at which time the Company must repurchase all remaining shares.

Series D redeemable, voting (1), with 7% cumulative dividends payable monthly. These shares can be converted into common shares of the Company at a rate of 1 common share for each 1.40845 Series D shares until June 2004 and then at a rate of 1 common share for each 1.6432 Series D shares until June 2007 at which time the Company must repurchase all remaining shares.

(1) All preferred shares carry the right to vote at the meeting of common shareholders in the event that the cumulative dividends are at least 12 months in arrears. As at the balance sheet date, the dividends on Series A, Series C, and Series D shares were all at least 12 months in arrears.

(b) **Issued**

	Number of Shares	Amount
Common shares June 30, 2001	22,737,834	$ 18,368,436
Business acquisition *(note 3)*	7,140,407	785,445
Private placements	1,333,333	150,000
Conversion of preferred shares	560,636	118,406
Common shares June 30, 2002	31,772,210	19,422,287
Exercise of options for cash	60,000	12,600
Common shares June 30, 2003	31,832,210	19,434,887
Class A special shares June 30, 2002 and 2003	1,193,442	100,000
Balance June 30, 2003		$ 19,534,887

	Number of Shares	Amount
First Preferred Shares		
Balance June 30, 2002 and June 30, 2003	-	1,471,908

11. Share Capital - continued

(c) Details of warrants outstanding are as follows:

Number of Warrants		Price/Warrant	Expiry Date
2,000,000	(1)	$0.10	January 31, 2004
933,333	(2)	$0.15	August 9, 2003
145,000	(2)	$2.10/$2.60	July 14, 2003
3,078,333			

(1) During the year 1,812,400 warrants expired without being exercised and 2,000,000 new warrants were issued. The fair value of the warrants has been determined to be $NIL using the Black-Scholes pricing model based on the following assumptions:

Risk free interest rate	2.79 %
Expected stock volatility	4.25 %
Expected life	1 year

(2) 1,078,333 warrants have expired subsequent to the balance sheet date.

(d) Details of options outstanding are as follows:

Common Shares Under Option		Price/Option	Expiry Date
7,500		$1.45	August 3, 2003
20,000	(i)	$0.90	December 29, 2003
16,000		$0.85	April 14, 2004
36,000		$4.40	June 30, 2004
150,000	(i)	$2.95	November 22, 2004
60,000		$0.21	April 1, 2005
150,000		$2.35	June 19, 2005
45,000	(i)	$2.35	August 16, 2005
260,500	(i)	$0.89	January 23, 2006
30,000		$0.89	January 23, 2006
100,000	(i)	$0.17	November 27, 2006
900,000	(i)	$0.24	February 19, 2007
200,000	(i)	$0.135	April 30, 2007
900,000	(i)	$0.10	December 17, 2007
2,875,000			

(i) Directors and/or Officers of the Company hold these options.

(ii) During the year a total of 690,000 options, including 630,000 held by Directors and/or Officers, expired during the year without being exercised, 60,000 options were exercised, and 900,000 new options were granted to Directors and/or Officers.

(e) Pro forma stock option disclosure:

The fair value of stock options issued after July 1, 2002 has been estimated at $NIL per option, using the Black-Scholes model for pricing options. As a result there are no changes to reported earnings as a result of the fair valuing of stock options. The following assumptions were used:

Risk free interest rate	2.79 %
Expected stock volatility	4.25 %
Expected life	1 year

12. Commitments

Operating leases

Minimum payments under operating leases for premises and office equipment are approximately as follows:

2004	$	131,753
2005		119,894
2006		102,235
2007		104,121
2008 and thereafter		369,328
	$	827,331

13. Related Party Transactions

The following related parties had transactions with the Company during the year or outstanding balances at the end of the year.

Nu-Way Offerings Limited ("Nu-Way")
A shareholder, whose President is a Director of the Company.

1114377 Ontario Inc. ("1114377")
A shareholder, that is controlled by the spouse of the Company's CEO.

James Lalonde
A director of Northern Cross Minerals Inc., a subsidiary of the Company.

Description	Related Party		2003		2002
Revenue - other	1114377	**$**	**17,361**	$	8,043
Interest expense	Nu-Way	**$**	**47,529**	$	30,284
Interest expense	1114377	**$**	**28,935**	$	13,405
Interest expense	Directors/Officers	**$**	**19,563**	$	12,905
Consulting fees expense	James Lalonde	**$**	**8,100**	$	7,200

Revenues, expenses and year end balances with the related parties are at exchange amounts established and agreed to by the related parties. All transactions with related parties are in the normal course of operations and have been carried out on the same terms as those accorded to unrelated parties.

14. Discontinued Operations

In January 2002, Internet Commerce Solutions Inc. ("ICSI") ceased operations and accordingly the results of its operations are included in Discontinued operations operating net income. Immediately following the cessation of business the secured creditors of ICSI seized all tangible and intangible assets. While the Company continues to hold its interest in ICSI it does not provide any guarantees or indemnification relative to the debts of ICSI and therefore has no obligation to settle any obligations that may remain after the secured creditors complete the liquidation of assets. Accordingly, it has been determined that consolidation of the assets, if any, and liabilities of this company is no longer appropriate. The difference between the total assets and total liabilities as at the date the operations ceased has been recognized as Discontinued operations - gain on discontinuance.

14. Discontinued Operations - continued

The operating results of discontinued operations are as follows:

	2003	2002
Revenue	$ -	$ 787,935
Cost of product sales	-	639,351
Operating expenses	-	350,293
Loss from discontinued operations	$ -	$ (201,709)
Loss per share	$ -	$ (0.008)
Deficiency in assets at date of discontinuance	$ -	$ (443,181)
Less: Loan payable to parent company	-	35,000
Gain on discontinuance	$ -	$ (408,181)
The assets and liabilities of discontinued operations are as follows:		
Current assets	$ -	$ 77,655
Non-current assets	-	78,839
Current liabilities	-	(519,964)
Non-current liabilities	-	(79,711)
Deficiency in assets	$ -	$ (443,181)

15. Income Taxes

The potential income tax benefits resulting from the application of income tax losses has not been recognized in the financial statements. The following losses include 100% of the respective losses of the subsidiary companies and will expire as follows:

Year	Federal Losses	Ontario Losses
2005	$ 213,000	$ 213,000
2006	47,000	47,000
2007	177,000	501,000
2008	382,000	382,000
2009	483,000	483,000
2010	344,000	344,000
	$ 1,646,000	$ 1,970,000

In addition, expenses in the amount of approximately $13,610,000 have been recorded in the accounts but not yet claimed for tax purposes and capital losses of approximately $6,136,000 are available indefinitely.

The full realization of these losses carried forward is subject to the result of audits by Canada Customs and Revenue Agency.

15. Income Taxes - continued

Income taxes vary from the amounts that would be computed by applying the composite federal and provincial statutory income tax rates for the following reasons:

	2003		2002	
Income taxes (recovery) at statutory rates	**$ (193,790)**	**(37.6)**%	$ (550,000)	(41.5)%
Decrease (increase) in income tax (recovery) resulting from:				
Expenses deducted in the accounts which have no corresponding deduction for tax purposes, primarily goodwill, amortization, and loss on decline in value of investments	**24,638**	**4.8**%	161,000	12.1%
Other temporary differences	**(19,281)**	**(3.7)**%	(18,000)	(1.4)%
Non-deductible amounts	**1,668**	**0.3**%	2,000	2.2%
	(186,765)	**(36.3)**%	(405,000)	(30.6)%
Benefit of tax losses and investment tax credits not recognized (utilized)	**186,765**	**36.3**%	405,000	30.6%
	$ -	**-**%	$ -	(0.1)%