UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

(Mark One)
[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended JUNE 30, 2000

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT
For the transition period from
_____________ to ___________
Commission file number ________________________

INTERUNION FINANCIAL CORPORATION
(Exact name of small business issuer as specified in its charter)

| | |
|---|---|
| Delaware | 87-0520294 |
| - -------- | ---------- |
| (State or other jurisdiction of incorporation or organization) | (IRS Employer Identification No.) |

| | |
|---|---|
| 249 Royal Palm Way, Suite 301 H, Palm Beach, Fl | 33480 |
| - -------------------------------------------- | ----- |
| (Address of principal executive offices) | (Zip Code) |

| | |
|---|---|
| (561) 820-0084 | (561) 655-0146 |
| -------------- | -------------- |
| (Issuer's telephone number) | (Issuer's telecopier number) |

-----------------------------------------------------------------------------
(Former name, former address and former fiscal year, if changed since last report)

Check whether the issuer (1) filed all reports required to be filed by section 13 or 15(d) of the Exchange Act during the past 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15 (d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes [ ] No [ ]

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: $0.001 Par Value Common Shares -- 3,999,373 as of June 30, 2000.

Transitional Small Business Disclosure Format (Check One) Yes [ ] No [X]



PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

INTERUNION FINANCIAL CORPORATION

UNAUDITED CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT
FOR THE PERIOD ENDED JUNE 30, 2000

<TABLE>
<CAPTION>

| | Three Months Ended | | Twelve Months Ended | |
|---|---|---|---|---|
| | 30-Jun-00 | 30-Jun-99 | 31-Mar-00 | 31-Mar-99 |
| <S> | <C> | <C> | <C> | <C> |
| REVENUES | | | | |
| Investment Banking | $ 587,523 | $ 581,060 | $ 1,377,368 | $ 1,348,466 |
| Interest Income | 9,272 | 35,643 | 63,003 | 115,418 |
| | 596,795 | 616,703 | 1,440,371 | 1,463,884 |
| EXPENSES | | | | |
| Selling, General & Administration | 472,849 | 260,316 | 1,421,892 | 1,504,959 |
| Amortization & Depreciation | 2,533 | 64,406 | 1,165,392 | 200,171 |
| Foreign Exchange Loss (Gain) | (5,537) | (100,401) | 3,521 | (104,493) |
| Write-down of Investment | 0 | 0 | 1,251,334 | 0 |
| Interest Expense | 1,608 | 24,417 | 176,176 | 246,611 |
| | 471,453 | 248,738 | 4,018,315 | 1,847,248 |
| PROFIT (LOSS) BEFORE GAIN ON SALE ON ISSUANCE OF SECURITY BY SUBSIDIARY AND EQUITY IN NET LOSSES OF UNCONSOL. SUBSIDIARY | 125,342 | 367,965 | (2,577,944) | (383,364) |
| GAIN ON SALE ON ISSUANCE OF SECURITY BY SUBSIDIARY | 0 | 0 | 0 | 486,099 |
| EQUITY IN NET EARNING (LOSSES) OF UNCONSOLIDATED AFFILIATES | (177,197) | (147,513) | (1,021,500) | (492,917) |
| PROFIT (LOSS) FOR THE PERIOD | (51,855) | 220,452 | (3,599,444) | (390,182) |
| FOREIGN EXCHANGE TRANSLATION EFFECT | (13,365) | (7,526) | 56,402 | (13,912) |
| COMPREHENSIVE INCOME (LOSS) | (65,220) | 212,926 | (3,543,042) | (404,094) |
| RETAINED EARNINGS (DEFICIT) - Beginning of Period | (5,563,194) | (1,982,713) | (1,963,750) | (1,573,568) |
| RETAINED EARNINGS (DEFICIT) - End of Period | $ (5,615,049) | $ (1,769,787) | $ (5,563,194) | $ (1,963,750) |
| EARNINGS (LOSS) PER COMMON SHARE - Basic and Diluted | | | | |
| Earning (loss) Per Share (Basic) | (0.012) | 0.118 | (1.208) | (0.210) |
| Earning (loss) Per Share (Fully Diluted) | (0.012) | 0.118 | (1.208) | (0.210) |
| Common Shares Outstanding | 3,999,373 | 2,114,425 | 4,243,123 | 1,908,285 |
| Weighted Average Common Share Outstanding | 4,232,290 | 1,855,386 | 2,980,763 | 1,855,386 |
| Weighted Average Preferred Share Outstanding | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 |

</TABLE>

See Accompanying Notes to Unaudited Consolidated Financial Statements

UNAUDITED CONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 2000

<TABLE>
<CAPTION>

| | As at June 30, | | As at March 31, | |
|---|---|---|---|---|
| | 2000 | 1999 | 2000 | 1999 |
| <S> | <C> | <C> | <C> | <C> |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | $ (4,529,937) | $ 197,143 | $ 441,884 | $ 285,706 |
| Marketable securities | 5,002,609 | 111,102 | 32,520 | 19,885,302 |
| Due from brokers and dealers | 39,277 | 2,373,535 | 3,237,515 | 0 |
| Due from clients | 5,330,405 | 377,700 | 180,855 | 93,183 |
| Accounts receivable | 145,810 | 741,451 | 168,506 | 690,374 |
| Receivable from Affiliates | 35,783 | 0 | 27,555 | 0 |
| Income tax receivable | 7,110 | 5,448 | 6,709 | 5,046 |
| Prepaid expenses and other current assets | 29,602 | 48,770 | 22,938 | 25,772 |
| Notes receivable | 1,161,667 | 1,001,592 | 1,001,414 | 973,315 |
| Loan Receivable | 58,466 | 0 | 59,495 | 0 |
| Total Current Assets | 7,280,791 | 4,856,741 | 5,179,391 | 21,958,698 |
| NON-CURRENT ASSETS | | | | |
| Property & equipment, net | 42,215 | 1,148,278 | 42,679 | 1,199,953 |
| Notes receivable, non-current portion | 633,286 | 630,117 | 783,286 | 619,992 |
| Other long-term assets | 77,493 | 75,173 | 77,493 | 77,651 |
| Investment in unconsolidated affiliates | 3,462,483 | 5,745,201 | 3,639,680 | 5,591,892 |
| Total Non-current Assets | 4,215,476 | 7,598,769 | 4,543,138 | 7,489,488 |
| Total Assets | $ 11,496,267 | $ 12,455,510 | $ 9,722,529 | $ 29,448,186 |
| CURRENT LIABILITIES | | | | |
| Due to brokers and dealers | $ 2,297,027 | $ 0 | $ 0 | $ 18,899,072 |
| Due to clients | 3,044,415 | 2,618,752 | 3,247,166 | 979,783 |
| Accounts payable and accrued liabilities | 483,230 | 285,236 | 433,157 | 253,476 |
| Due to affiliates | 12,990 | 733,206 | 168,382 | 0 |
| Notes payable, current portion | 0 | 55,623 | 0 | 776,213 |
| Total Current Liabilities | 5,837,662 | 3,692,817 | 3,848,705 | 20,908,544 |
| NON-CURRENT LIABILITIES | | | | |
| Notes payable, long term portion | 633,286 | 630,117 | 633,286 | 619,992 |
| Total Liabilities | $ 6,470,949 | $ 4,322,934 | $ 4,481,991 | $ 21,528,536 |
| SHAREHOLDERS' EQUITY | | | | |
| Capital Stock and additional paid-in capital | 10,616,293 | 9,902,363 | 10,766,293 | 9,902,363 |
| Accumulated translation adjustment | 24,072 | (26,489) | 37,439 | (18,963) |
| Retained Earnings (Deficit) | (5,615,049) | (1,743,298) | (5,563,194) | (1,963,750) |
| Total Shareholder's Equity | 5,025,318 | 8,132,576 | 5,240,538 | 7,919,650 |
| Total Liabilities & Shareholder's Equity | $ 11,496,267 | $ 12,455,510 | $ 9,722,529 | $ 29,448,186 |

</TABLE>

See Accompanying Notes to Un-audited Consolidated Financial Statements



INTERUNION FINANCIAL CORPORATION
UNAUDITED CONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 2000

<TABLE>
<CAPTION>

| | As at June 30, | | As at March 31, | |
|---|---|---|---|---|
| | 2000 | 1999 | 2000 | 1999 |
| <S> | <C> | <C> | <C> | <C> |
| SHAREHOLDER'S EQUITY | | | | |
| Class A Preferred Stock, $0.10 par value | 150,000 | 150,000 | 150,000 | 150,000 |
| Authorized - 1,500,000 shares | | | | |
| Issued and outstanding - 1,500,000 | | | | |
| Class B Preferred Stock, $0.10 par value | | | | |
| Authorized - 1,000 shares | | | | |
| Issued and outstanding - None | 0 | 0 | 0 | 0 |
| Class C Preferred Stock, $0.10 par value | | | | |
| Authorized - 1,000 shares | | | | |
| Issued and outstanding - None | 0 | 0 | 0 | 0 |
| Common Stock, $0.001 par value | | | | |
| Authorized - 5,000,000 in 2000 and 1999 | | | | |
| Issued and outstanding | | | | |
| - 3,999,373 in 2000; 2,114,425 in 1999 | 4,243 | 2,114 | 4,243 | 2,114 |
| Treasury Stock | | | | |
| Acquired 243,750 Common Stock in June 2000 | (244) | 0 | 0 | 0 |
| <S> | <C> | <C> | <C> | <C> |
| Additional paid in capital | 10,462,294 | 9,750,249 | 10,612,050 | 9,750,249 |
| CUMULATIVE TRANSLATION ADJUSTMENT | 24,074 | (26,489) | 37,439 | (18,963) |
| CUMULATIVE DEFICIT | (5,615,049) | (1,743,298) | (5,563,194) | (1,963,750) |
| Total Shareholder's Equity | 5,025,318 | 8,132,576 | 5,240,538 | 7,919,650 |
| Total Liabilities and Shareholder's Equity | 11,496,267 | 12,455,510 | 9,722,529 | 29,448,186 |

</TABLE>

See Accompanying Notes to Un-audited Consolidated Financial Statements



INTERUNION FINANCIAL CORPORATION
UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED

<TABLE>
<CAPTION>

| | 3 Months to | | 12 Months to | |
|---|---|---|---|---|
| | 30-Jun-00 | 30-Jun-99 | 31-Mar-00 | 31-Mar-99 |
| <S> | <C> | <C> | <C> | <C> |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | |
| Net income (loss) | $ (51,855) | $ 220,452 | $ (3,599,444) | $ (390,182) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities | | | | |
| Amortization | 2,533 | 64,406 | 1,165,392 | 200,171 |
| Equity and net loss on investment | 177,197 | 147,513 | 1,021,500 | 492,917 |
| Gain on sale of securities by subsidiary | 0 | 0 | 0 | (486,099) |
| Non cash compensation | 0 | 0 | 0 | 87,500 |
| Non cash operating expense | (39,292) | 0 | 387,633 | 40,000 |
| Unrealized gain (loss) on marketable securities | 25,917 | (100,401) | 1,255,987 | (11,814) |
| | -------------- | -------------- | -------------- | -------------- |
| | 114,500 | 331,970 | 231,068 | (67,507) |
| Increase (decrease) in due to/from brokers and dealers, net | 5,495,265 | (21,272,607) | (22,136,587) | (15,762,238) |
| Decrease (increase) in due to/from clients, net | (5,352,301) | 1,354,451 | 2,179,710 | (1,455,276) |
| Decrease (increase) in marketable securities | (4,970,089) | 19,774,200 | 19,852,782 | 15,242,302 |
| Increase (decrease) in accounts receivable and other assets | (153,877) | (74,478) | 463,545 | 124,263 |
| Increase (decrease) in accounts payable and Accrued liabilities | (105,319) | 31,760 | (428,150) | (572,359) |
| | --------------- | ------------- | --------------- | -------------- |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | (4,971,821) | 145,296 | 162,368 | (2,490,815) |
| | --------------- | ------------- | -------------- | -------------- |
| CASH FLOW FROM FINANCING ACTIVITIES | | | | |
| Net proceeds on issuance (acquisition) of capital stock | (150,000) | 0 | 0 | 133,000 |
| Increase (decrease) in due to related parties | 0 | (43,007) | 0 | 771,109 |
| Proceeds (repayment) of notes payable | 0 | 17,221 | 0 | (103,448) |
| | -------------- | ------------- | -------------- | -------------- |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | (150,000) | (25,786) | 0 | 800,661 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | | |
| Purchase of property and equipment, net | 0 | 0 | (6,190) | (7,438) |
| Purchase of long term investment, net | 0 | (208,072) | 0 | (437,363) |
| Cash divested on sale of security by subsidiary | 0 | 0 | 0 | (195,304) |
| Investment in notes receivable | 150,000 | 0 | 0 | (257,766) |
| | -------------- | ------------- | -------------- | -------------- |
| CASH USED IN INVESTING ACTIVITIES | 150,000 | (208,072) | (6,190) | (897,871) |
| INCREASE (DECREASE) IN CASH | (4,971,821) | (88,562) | 156,178 | (2,588,025) |
| CASH AND CASH EQUIVALENT -- Beginning of year | 441,884 | 285,705 | 285,706 | 2,873,731 |
| CASH AND CASH EQUIVALENT -- END OF YEAR | $ (4,529,937) | $ 197,143 | $ 441,884 | $ 285,706 |
| | =============== | ============= | ============== | ============= |

</TABLE>

See Accompanying Notes to Un-audited Consolidated Financial Statements



INTERUNION FINANCIAL CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JUNE 30, 2000

================================================================================

1. Interim information is unaudited; however, in the opinion of management, all adjustments necessary for a fair statement of interim results have been included in accordance with Generally Accepted Accounting Principles. All adjustments are of a normal recurring nature unless specified in a separate note included in these Notes to Unaudited Consolidated Financial Statements. The results for interim periods are not necessarily indicative of results to be expected for the entire fiscal year. These financial statements and notes should be read in conjunction with the Company's annual consolidated financial statements and the notes thereto for the fiscal year ended March 31, 2000, included in its Form 10-KSB for the year ended March 31,2000.

2. The Company acquired its 243,750 Common Share at the rate of $0.6153 per share in settlement of $150,000 note receivable from an unrelated party.

3. Earning (loss) per share is computed using the weighted average number of common shares outstanding during the period.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS

(1) OVERVIEW

During the first three months of fiscal 2001, InterUnion reported consolidated revenues of $596,795 versus $616,703 a year earlier, representing a decline of $19,908 or 3%.

Selected financial data from InterUnion's financial statements is (figures in 000's except per share data):

<TABLE>
<CAPTION>

| <S> | 3 mos. ended Jun.- 00 <C> | 3 mos. ended Jun.- 99 <C> | 3 mos. ended Jun. - 98 <C> |
|---|---|---|---|
| Working Capital | 1,443 | 1,164 | (503) |
| Cash Flow | 115 | 332 | (70) |
| Total Assets | 11,496 | 12,502 | 12,031 |
| Shareholders' Equity | 5,025 | 8,179 | 6,518 |
| Common Share, # | 3,999 | 2,114 | 1,673 |
| Book Value Per Share | 1.26 | 3.87 | 3.89 |

</TABLE>

(2) NET REVENUES

During the first three months of fiscal 2001, InterUnion reported consolidated revenues of $596,795 versus $616,703 a year earlier, for a decrease of 3%. Investment banking revenues increased by 1% to 587,523 from $581,060 the previous year. However, the interest income declined by 74% to $9,272 from $35,643 a year earlier. The decline in the interest income is attributed to the settlement of the interest bearing notes receivable in the 3rd quarter of the fiscal year 2000.

(3) EXPENSES

During the first three months, the Company reported consolidated expenses of $471,453 as compared to $248,738 a year earlier representing an increase of $222,715 or 90%. The increase in the expenses is mainly attributed to an increase in sales commission pay out. However, the Company's consolidated amortization and depreciation expense reduced by 96% to $2,533 from $64,406 a year earlier.



(4) NET INCOME

Net loss from operations (basic) for the three months ending June 30, 2000 was $51,855 or $0.012 per share versus a profit of $220,452 or $0.118 per share a year earlier. The decrease in EPS was due to: (i) a decrease of 3% ($19,908) in the revenue of the quarter generated from investment banking and interest earnings; and (ii) a decrease in foreign exchange gain of $94,864 in the 1st quarter of 2001 as compared to the same period last year.

The basic weighted average number of common shares outstanding for the three months ending June 2000 and June 1999 was 4,232,290 versus 1,855,386 a year earlier. The increase was due to the issuance of 2,128,698 shares in the form of Regulation "S" during the fiscal year ended March 31, 2000, by canceling the debt from its controlling shareholder, RIF Capital Inc. and for repayment of certain notes payable by RIF Capital Inc.

(5) LIQUIDITY AND CAPITAL RESOURCES

In order to meet its growth plans and fund any operating cash requirements, the Company's policy is to issue additional capital stock, when possible. To date the Company has done this either through the issuance of common stock under Regulation "D" or Regulation "S". The following are details of these private placements during the previous three fiscal years:

<TABLE>
<CAPTION>

| Date | Number of Shares | Amount | Type |
| --- | --- | --- | --- |
| <S> | <C> | <C> | <C> |
| May 1998 | 17,002 | 68,008 | Regulation "S" |
| June 1998 | 35,000 | 140,000 | Regulation "S" |
| July 1998 | 262,142 | 1,048,568 | Regulation "S |
| December 1998 | 10,000 | 40,000 | Regulation "S |
| February 1999 | 180,000 | 630,000 | Regulation "S |
| March 1999 | 25,000 | 87,500 | Regulation "S |
| March 1999 | 1,140 | 4,560 | Regulation "S |
| November 1999 | 114,500 | 57,250 | Regulation "S |
| November 1999 | 2,014,198 | 805,679 | Regulation "S |

</TABLE>

When market conditions do not allow the issuance of Common Shares, the Company issues other instruments such as Promissory Notes and/or Preferred Shares.

(6) CONCLUDING REMARKS

There are no other known trends, events or uncertainties that may have, or are reasonably likely to have, a material impact on the Company's short-term or long-term liquidity that have not been discussed above.

In addition, there is no significant income or loss that has risen from the Company's continuing operations that has not been analyzed or discussed above. In addition, there has not been any material change in any line item that is presented on the financial statements that has not been discussed above.

(7) CERTAIN RISK FACTORS WHICH MAY IMPACT FUTURE OPERATIONS

The Company and its subsidiaries operate in a rapidly changing environment that involves a number of factors, some of which are beyond management's control, such as financial market trends and investors' appetite for new financings. It should also be emphasized that, should the Company not be successful in completing its own financing (either by debt or by the issuance of securities from treasury), its strategy to grow by acquisition will be affected.

In the opinion of management the financial statements for the periods ending June 30, 2000 accurately reflect the operations of the Company and its subsidiaries. The Company has taken every reasonable step to ensure itself that its quarterly financial statements do not represent a distorted picture to anyone having a business reason to review such statements and who has also reviewed its previous audited annual financial statements for the year ended March 31, 2000.

Forward-looking statements included in Management's Analysis and Discussion reflects management's best judgment based on known factors, and involves risks and uncertainties. Actual results could differ materially from those anticipated in these forward-looking statements. Forward-looking information is provided by InterUnion pursuant to the safe harbor established by recent securities legislation and should be evaluated in the context of these factors.

PART II -- OTHER INFORMATION

ITEM 1 -- LEGAL PROCEEDINGS

Credifinance Securities Limited, an ultimate wholly owned subsidiary of the Company, had filed a claim against a client in 1997 for which it had raised a C$15,000,000 convertible debenture, on the Superior Court of Montreal (Quebec). The claim was originally not contested. However, the Company faced a claim from two employees of Credifinance Securities Limited for commissions, termination allowance and damages. In compliance with a court order, the total amount of the commission, C373,920 (US$249,663) was placed in an escrow with Montreal Trust. On May 29, 2000, the Superior Court of Montreal (Quebec) rendered a judgement ordering Credifinance Securities Limited to pay C$579,617 (US$387,005) plus accrued interest to the cross claimants. The above amount was fully provided for and included in the general and administration expenses in the consolidated financial statement of the Company for the fiscal year ended as of March 31, 2000.

Upon advice from its counsel who has advised that the May 29, 2000 judgement has a strong chance of reversal, Credifinance Securities has filed an appeal in the Supreme Court in Quebec on June 29, 2000.

ITEM 2 -- CHANGES IN SECURITIES

In the 1st quarter ending June 30, 2000 the Company acquired its 243,750 Common Shares at the rate of $0.6153 per share for $150,000 in settlement of the note receivable of $150,000 from an unrelated party. The above shares are held in treasury. Consequently, the number of outstanding Common Shares declined to 3,999,373 from 4,232,290 as of March 31, 2000.

ITEM 3 -- DEFAULTS UPON SENIOR SECURITIES

There have been no defaults in the payment of principal or interest with respect to any senior indebtedness of InterUnion Financial Corporation.

ITEM 4 -- SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 5 -- OTHER INFORMATION

None.



ITEM 6 -- EXHIBITS AND REPORTS ON FORM 8-K

Exhibit 27 Financial Data Schedule (for SEC use only).

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

InterUnion Financial Corporation
(Registrant)

Date August 11, 2000 /s/ Georges Benarroch, Director
(Signature)*

Date August 11, 2000 /s/ Muriel Woodtli, Director
(Signature)*

* Print the name and title of each signing officer under his signature.



InterUnion Asset Management Limited
FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JUNE 30, 1999 AND JUNE 30, 2000

<TABLE>
<CAPTION>

CONTENTS


| <S> | <C> |
| --- | --- |
| COMPLIANCE CERTIFICATE | A-2 |
| FINANCIAL STATEMENTS | |
| BALANCE SHEETS | A-3 |
| STATEMENTS OF OPERATIONS AND DEFICIT | A-4 |
| STATEMENTS OF CASH FLOWS | A-5 |
| NOTES TO CONSOLIDATED FINANCIAL STATEMENTS | A-6-16 |


</TABLE>

QUARTERLY COMPLIANCE CERTIFICATE

- -------------------------------------------------------------------------------

To: Working Ventures Canadian Fund Inc. ("WV")
InterUnion Financial Corporation ("IUFC")

Date: July 22, 2000

I, Russell Lindsay, of InterUnion Asset Management Limited (the "CORPORATION"), hereby certify for and on behalf of the Corporation, intending that the same may be relied upon by you without further enquiry, that since April 1, 2000:

(a) the attached financial statements delivered pursuant to the Agreement have been prepared in accordance with generally accepted accounting principles in effect on the date of such financial statements and the information contained therein is true and correct in all material aspects, subject only to year-end audit adjustments, and presents fairly and consistently the results of operations and changes in the financial position of the Corporation as of and to June 30, 2000;

(b) the Corporation is in compliance with all taxes and other withholding obligations and has accrued unpaid vacation pay in its financial statements;

(c) the Corporation has (i) made all deductions for taxes or other obligations required to be deducted and has paid the same to the proper tax or other receiving officers; (ii) remitted to the appropriate tax authority, on a timely basis, all amounts collected on account of goods and services taxes and provincial sales taxes; and (iii) remitted to the appropriate receiving officer, on a timely basis, all amounts required to be paid by it in connection with workman's compensation legislation;

(d) the Corporation is not aware of any breach or potential breach by the Corporation of any Environmental Laws (as such term is defined in the Share Purchase Agreement entered into between the parties as of January 21, 1999 (the "SHARE PURCHASE AGREEMENT")) and to the best of its knowledge is in compliance with all applicable Environmental Laws; and

(e) the Corporation is not aware of any year 2000 issues of the Corporation or its major customers or suppliers that would have a material adverse effect on the Corporation or its Business and the Corporation is in compliance with its year 2000 policy.

All capitalized terms not defined herein have the meaning specified thereto in the Share Purchase Agreement.

Witness my hand and the corporate seal of the Corporation this 22nd day of July, 2000.

By: (Signed by "Russell Lindsay")
-------------------------------
Name: Russell Lindsay
Title: Senior Vice-President
& Chief Financial Officer



InterUnion Asset Management Limited
Consolidated Balance Sheets (unaudited)
(amounts expressed in Canadian dollars unless otherwise stated)
(as at June 30)

- -------------------------------------------------------------------------------

<TABLE>
<CAPTION>

| | 2000 | 1999 |
|---|---|---|
| <S> | <C> | <C> |
| Assets | | |
| Current: | | |
| Cash | $ 442,450 | $ 7,396,961 |
| Marketable securities, at market (note 4) | 1,683,323 | 54,500 |
| Accounts receivable and accrued revenue (note 10) | 418,325 | 732,476 |
| Prepaid expenses | 48,943 | 80,854 |
| Income taxes recoverable | -- | -- |
| Future income tax asset | 26,108 | -- |
| | 2,619,149 | 8,264,791 |
| Management contracts, net (note 5) | 2,208,333 | 475,000 |
| Capital assets, net (note 6) | 414,676 | 201,671 |
| Investments, at cost (note 7) | 69,096 | 114,477 |
| Goodwill (note 8) | 12,504,881 | 7,751,913 |
| Total assets | $ 17,816,135 | $ 16,807,852 |

</TABLE>

- ------------------------------------------------------------------------------

<TABLE>

| | | |
|---|---|---|
| <S> | <C> | <C> |
| Liabilities | | |
| Current: | | |
| Bank indebtedness | $ -- | $ 260,242 |
| Accounts payable and accrued liabilities (note 10) | 456,183 | 769,657 |
| Current portion of long term debt | 63,540 | 32,400 |
| Income taxes payable | 67,773 | 831 |
| | 587,496 | 1,063,130 |
| Deferred revenue and inducements (note 9) | 133,406 | 179,729 |
| Long term debt (note 11) | 135,339 | 114,468 |
| Other liabilities | 65,625 | -- |
| Preference shares (note 12) | 3,500,000 | -- |
| | 4,421,866 | 1,357,327 |
| Non-controlling interest | 273,068 | 417,889 |
| Shareholders' Equity | | |
| Shareholders' equity: | | |
| Share capital (note 13) | 16,358,558 | 16,358,558 |
| Deficit | (3,237,357) | (1,325,922) |
| Total shareholders' equity | 13,121,201 | 15,032,636 |
| Total liabilities and shareholders' equity | $ 17,816,135 | $ 16,807,852 |

</TABLE>

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See accompanying notes to consolidated financial statements



InterUnion Asset Management Limited
Consolidated Statements of Operations and Deficit (unaudited)
(amounts expressed in Canadian dollars unless otherwise stated)
(For the three months ended June 30)

- ------------------------------------------------------------------------------

<TABLE>

<CAPTION>

| <S> | 2000 <C> | 1999 <C> |
|---|---|---|
| Revenue: | | |
| Management fees | $ 1,544,200 | $ 1,179,445 |
| Other income (loss) | (13,524) | (58,031) |
| | 1,530,676 | 1,121,414 |
| Operating expense | | |
| Commission and incentives | 195,324 | 238,131 |
| Salaries and benefits | 886,135 | 512,349 |
| Marketing and advertising | 55,324 | 211,260 |
| Office and general | 341,349 | 303,958 |
| Professional fees | 108,813 | 60,210 |
| Amortization of management contracts | 96,429 | 25,000 |
| Amortization of capital assets | 36,495 | 7,818 |
| | 1,719,869 | 1,358,726 |
| Operating loss before undernoted | (189,193) | (237,312) |
| Interest expense | | |
| Current | 28,303 | 5,559 |
| Long term | 47,672 | 2,917 |
| | 75,975 | 8,476 |
| Loss before amortization of goodwill, non-controlling interest and income taxes | (265,168) | (245,788) |
| Income taxes (note 14) | | |
| Current income taxes | 118,252 | 14,306 |
| | 118,252 | 14,306 |
| Loss before amortization of goodwill and non-controlling interest | (383,420) | (260,094) |
| Amortization of goodwill | 198,970 | 106,806 |
| Loss before non-controlling interest | (582,390) | (366,900) |
| Non-controlling interest | (3,800) | (31,644) |
| Net loss, for the period | (578,590) | (335,256) |
| Deficit, beginning of period | (2,658,767) | (990,666) |
| Deficit, end of period | $ (3,237,357) | $(1,325,922) |

</TABLE>

- ------------------------------------------------------------------------------

See accompanying notes to consolidated financial statements



InterUnion Asset Management Limited
Consolidated Statements of Cash Flows (unaudited)
(amounts expressed in Canadian dollars unless otherwise stated)

(For the three months ended June 30)

---

| | 2000 | 1999 |
|---|---|---|
| Cash flows from operating activities | | |
| Net loss | $ (578,590) | $ (335,256) |
| Adjustments for: | | |
| Amortization of goodwill | 198,970 | 106,806 |
| Amortization of management contracts | 96,429 | 25,000 |
| Amortization of capital assets | 36,495 | 7,818 |
| Deferred rent inducements | (790) | (1,819) |
| Unrealized loss on investment | 2,380 | 90,000 |
| Non-controlling interest | (3,800) | (31,644) |
| Changes in non-cash working capital | | |
| Decrease (increase) in accounts receivable | 53,841 | (121,672) |
| Decrease in accounts payable | (86,395) | (257,229) |
| Increase (decrease) in income taxes payable | (79,067) | 27,151 |
| Other items, net | 44,249 | (81,098) |
| | (316,278) | (571,943) |
| Cash flows from investing activities | | |
| Acquisition of capital assets, net of disposals | (4,165) | (88,701) |
| Acquisitions, net of cash acquired | -- | (164,636) |
| Sale of marketable securities | 308,477 | 155,042 |
| | 304,312 | (98,295) |
| Cash flows from financing activities | | |
| Increase (decrease) in bank indebtedness | (36,853) | 34,547 |
| Increase in deferred revenue and inducements | 12,332 | 5,033 |
| Repayments of long term borrowings | (21,684) | (108,100) |
| Dividend paid to non-controlling interest | (25,000) | -- |
| | (71,205) | (68,520) |
| Net increase (decrease) in cash | (83,171) | (738,758) |
| Cash at beginning of period | 525,621 | 8,135,719 |
| Cash at end of period | $ 442,450 | $7,396,961 |
| Supplemental Cash Flows Information | | |
| Interest paid | $ 32,225 | $ 8,025 |
| Income taxes paid | 223,734 | 2,246 |

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See accompanying notes to consolidated financial statements



INTERUNION ASSET MANAGEMENT LIMITED
Notes to Consolidated Financial Statements
June 30, 2000 and June 30, 1999
(amounts expressed in Canadian dollars unless otherwise stated)

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1. NATURE OF BUSINESS

InterUnion Asset Management Limited, formerly Cluster Asset Management

Limited, was incorporated on August 13, 1997 under the laws of Ontario. The principal business activities of InterUnion Asset Management Limited and its subsidiaries are discretionary and advisory portfolio management services for its clients and the acquisition of investment management firms.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Principles of Consolidation
These consolidated financial statements include the accounts of InterUnion Asset Management Limited and its subsidiaries. The principal operating subsidiaries are A.I.L. Investment Services Inc., Black Investment Management Ltd., Glen Ardith-Frazer Corporation, Guardian Timing Services Inc., Leon Frazer, Black & Associates Limited, and P.J. Doherty & Associates Co. Ltd. Unless the context implies otherwise, the term "Company" collectively refers to InterUnion Asset Management Limited and all of its subsidiaries.

b) Marketable Securities
Marketable securities are valued at market and unrealized gains and losses are reflected in income.

c) Management Contracts
Management contracts are recorded at cost less accumulated amortization and are amortized on a straight-line basis over periods from 5 to 7 years. The Company assesses the value of its management contracts by considering the future economic benefit associated with the revenue capacity of the related contracted items.

d) Capital Assets
Capital assets are recorded at cost less accumulated amortization. Amortization is provided on the following basis:

<TABLE>

| <S> | <C> |
|---|---|
| Computer equipment | 30% declining balance |
| Furniture and fixtures | 20% declining balance |
| Leasehold improvements | over the term of lease on a straight line basis |

</TABLE>

e) Goodwill
Goodwill being the excess of cost over assigned values of net assets acquired, is stated at cost less amortization. Amortization is provided on a straight-line basis over periods from 15 to 20 years. The value of goodwill is evaluated regularly by reviewing, among other items, the undiscounted cash flows relating to the returns of the related business, and by taking into account the risk associated with the investment. Any impairment in the value of the goodwill is written off against operations.

f) Revenue Recognition
Revenue is recognized by the Company on an earned basis. For its services the Company is entitled to an annual fee payable monthly or quarterly, depending on its agreement with the client. Fees are calculated based on the fair market value of the portfolio at the end of each month. Fees billed in advance are recorded as deferred revenue and taken into income evenly over the term of the stated billing.

g) Financial Instruments

The Company's financial instruments consist of cash, bank indebtedness, marketable securities, accounts receivable, investments, accounts payable and accrued liabilities, due to related parties, preference shares and long term debt. It is management's opinion that the Company is not exposed to significant interest risks arising from these financial instruments. Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

The Company is exposed to credit risk on the accounts receivable from its customers. Management has adopted credit policies in an effort to minimize those risks. The Company does not have a significant exposure to any individual customer or counter-party.

h) Income Taxes

As recommended by The Canadian Institute of Chartered Accountants, effective April 1, 1999, the Corporation adopted the liability method of accounting for income taxes. The provisions were applied retroactively with no significant impact to prior period financial statements. Under this method, future tax assets and liabilities are recognized for temporary differences between the 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 that are likely to be realized.

i) Stock-Based Compensation Plan

The Company's stock-based compensation arrangements are described in Note 13. No compensation expense is recognized for these arrangements when stock options are issued to employees. Any consideration paid by employees on exercise of stock options is credited to share capital. If stock options are repurchased from employees, the excess of the consideration paid over the carrying amount of the stock option cancelled is charged to retained earnings.

j) Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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 management's best estimates as additional information becomes available in the future.

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3. ACQUISITIONS

The following are acquisitions made during the periods. These acquisitions were accounted for by the purchase method and consolidated from the respective effective date of acquisition, except where noted.

Fiscal 1999 Acquisitions:

o Effective January 21, 1999, the Company acquired 100% of Guardian Timing Services Inc., 45% of Black Investment Management Ltd., 33% of Leon Frazer, Black & Associates Limited and indirectly through Black Investment Management Limited an additional 14.4% of Leon Frazer, Black & Associates. The former parent company, InterUnion Financial Corporation sold the investments for shares of the Company. The sale was accounted for using the carrying values of the parent company at January 21, 1999 and reflects a continuity of interest. The Company has accounted for the operations of the investments with an effective date of April 1, 1998.

Fiscal 2000 Acquisitions:

o The Company purchased an additional 5,978 shares in Black Investment Management Limited on April 13, 1999 for cash considerations of $209,230. The purchase increased the Company's ownership to 50.5%.

(amounts expressed in Canadian dollars unless otherwise stated)

- ------------------------------------------------------------------------------

o The Company purchased an additional 3,000 shares in Black Investment Management Limited on July 22, 1999 for cash consideration of $105,000.

o On November 19, 1999, the Company completed the acquisition of 75% of P.J. Doherty & Associates Co. Ltd. for total consideration of $7,632,022. Goodwill of $5,340,879 resulting from this acquisition is being amortized over 15 years.

The assets acquired and consideration given are as follows:

<TABLE>
<CAPTION>

| | 12 months ended June 30, 2000 | 3 months ended June 30, 1999 |
|---|---|---|
| <S> | <C> | <C> |
| Cash | $ 44,849 | $ -- |
| Net assets (liabilities) acquired, at fair value | 267,007 | 44,594 |
| Management contracts | 2,000,000 | -- |
| | 2,311,856 | 44,594 |
| Consideration | | |
| Cash | 4,115,080 | 209,230 |
| Class A Preference Shares | 3,500,000 | -- |
| Share capital -- common shares | -- | -- |
| Direct acquisition expenses | 121,942 | -- |
| | 7,737,022 | 209,230 |
| Goodwill | $ 5,425,166 | $ 164,636 |

</TABLE>

- ------------------------------------------------------------------------------

4. MARKETABLE SECURITIES

Marketable securities are recorded at market values and comprise the following:

<TABLE>
<CAPTION>

| | June 30, 2000 | June 30, 1999 |
|---|---|---|
| <S> | <C> | <C> |
| Bankers Acceptance | $ 1,275,947 | $ -- |
| Money Market Mutual Funds | 365,374 | 3,038 |
| Other Mutual Funds | 42,002 | 51,462 |
| | $ 1,683,323 | $ 54,500 |

</TABLE>

The Bankers Acceptance matures on November 1, 2000. Annualized yield on this security is 5.64%.

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5. MANAGEMENT CONTRACTS

Management contracts comprise the following:

(amounts expressed in Canadian dollars unless otherwise stated)

<TABLE>
<CAPTION>

<S> <C> <C> <C> <C>

| | June 30, 2000 | | | June 30, 1999 |
|---|---|---|---|---|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| Management contract | $ 500,000 | $ 125,000 | $ 375,000 | $ 475,000 |
| Non-competition agreement | 2,000,000 | 166,667 | 1,833,333 | -- |
| | $2,500,000 | $ 291,667 | $2,208,333 | $ 475,000 |

</TABLE>





6. CAPITAL ASSETS

Capital assets comprise the following:

<TABLE>
<CAPTION>

<S> <C> <C> <C> <C>

| | June 30, 2000 | | | June 30, 1999 |
|---|---|---|---|---|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| Computer equipment | $ 618,184 | $ 457,519 | $ 160,665 | $ 85,364 |
| Furniture, fixtures and other | 441,210 | 310,060 | 131,150 | 55,133 |
| Leasehold improvements | 158,276 | 35,415 | 122,861 | 61,174 |
| | $1,217,670 | $ 802,994 | $ 414,676 | $ 201,671 |

</TABLE>

- --------------------------------------------------------------------------------

7. INVESTMENTS

Investments are carried at the lower of cost and fair value and include the following:

<TABLE>
<CAPTION>

<S> <C> <C>

| | June 30, 2000 | June 30, 1999 |
|---|---|---|
| 27,224 common shares of InterUnion Financial Corporation, a shareholder of the Company, held by a subsidiary of the company (quoted market value - $14,619, 1999 - $60,000) | $ 14,619 | $ 60,000 |
| 44,477 Class A preference shares of Kanata Capital Inc., a corporation controlled by minority shareholders of and held by a subsidiary (it is impractical to determine a fair value as the company is privately held and there is no ready market) | 44,477 | 44,477 |
| Other investments | 10,000 | 10,000 |
| | $ 69,096 | $ 114,477 |

</TABLE>

(amounts expressed in Canadian dollars unless otherwise stated)

- --------------------------------------------------------------------------------

8. GOODWILL

<TABLE>
<CAPTION>

| | June 30, 2000 | June 30, 1999 |
|---|---|---|
| Cost | $ 13,762,035 | $ 8,343,163 |
| Accumulated amortization | 1,257,154 | 591,250 |
| | $ 12,504,881 | $ 7,751,913 |

</TABLE>

- --------------------------------------------------------------------------------

9. DEFERRED REVENUE AND LEASE INDUCEMENTS

Deferred revenue and lease inducements compromise the following:

<TABLE>
<CAPTION>

| | June 30, 2000 | June 30,1999 |
|---|---|---|
| Deferred revenue | $ 91,831 | $ 79,698 |
| Deferred rent inducement | 41,575 | 100,031 |
| | $ 133,406 | $ 179,729 |

</TABLE>

A controlled company's lease at its Toronto premises provides for rent-free periods and periods of significantly reduced rent. In order to properly reflect these rental inducements over the term of the lease, the total lease payments have been aggregated and allocated over the term of the lease on a straight-line basis. This treatment of rental inducements has given rise to deferred rent inducements which will be applied to income over the term of the lease.





- --------------------------------------------------------------------------------

The controlled company has sub-let certain of its leased premises for the term of the lease. Included in deferred rent inducement are expenses associated with the sub-lease arrangement which have been deferred and will be amortized over the remaining life of the sub-lease.

- --------------------------------------------------------------------------------

10. RELATED PARTY TRANSACTIONS

Transactions with shareholders, officers and directors of the Company, its subsidiaries and companies influenced by the aforementioned parties are considered related party transactions.

Summary of the related party transactions affecting the accounts are as follows:

<TABLE>

(amounts expressed in Canadian dollars unless otherwise stated)

<CAPTION>

| | 3 months ended June 30, 2000 | 3 months ended June 30,1999 |
|---|---|---|
| Revenue | | |
| Management fees | $ 20,200 | $ -- |
| Expenses | | |
| Commissions and incentives | 23,150 | -- |
| Interest expense | 43,750 | -- |
| Office and general | 6,300 | 25,050 |
| Professional fees | 57,000 | -- |

</TABLE>

These transactions are in the normal course of operations and are measured at the exchange values (the amount of consideration established and agreed to by the related parties), which approximate the arm's length equivalent values.

Other related party transactions are as follows:

Effective February 29, 2000, the Company acquired an additional 7,610 shares in Leon Frazer, Black & Associates Limited in exchange for 100% of the Company's investment in The Glen Ardith-Frazer Corporation. The transaction was accounted for using the Company's carrying value of $2,356,927 at February 29, 2000 and represents a continuity of interest. The acquisition increased the Company's direct ownership to 59.2%.

On March 7, 2000, Black Investment Management Limited transferred 192 shares in Leon Frazer, Black & Associates to the Company as a financing set up fee. This transfer was not deemed to occur in the normal course of operations and has been measured at the carrying amount (net book value) of $41,170 of the shares issued as payment.

Related party balances in the accounts are as follows:

<TABLE>
<CAPTION>

| | June 30, 2000 | June 30, 1999 |
|---|---|---|
| Accounts receivable | $ 51,275 | $ 171,600 |
| Accounts payable | 30,005 | -- |
| Other liabilities | 65,625 | -- |

</TABLE>

These balances are interest-free, unsecured, payable on demand and have arisen from the transactions referred to above (except for Other liabilities which is due on November 19, 2002 and has arisen on issuance of preferred shares).





11. LONG-TERM DEBT

<TABLE>
<CAPTION>

| | June 30, 2000 | June 30, 1999 |
|---|---|---|
| Demand installment loan, monthly principal payments of $2,700, interest at prime plus 2%. Unless demanded, balance is due on August 15, 2003. | $ 106,000 | $ 138,400 |
| Demand bank loan, interest at prime +1/2%, monthly principal payments of $1,500 commencing January 2000 | 71,000 | -- |

(amounts expressed in Canadian dollars unless otherwise stated)

| | | |
|---|---|---|
| Bank loan, interest at prime + 1 1/2%, 30 monthly principal payments of $1,095 commencing September 1999, secured by computer equipment | 21,879 | -- |
| 10% note payable to a director and non-controlling interest shareholder, due on demand | -- | 8,468 |
| | 198,879 | 146,868 |
| Less: current portion | 63,540 | 32,400 |
| | $ 135,339 | $ 114,468 |

</TABLE>

During a prior fiscal period, the demand installment loan was negotiated in order to eliminate a certain subsidiary's shareholder loans. This loan is secured by a general assignment of book debts and a general security agreement of a subsidiary. Two of the subsidiary's shareholders have a personal guarantee on the debt. One subsidiary shareholder has guaranteed up to $125,000 and the other shareholder has guaranteed an unlimited amount.

The demand bank loan is guaranteed by two of a subsidiary company's shareholders.

- --------------------------------------------------------------------------------

12. PREFERENCE SHARES

3,500 Cumulative Redeemable Convertible Class A Preference Shares (with a value equal to $1,000 per share) were issued on November 19, 1999 as consideration for the acquisition of P.J. Doherty & Associates Co. Ltd. These Class A Preference Shares are redeemable at the option of either the holders (commencing November 19, 2002, subject to certain provisions for early redemption arising from non-payment of dividends and an Initial Public Offering of the Common Shares of the Company prior to November 19, 2002) or the Company (commencing November 19, 2001) at $1,000 per share. In the instance that the Class A Preference Shares are redeemed by the Company, the holders are entitled to a cash premium of 2.5% per annum, calculated from the original issue date together with all dividends accruing thereon whether or not declared. At any time after issuance, each Class A Preference Share is convertible to 78.408 Common Shares at a conversion price of $12.7538 per Common Share (subject to certain provisions with respect to the issuance of additional Common Shares). Holders of these Class A Preference Shares are entitled to quarterly cumulative cash dividends of: i.) 2.50% per annum until the third anniversary of the original issue date; and ii.) 5.00% per annum, thereafter. Holders of these Class A Preference Shares are also entitled to an additional dividend of 2.50% per annum accruing until and payable on the earlier of: i.) the third anniversary of the original issue date; ii.) the date on which Common Shares are delivered to the holder pursuant to a conversion of Class A Preference Shares; and iii.) the redemption of such Class A Preference Shares. As these Class A Preference Shares are redeemable at the option of the holders, the value of these shares have been classified as long-term debt on the balance sheet. These Class A Preference Shares are collateralized by a pledge by the Company of 4,000,000 common shares in the capital of P.J. Doherty & Associates Co. Ltd. valued at $4,000,000.

(amounts expressed in Canadian dollars unless otherwise stated)

13. SHARE CAPITAL

The authorized share capital of the Company consists of an unlimited number of Common Shares and an unlimited number of Preference Shares (issuable in series).

The Preference Shares are voting, convertible and rank in priority to the Common Shares with respect to the payment of dividends and the distribution of assets on liquidation, dissolution or wind-up. The remaining conditions attached to the Preference Shares are to be fixed by the Directors of the Corporation before any series of Preference Shares are issued. During the prior year, 310,010 convertible Preference Shares were issued and converted to Common shares on a 1 for 1 basis.

During the year, the articles of the Company were amended to cancel the existing Preference Shares and to authorize the issuance of an unlimited number of Class A and Class B Preference Shares, issuable in Series (note 12).

Details of issued share capital are as follows:

<TABLE>
<CAPTION>

| | Shares | | Amount | |
|---|---|---|---|---|
| | Common | Preference | Common | Preference |
| <S> | <C> | | <C> | <C> |
| April 1, 1998 | 234,292 | -- | $ 1,374,000 | $ -- |
| Jan 21, 1999 | 455,699 | 310,010 | 5,143,491(2) | 4,920,533 (1) |
| Mar 8, 1999 | 310,010 | (310,010) | 4,920,533(3) | (4,920,533) |
| Mar 8, 1999 | 568,160 | -- | 4,920,534(1) | -- |
| Closing Share Capital: | | | | |
| June 30, 1999 & 2000 | 1,568,161 | -- | $16,358,558 | $ -- |

</TABLE>

(1) issued for cash
(2 )issued on acquisition of subsidiaries
(3) Preference Share conversion

A common stock warrant was issued to the majority shareholder of the Company on March 8, 1999. Under the terms of the warrant, in the event that the assets under management as represented on March 8, 1999 are subsequently determined to be less than 95% of said representation, the majority shareholder is entitled to receive additional common shares of the Company. Consequently, management has estimated that approximately 54,000 common shares will be issued to the majority shareholder subsequent to the current period end.





During a prior fiscal period the Board of Directors of the Company approved the granting of options to employees to purchase up to 136,300 common shares of the Company which may be granted from time to time. Various vesting requirements are associated with each employee grant.

<TABLE>
<CAPTION>

| Vested Options | Number of Options |
|---|---|

(amounts expressed in Canadian dollars unless otherwise stated)

<S> <C> <C> <C> <C> <C> <C>

| Fiscal year granted | Vested expiry date | Exercise price | Outstanding, June 30, 1999 | Issued (vested) | Exercised | Outstanding, June 30, 2000 |
|---|---|---|---|---|---|---|
| 1999 | Jan 21, 2009 | $16.13 | 36,300 | -- | -- | 36,300 |
| 1999 | Jan 21, 2009 | $0.001 | 11,000 | 11,000 | -- | 22,000 |
| 2000 | May 10, 2009 | $13.00 | 917 | 11,000 | -- | 11,917 |

</TABLE>

<TABLE>
<CAPTION>

<S> <C> <C> <C> <C> <C> <C> <C>

| Unvested Options | | | Number of Options | | | | |
|---|---|---|---|---|---|---|---|
| Fiscal year granted | Vested expiry date | Exercise price | Outstanding, June 30, 1999 | Issued | Vested | Forfeited | Outstanding, June 30, 2000 |
| 1999 | Jan 21, 2009 | $0.001 | 37,000 | -- | 11,000 | 15,000 | 11,000 |
| 2000 | May 10, 2009 | $13.00 | 32,083 | -- | 11,000 | -- | 21,083 |

</TABLE>

Unvested options with an exercise price of $0.001 will vest on the basis of specific employee performance related to the acquisition of assets under management. The unvested options will expire on March 31, 2001 if performance criteria is not met. Unvested options with an exercise price of $13.00 will vest evenly over a three-year term.

- ------------------------------------------------------------------------------

14. INCOME TAXES

The Company's effective income tax rate used in determining the provision for income taxes is as follows:

<TABLE>
<CAPTION>

<S> <C> <C>

| | 3 months ended June 30, 2000 | 3 months ended June 30, 1999 |
|---|---|---|
| Combined statutory tax rate (recovery) | (44.6)% | (44.6)% |
| Deduct: | | |
| Non-deductible expenses | 4.9 | 8.5 |
| Temporary differences | 12.9 | 15.7 |
| Unrecognized losses carried forward | 70.5 | 39.5 |
| Other, net | .9 | (13.3) |
| Effective income tax rate (recovery) | 44.6 % | 5.8 % |

</TABLE>

As at June 30, 2000, the consolidated group had approximately $1,916,000 of non-capital losses (1999 -- $640,000) and $0 (1999 -- $90,000) of capital losses which may be carried forward and utilized to reduce future years' taxable income and capital gains, respectively. Capital losses can be carried forward indefinitely. The right to claim the non capital losses expires as follows:

<TABLE>
<CAPTION>

| Expiry | |
|---|---|
| 2006 | $ 357,000 |
| 2007 | 1,155,000 |
| 2008 | 404,000 |
| | 1,916,000 |

</TABLE>

During the period, the Company's future income tax asset increased by $735,000 (1999 -- $85,000) and totaled $1,014,000 (1999 -- $279,000) after applying the statutory tax rate to the temporary differences and non-capital losses described above.

Subsequently, the net change to the valuation allowance during the period, and the total valuation allowance as at June 30, 2000 provided by the Company, increased by $735,000 (1999 -- $85,000) and totaled $988,000 (1999 -- $279,000) to reduce the future income tax asset, reflecting the uncertainty of full realization of the future income tax asset.

- ------------------------------------------------------------------------------

15. LOSS PER SHARE

Basic loss per share has been calculated on a weighted average basis of common shares outstanding during the period.

<TABLE>
<CAPTION>

| | 3 months ended June 30, 2000 | 3 months ended June 30, 1999 |
|---|---|---|
| Weighted average common shares -- basic calculation | 1,568,161 | 1,568,161 |

</TABLE>

The calculations of fully diluted earnings per share is based upon the common shares outstanding during the period as above and not adjusted by the unexercised convertible Class A Preference shares and vested options in computing diluted loss per share because their effects were antidilutive.

<TABLE>
<CAPTION>

| | 3 months ended June 30, 2000 | 3 months ended June 30, 1999 |
|---|---|---|
| Basic loss per share | $ (0.37) | $ (0.21) |

</TABLE>

- ------------------------------------------------------------------------------

16. COMMITMENTS

The Company has basic lease payments exclusive of operating costs for the premises and office equipment for the next five years as follows:

<TABLE>

(amounts expressed in Canadian dollars unless otherwise stated)

<CAPTION>

| | 12 months ended June 30 |
|---|---|
| 2001 | 322,000 |
| 2002 | 246,000 |
| 2003 | 141,000 |
| 2004 | 76,000 |
| 2005 | -- |

</TABLE>





The Company has employment contracts and obligations with seven of its employees at the following yearly base salaries amount:

<TABLE>
<CAPTION>

| | 12 months ended June 30 |
|---|---|
| 2001 | 1,225,000 |
| 2002 | 917,000 |
| 2003 | 553,000 |
| 2004 | 490,000 |
| 2005 | 205,000 |

</TABLE>

As at May 31, 2000, the Company entered into an agreement to sell its share ownership in A.I.L. Investment Services Inc. (AILISI), a wholly owned subsidiary. AILISI provides all management and administrative services for one mutual fund corporation. Completion of the sale is conditional upon the conversion of the managed fund from a mutual fund corporation to a mutual fund trust to be established by the purchaser and a change in the auditors of the managed fund. If the shareholders of the managed fund approve the aforementioned conditions and regulatory approval is received, the sale is expected to be completed in August 2000.

17. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the Company, including those related to customers, suppliers, or other third parties, have been fully resolved.

18. RECONCILIATION OF CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The consolidated financial statements of the Company are prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"). Material differences at June 30 between Canadian GAAP and accounting principles generally accepted in the United States ("U.S.

(amounts expressed in Canadian dollars unless otherwise stated)

GAAP") are described below:

(a) Statements of Operations:

The application of U.S. GAAP would have the following effect on net loss for the quarter and loss per common share as reported:

| | 3 months ended June 30, 2000 | 3 months ended June 30, 1999 |
|---|---|---|
| Net loss for the period, Canadian GAAP | $ (578,590) | $ (335,256) |
| Stock based compensation (i) | (17,235) | (49,750) |
| Net loss for the period, U.S. GAAP | $ (595,825) | $ (385,006) |
| Loss per common share under U.S. GAAP | $ (0.38) | $ (0.25) |





(i) Stock-Based Compensation Expense

The Company does not recognize compensation expense for stock options granted. Under U.S. GAAP, Accounting Principles Board ("APB") Opinion No. 25 requires that stock based compensation cost be recorded using the intrinsic-value method. FASB Statement of Financial Accounting Standard ("SFAS") No. 123 encourages the Company to record compensation expense using the fair-value method. In reconciling Canadian GAAP with U.S. GAAP, the Company has chosen to measure compensation costs related to stock options in accordance with APB 25.

Under APB 25 the intrinsic-value of vested options would have been $0 (1999 -- $0). The intrinsic-value of unvested options is estimated to be $177,000 (1999 -- $597,000) with a vesting period of two years (1999 -- three years). Accordingly, had the Company recognized compensation cost related to the unvested options the intrinsic value would have been amortized over the vesting period, or in amounts of $88,500 (1999 -- $199,000) in each vesting year. Management's best estimate is that the performance conditions attached to the unvested options will be met. Total compensation cost for the period under APB 25 would have been $17,235 (1999 -- $49,750). Had the Company booked compensation expense in accordance with APB 25, basic loss per share would have been increased by $0.01 (1999 -- $0.04).

(ii) Common Stock Warrant

Under U.S. GAAP, the common shares to be issued to the majority shareholder subsequent to the current period end would be reflected as issued for no consideration as at June 30, 2000. The inclusion of these common shares would not have a significant impact on loss per common share reported under U.S. GAAP.

(b) Other Disclosures:

(i) Stock-Based Compensation Expense

For unvested options issued in the current fiscal year, the estimated fair value of the underlying equity at date of issuance was $13.00. As such, compensation costs under SFAS 123 would have totaled $0 (1999 -- $227,700) with a vesting period of three years.

The fair value estimates were determined using the Black-Scholes option-pricing model. Valuation was based on a risk-free interest rate of 5.46%, an expected term of 10 years, an expected volatility of 30% and no expected dividends. Had the Company booked compensation expense, loss per common share would have been increased by $0 (1999 -- $0.15).

(ii) Comprehensive Income

FASB SFAS No. 130 introduced the concept of Comprehensive Income. Under this pronouncement, U.S. GAAP requires companies to report Comprehensive Income as a measure of overall performance. Comprehensive Income includes net income and all other changes in equity, exclusive of shareholders' contributions or any distributions to shareholders. The application of FASB SFAS N0. 130 would not have a material effect on net loss for the year and loss per common share as reported under U.S. GAAP.

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19. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

Certain comparative figures have been restated to conform with the current year's presentation.

<TABLE> <S> <C>

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM INTERUNION FINANCIAL CORPORATION CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED JUNE 30, 2000 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH 10-QSB FILING.

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