

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

FORM 10-QSB

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the quarterly period ended December 31, 1996

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

(Issuer's telephone 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
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APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of share outstanding of each of the issuer's classes of common
equity, as of the latest practicable date: \$0.001 Par Value Common Shares -
969,714 as of December 31, 1996.

Transitional Small Business Disclosure Format (Check One) Yes No X
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PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

INTERUNION FINANCIAL CORPORATION
 CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT
 FOR THE SIX MONTHS ENDED DECEMBER 31, 1996
 (Expressed in U.S. Dollars)

<TABLE>
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	9 mos ended Dec-96	9 mos ended Dec-95	12 mos ended Mar-96	12 mos ended Mar-95		
REVENUES						
<S>	<C>	<C>	<C>	<C>		
Commissions, trading & investment income		3,443,639	2,919,984	4,500,899	3,971,161	
Sales	1,966,380					
Fee Revenue	465,950	1,153,465	1,356,297	56,907		
	5,875,969	4,073,449	5,865,196	4,028,068		
EXPENSES						
Cost of Goods Sold	1,966,380					
Selling, Marketing & Research	2,633,920	3,113,672	4,207,289	2,868,886		
Salaries & Benefits	854,074	511,131	759,361	291,687		
General & Administration	525,580	471,474	702,938	796,674		
Other Expenses	(1,990)	(320)	13,132			
Foreign Exchange Loss (Gain)	10,689	(19,892)	(20,902)	(247)		
Interest & Bank Charges Expense (Income)		(17,956)	(30,620)	(37,337)	5,830	
Amortization & Depreciation	246,844	163,301	218,084	24,272		
	6,217,539	4,208,746	5,850,565	3,987,102		
PROFIT (LOSS) FROM CONTINUING OPERATIONS			(341,570)	(135,297)	14,631	40,966
Loss from Discontinued Operation			(94,252)	(94,252)	(184,845)	
Gain on Disposal of Discontinued Assets			409,418	409,418		
PROFIT (LOSS) FOR THE PERIOD - BEFORE INCOME TAXES			(341,570)	179,869	329,797	(143,879)
PROVISION FOR INCOME TAXES (RECOVERABLE)			5,111	8,236	28,231	9,441
NET PROFIT (LOSS) FOR THE PERIOD			(346,681)	171,633	301,566	(134,438)
RETAINED EARNINGS (DEFICIT) - BEGINNING OF PERIOD			167,128	(134,438)	(134,438)	0
RETAINED EARNINGS (DEFICIT) - END OF PERIOD			(179,553)	37,195	167,128	(134,438)

FINANCIAL OVERVIEW

Common Shares Outstanding	969,714	566,572	692,572	369,058
Weighted Average Shares Outstanding	807,984	490,866	501,335	157,531
EPS - From Continuing Operations	(0.43)	(0.26)	0.03	0.24
EPS - After Discontinued Operations	(0.43)	0.35	0.60	(0.85)

</TABLE>

See Accompanying Notes

<TABLE>
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	9 mos ended Dec-96	9 mos ended Dec-95	12 mos ended Mar-96	12 mos ended Mar-95
CURRENT ASSETS				
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Cash	587,912	821,471	722,795	490,681
Due from brokers and dealers		374,455	284,791	1,168,190
Client deposits	932,037	1,508,579	2,093,966	21,147,890
Marketable securities	627,911	152,776	2,625,585	15,682,071
Accounts receivable	588,819	390,150	208,727	55,262
Income tax receivable	26,294	21,207	1,597	15,866
Sundry assets and prepaid expenses		114,071	41,377	75,906
	3,251,499	3,220,351	6,896,766	37,596,329
CAPITAL ASSETS				
		852,621	966,254	948,892
START-UP COSTS		372,983	365,536	438,803
LONG TERM INVESTMENTS		1,038,844	912,939	913,834
DEFERRED CHARGES		165,342	195,789	184,944
GOODWILL AND NON-CURRENT ASSETS			1,043,574	1,100,756
DISCONTINUED ASSETS				240,693
	3,473,364	3,541,274	3,572,934	3,452,990
	6,724,863	6,761,625	10,469,700	41,049,319
CURRENT LIABILITIES				
Due to brokers and dealers			133,735	2,499,665
Due to clients	831,710	1,564,155	3,035,310	6,368,681
Accounts payable and accrued liabilities		1,396,812	1,103,036	675,623
	2,228,522	2,800,926	6,210,598	36,820,733
DUE TO RELATED PARTIES				
DISCONTINUED LIABILITIES			119,462	100,873
	0	0	119,462	499,377
SHAREHOLDERS EQUITY				
Capital Stock and additional paid-in capital		4,675,894	3,744,767	3,972,512
Retained Earnings (Deficit)		(179,553)	37,195	167,128
	4,496,341	3,781,962	4,139,640	3,628,336
	6,724,863	6,761,625	10,469,700	41,049,319

</TABLE>

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See Accompanying Notes

INTERUNION FINANCIAL CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE NINE MONTHS ENDED DECEMBER 31, 1996
(Expressed in U.S. Dollars)

<TABLE>
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	9 mos ended Dec-96	9 mos ended Dec-95	12 mos ended Mar-96	12 mos ended Mar-95
OPERATING ACTIVITIES				

<S>	<C>	<C>	<C>	<C>	<C>
Net Income (Loss)	(346,681)	171,633	301,566	(134,438)	
Amortization	246,844	163,301	218,084	24,272	
Gain on disposition of discontinued operations		(409,418)	(409,418)		
	(99,837)	(74,484)	110,232	(110,166)	
Increase (decrease) in due to brokers and dealers, net	(1,705,930)	(30,146,705)	(28,664,174)	29,995,649	
Increase (decrease) in due to clients	(1,041,671)	14,834,785	15,720,553	(14,779,209)	
Increase (decrease) in marketable securities	1,997,674	15,529,295	13,056,486	(15,682,071)	
Increase (decrease) in accounts receivable & sundry assets	(442,954)	(349,991)	(183,487)	(102,741)	
Decrease (increase) in accounts payable and accrued liabilities	721,189	819,577	392,164	283,460	
CASH PROVIDED (USED) BY OPERATING ACTIVITIES		(571,529)	587,707	431,774	(395,078)
FINANCING ACTIVITIES					
Capital stock and additional paid-in capital issued	703,382	395,000	555,000	3,762,774	
Increase (decrease) in due to related parties	(119,462)	77,864	18,589	100,872	
CASH PROVIDED (USED) BY FINANCING ACTIVITIES		583,920	472,864	573,589	3,863,646
INVESTING ACTIVITIES					
Capital assets	(5,288)	(131,768)	(132,533)	(957,653)	
Start-up costs	(365,536)	(438,803)			
Long term investments	(12,578)	(13,472)	(900,361)		
Deferred & Reorganization Costs	(16,976)	14,015	(61,632)	(234,574)	
Goodwill		(1,143,982)			
Investment in subsidiaries	(125,010)		(507,456)		
Acquisition Costs					
Discontinued operations	(258,684)	(126,809)	258,684		
CASH PROVIDED (USED) IN INVESTING ACTIVITIES		(147,274)	(754,551)	(773,249)	(3,485,343)
INCREASE (DECREASE) IN CASH	(134,883)	330,790	232,114	(16,775)	
CASH - BEGINNING OF YEAR	722,795	490,681	490,681		
CASH ACQUIRED ON ACQUISITION OF SUBSIDIARIES				507,456	
CASH - END OF YEAR	587,912	821,471	722,795	490,681	

</TABLE>

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See Accompanying Notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. Interim information is unaudited; however, in the opinion of the Company's management, all adjustments necessary for a fair statement of interim results have been included in accordance with Generally Accepted Accounting Principles in Canada. All adjustments are of a normal recurring nature unless specified in a separate note included in these Notes to Consolidated Financial Statements. The results for interim periods are not necessarily indicative of results to be expected for the entire 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, 1996, included in its on Form 10-SB/A for the year ended March 31, 1996 (the "1996 Form 10-SB/A"). As of March 31, 1997, the Company will report solely under US GAAP.

2. In the second quarter of 1997, the Company issued 277,142 common shares for gross proceeds to the Company of US\$759,710. The Company incurred approximately US\$56,328 in costs associated with the issuance of these common shares: these

costs are accounted for as a deduction from the gross proceeds.

3. Earnings per share is computed using the weighted average number of common shares outstanding during the period. Loss per share is computed using the weighted average number of common shares outstanding during the period.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS

During the third quarter of fiscal 1997, InterUnion reported consolidated revenue of US\$2.5 million. Revenue, net of cost of goods sold by Reeve, Mackay, the auction subsidiary, has increased 26.3% to 1,291,925. The increase is due to the high season in the auction business, otherwise revenue would have been unchanged, as Reeve, Mackay is the Company's only subsidiary that has seasonal swings in revenues.

InterUnion's revenue growth and financial overview (figures in 000's except per share data):

<TABLE>
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	3 mo ended Dec-96	3 mo ended Dec-95	9 mo ended Dec-96	9 mo ended Dec-95
<S>	<C>	<C>	<C>	<C>
Commission Income		1,144	763	3,444
Sales	1,256		1,966	2,920
Fee Revenue	149	697	466	1,153
Total Revenues	2,549	1,460	5,876	4,073
Cost of Goods Sold	1,256		1,966	
Net Revenues (i)	1,293	1,460	3,910	4,073
Net Profit (Loss)	(278)	(100)	(347)	172
EPS - Operations	(0.34)	(0.21)	0.43	(0.26)
EPS	(0.34)	(0.21)	0.43	0.35
Common Share, #	969,714	566,572	969,714	566,572
Working Capital	1,023	419	1,023	419
Cash Flow	(194)	(72)	(100)	(74)
Shareholders' Equity	4,496	3,782	4,140	3,782
Book Value Per Share	4.64	6.68	4.64	6.68

</TABLE>

(i) This amount is equal to Total Revenues under U.S. GAAP. In fiscal year 1996, Total Revenues, under U.S. GAAP would have been US\$6,169,578.

The additional revenues from Reeve, Mackay & Associates Ltd. operations were offset by higher than anticipated expenditures related to the fall auctions as salaries increased 74% quarter over quarter. For the nine months ending December 31, 1996, Reeve, Mackay lost in excess of US\$300,000 before any tax loss benefits are recorded. The Company's other subsidiaries have performed within the anticipated budget during the first nine months of the current fiscal year and provided a combined net income of US\$40,400. Management does not expect any major variance during the fourth quarter.

The positive variance regarding the Selling, Marketing and Research of \$479,752 or 15.4% is primarily due to the revenues that are being produced by new financing rather than agency trading as the payouts carry different weights.

Acquisition costs and deferred charges, some of which were previously capitalized, have been charged to operating income in the third quarter. The charges are in excess of US\$200,000. These expenditures have all taken place in the second and third quarter of the current fiscal year under the Company's Acquisition program. Exclusive of these costs and Reeve, Mackay's loss, the Company would have had a nine-month pre-tax operating profit of US\$160,000.

Net loss for the nine months ending December 31, 1996 was US\$346,680 (US\$276,602

for the quarter) versus a profit of \$171,633 a year earlier (third quarter of fiscal 96 had a loss US\$100,197).

Liquidity

In order to meet its growth plans, the Company issued a Confidential Private Offering Memorandum under Regulation "S" dated September 1, 1996. This Offering Memorandum offered for sale a maximum of 250,000 units of the Company at a price of \$5.00 per unit. Each unit consists of one share common voting stock and one warrant to purchase one share of common voting stock at \$6.00 per share, with an expiration date on the warrant of September 15, 1997. The total offering seeks to raise \$2,000,000, with anticipated net proceeds after commissions and offering costs to be \$1,775,000.

InterUnion has raised \$759,710 of the \$2,000,000 during the second quarter and has a commitment for the balance of the offering. Net proceeds to the Company to date is \$703,382. The Company has not raised any additional funds in the third quarter and does not plan to raise any in the fourth quarter unless required to do so in order to complete an acquisition.

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Credifinance Securities Limited

During the first fiscal quarter of 1997, a number of institutional salespeople left the Company to join a firm newly created by Credifinance's previous President. Throughout the second quarter and part of the third the Company continued the restructuring of Credifinance Securities Limited's institutional sales desk and has taken advantage of market conditions to focus more actively on underwriting activities in sectors in which Credifinance has expertise: Biotechnology, Communication, High Technology, Mining and Oil and Gas; and additionally as agents for institutional investors.

The broker/dealer has taken advantage of its capacity to complete financings in its niche business but has been affected by the general lack of daily institutional trading activity. This lack of trading activity is a phenomenon affecting all small and medium broker/dealers which restrict themselves to agency business as opposed to taking principal trading risks. In fact, the departure of a number of institutional salespeople has benefited Credifinance Securities Limited since it has enabled Management to restructure within the context of the market and ensure that a larger percentage of the revenue is retained by the firm. Management has been positioning the broker/dealer in a mode which would enable the firm to operate at least at breakeven in the case of slower market conditions.

Guardian Timing Services Inc. and Bearhill Limited

The Company's money management operations continue to perform as anticipated. The Company would like to add that the carrying value of the ITM software need not be adjusted as per FASB 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be disposed of". This is due to the fact that the carrying value is substantiated by the management fees which Guardian Timing Services receive, these fees would not be earned if it did not have the use of the ITM software.

Reeve, Mackay & Associates Ltd.

Reeve, Mackay has been in operation for approximately 18 months and InterUnion did not expect its operation to be profitable prior to its third year. Since inception, Reeve, Mackay has posted a loss of approximately US\$750,000, of which US\$438,000 was during the first year of operation. For the nine months ending December 31, 1996, Reeve, Mackay lost over US\$300,000 versus an anticipated loss of approximately US\$145,000. During that period, Reeve, Mackay has broken even in three separate months.

Sales of goods have been according to schedule, however, the costs' components have not. Reeve, Mackay was adversely affected due to negotiated commissions on two major collections. The cost of reducing the commission charged to the consignors was required in order to be awarded the mandate. The success of the auctions that presented these collections to the public was instrumental to Reeve, Mackay's objective to gain industry approval as a viable alternative to the competition. Additional cost over-runs were due to the larger than expected number of items in each of the fall auctions which drastically increased the

cost of cataloguing and processing. In addition, marketing and advertising expenditures ran over budget.

The continuing operating problem has caused the subsidiary to have a working capital deficit of over US\$325,000. Reeve, Mackay has managed to date to finance this deficit by leveraging its reputation and deferring the payment on the goods sold on behalf of its consignors and delaying suppliers. To date certain consignors have requested to have their goods returned, however, Reeve, Mackay has been able to replace these consigned goods as the number of active consignors continues to grow. This is demonstrated by the fact that Reeve, Mackay has more collectors' auctions than any other competing auctioneer in Toronto.

At this point suppliers have not refused to provide services. However, should suppliers and particularly consignors as a group start to withdraw their goods, the Company's auction subsidiary's ability to operate would be in jeopardy unless the Company agrees to inject the additional cash required. Reeve, Mackay's liabilities have not been guaranteed by any other subsidiary within the group nor by InterUnion.

The auction house management team is currently investigating various strategies to reverse the current trend on the bottom line and the working capital deficit. Should no formal plan be adopted during the fourth quarter, the Company will write down the full amount that it is carrying as start-up costs in the amount of US\$372,980 under Canadian GAAP. Under U.S. GAAP this amount has already been eliminated from the balance sheet, however, a taxable benefit of US\$200,000 has been recorded and therefore would have to be written off.

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The Company would also like to add that despite Reeve, Mackay current situation, its overall financial condition remains stable and it currently plans to support continuing operations for future growth.

Acquisition Program and New Researches Corporation

During the third quarter, the Company acquired an option to purchase 100% of the outstanding shares of New Researches Corporation. New Researches is a high technology/biotechnology venture capital firm.

InterUnion's management continues to explore opportunities for the acquisition of operating companies that will provide additional liquidity and cash flow. Such acquisitions would be financed by the issuance of common stock from treasury or, if required, by means of private placement. Although Management has investigated a number of opportunities, only the acquisition of the option on New Researches met the Company's objectives. The Company is also considering special situation acquisitions linked to bridge financing activities.

The Company is exploring various means of sharing the client base of the three main subsidiaries in order to generate revenue and increase the synergy between the operations.

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 which it has not been discussed above.

In addition, there are no significant income or losses that have arisen from the Company's continuing operations that has not been analyzed or discussed above, nor has there been any material change in any line item that is presented on the financial statements which has also not been discussed above.

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 a financial market trends and investors appetite for new financings.

Forward-looking statements included in Management's Analysis and Discussion reflect management's best judgment based on known factors and involve 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.

In the opinion of management the financial statements for the periods ending December 31, 1996 accurately reflect the operations of the Company and its subsidiaries. The Company has taken every reasonable step to ensure 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 dated January 28, 1997.

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ITEM 1 - LEGAL PROCEEDINGS.

The Company is not a party to any pending legal proceeding, nor is its property the subject of a pending legal proceeding for which the claims, exclusive of interest and costs, exceed 10% of the current assets of the Company on a consolidated basis.

As reported in our Form 10-SB, a Statement of Claim was filed in Ontario Court (General Division) on May 31, 1996 against Credifinance Securities Limited, InterUnion Financial Corporation, Georges Benarroch and Ann Glover by Mr. John Illidge, a former President and Chief Operating Officer of Credifinance Securities Limited and Director of the Company. The plaintiff is seeking in excess of \$1.8 million. In the opinion of management and its legal advisors, the likelihood that this law suit will adversely affect the Company is negligible

There has not been any change in the status of this claim.

ITEM 2 - CHANGES IN SECURITIES

None.

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 S.E.C. 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 February 10, 1997 /s/ Georges Benarroch, Director

(Signature)*

Date February 10, 1997 /s/ Ann Glover, Director

(Signature)*

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

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM INTERUNION FINANCIAL CORPORATION CONSOLIDATED FINANCIAL STATEMENTS FOR THE THIRD QUARTER OF FISCAL YEAR ENDING MARCH 31, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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