



INTERUNION FINANCIAL CORPORATION  
FORM 10-KSB  
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## PART I

## Item 1 DESCRIPTION OF BUSINESS

## (a) BUSINESS DEVELOPMENT

On February 7, 1994, the shareholders of AU 'N AG, INC., a Utah corporation, approved without dissent, a proposal to change the domicile of the Company through the merger of the Company into AU 'N AG, INC., a Delaware corporation to be formed.

On February 15, 1994 a Certificate of Incorporation of AU 'N AG, INC., a Delaware corporation, was filed with the office of the Secretary of State, Division of Corporations, State of Delaware.

On February 15, 1994, the date of incorporation of AU 'N AG, Inc. of Delaware, the directors of that corporation approved a Pre-Organization Subscription and Letter of Non-Distributive Intent executed by the President of AU 'N AG, Inc., the Delaware corporation, for \$10.00 with the understanding that the shares would be immediately canceled upon the effective date of the merger between AU 'N AG, INC. of Delaware and AU 'N AG, INC. of Utah. These shares were issued by the Company in reliance upon the exemption from the registration requirements of the Securities Act of 1933, as amended, as provided by Section 4(2) of that Act and upon a similar exemption contained in applicable state securities laws. The shares received by AU 'N AG, INC. were restricted securities, subject to Rule 144 promulgated under the Securities Act of 1933,

as amended. See Exhibits at E-1 and E-4.

Further on February 15, 1994, a Plan and Agreement of Merger of AU 'NAG, INC. (Utah) and AU 'N AG, INC. (Delaware) was executed. On the same day a Certificate of Merger was executed by the above corporations. This Certificate of Merger was filed in the office of the Secretary of Delaware on March 10, 1994. Under the Certificate of Merger AU 'N AG, INC., the Delaware Corporation, was the surviving corporation. See Exhibit E-5 and E-9.

Under the terms of the above-referenced merger each share of common stock of AU 'N AG, INC. (Utah) was converted into one share of AU 'N AG, INC. (Delaware). At the time of its incorporation, AU 'N AG, Inc. (Delaware) had total authorized capital stock in the amount of 50,000,000 shares at \$.001 par value. Each holder of AU 'N AG, INC. (Utah) upon surrender to AU 'N AG, INC. (Delaware) of one or more certificates for such shares for cancellation received one or more certificates for the number of shares of common stock of AU 'N AG, INC. (Delaware) represented by the certificates of AU 'N AG, INC. (Utah) so surrendered for cancellation by such holder.

As a result of the above-referenced merger, 23,297,800 shares of common stock of AU 'N AG, INC. (Delaware) were issued to the shareholders of the corporation formerly known as AU 'N AG, INC. (Utah). At the time of the merger, AU 'N AG, INC. (Utah) had no assets and was an inactive corporation.

As provided in the Plan and Agreement of Merger, the sole purpose of the above-referenced merger was to change the issuer's domicile from Utah to Delaware and the exchange of securities from one corporation to another was, in the opinion of management, outside of the provisions of Rule 145 as promulgated by the Securities & Exchange Commission. It is also the position of management that the exchange of stock was a transaction by an issuer not involving any public offering and thus was within the protection of Section 4(2) of the Securities Act of 1933, and exempted from registration requirements.

On April 11, 1994, a Certificate of Amendment of the Certificate of Incorporation of AU 'N AG, INC. (Delaware) was executed, providing that the name of the Company be changed to: INTERUNION FINANCIAL CORPORATION ("IUFC" or "InterUnion" or the "Company"). This change of name was filed by the office of the Secretary of State of Delaware on April 19, 1994.

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Subsequent to a filing of information submitted to the National Association of Securities Dealers, Inc. (NASD) pursuant to Schedule H of the NASD By-Laws and Rule 15c 2-11 under the Securities Act of 1934, on July 27, 1994 IUFC was cleared for listing on the OTC Bulletin Board. The Company currently trades under the symbol: IUFC.

Subsequent to approval by the required shareholders at a meeting held October 14, 1994, the common stock was consolidated at a ratio of ten (10) to one (1). Further, based upon shareholder approval at that meeting, a Certificate of Amendment was filed with the Secretary of State.

On January 18, 1995 the Company acquired all of the outstanding capital stock of BEARHILL LIMITED, a British Virgin Islands corporation, for the issuance of 22,262 shares of common stock of the Company.

On January 18, 1995 the Company acquired all of the outstanding capital stock and preferred shares of GUARDIAN TIMING SERVICES, INC., a corporation organized under the laws of Ontario, Canada, for the issuance of 5,566 shares of common stock of the Company.

Upon application to the Florida Department of State, on February 2, 1995, the Company was qualified and authorized to transact business in the State of Florida. The Company moved its principal office to 249 Royal Palm Way, Suite 301-H, Palm Beach, Florida 33480.

On March 20, 1995, the Company acquired all of the stock of I & B, INC., a Delaware corporation, CREDIFINANCE CAPITAL INC., a corporation organized under

the laws of Ontario, Canada, CREDIFINANCE SECURITIES LIMITED ("Credifinance"), a corporation organized under the laws of Ontario, Canada, and ninety-five percent (95%) of the stock of ROSEDALE REALTY CORPORATION ("Rosedale"), a corporation organized under the laws of Ontario, Canada, for the issuance of 75,000 shares of common stock. The Company further acquired the remaining outstanding stock of Rosedale for the issuance of 1,230 shares of common stock. It should be noted that in 1996 the Company disposed, by way of an assignment in bankruptcy, of its shares in Rosedale. This assignment was a voluntary petition filed by Credifinance Capital, Inc., the owner of Rosedale, on September 29, 1995. The decision to file for bankruptcy was made after negotiations for a merger of Rosedale with another firm were unsuccessful. Rosedale had never been profitable subsequent to its acquisition and Credifinance Capital, Inc. made the decision to cease financing Rosedale's operations. The bankruptcy was concluded and there are no outstanding lawsuits against either Credifinance Capital, Inc. or the parent, InterUnion Financial Corporation.

At a special meeting of the shareholders held on May 17, 1996, the Board of Directors was authorized to consolidate all authorized shares in a ratio of twenty (20) to one (1). At the time of this authorization, the total of all issued and outstanding voting shares of stock was 13,851,156.

REEVE, MACKAY & ASSOCIATES LTD. ("Reeve, Mackay") was formed May 15, 1995 as a corporation organized under the laws of Ontario, Canada. All capital stock of this corporation was originally issued to InterUnion Financial Corporation. Due to Reeve, Mackay's continued operating deficit and cash requirements, the Company divested itself of its interest in Reeve, Mackay. The Company in divesting itself of Reeve, Mackay in July 1997, was successful in recovering all of its advances to and investment in Reeve, Mackay.

On January 19, 1997, the Company entered into an agreement where it would act as an investment banker in the recapitalization of RECEPTAGEN Ltd. ("Receptagen") (see Exhibit 10(vii)). Receptagen is a corporation incorporated under the laws of Canada. Receptagen is listed on the Toronto Stock Exchange (RCG) and trades on the NASDAQ Over-the-Counter (RCEPF). Currently, it is not the intention of the Company to consider its investment in Receptagen as an integral part of its business outside of its bridge financing and special situation activities.

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On July 1, 1997, the Company acquired a one third interest in LEON FRAZER, BLACK & ASSOCIATES LIMITED ("LFB"), a corporation organized under the laws of Ontario, Canada. The Company acquired its interest for cash and notes payable.

On August 18, 1997, at the Company's Shareholders' meeting it was approved that the Company's authorized capitalization be as follows:

2,500,000 shares of common voting stock at \$.001 par value.

1,500,000 shares of Class A preferred stock at \$.10 par value.

1,000 shares of Class B preferred stock at \$0.10 par value.

1,000 shares of Class C preferred stock at \$0.10 par value.

A Certificate of Amendment was filed with the Secretary of State, State of Delaware, requesting the above modification.

Effective March 1, 1998, the Company acquired all of the outstanding common stock in CLUSTER ASSET MANAGEMENT LIMITED ("CAM"), a corporation organized under the laws of Ontario, Canada, for the issuance of 213,194 shares of Common Stock of the Company and 106,597 shares purchase warrants. On May 26, 1998, CAM changed its name to INTERUNION ASSET MANAGEMENT LIMITED ("IUAM").

Effective March 31, 1998, the Company acquired 45% of the outstanding common shares of BLACK INVESTMENT MANAGEMENT LIMITED ("BIM"), a corporation organized under the laws of Ontario, Canada, for the issuance of 216,640 shares of

common stock of the Company and cash.

## (b) BUSINESS OF ISSUER

### GENERAL

The Company was formed as a "business bank" which would acquire, when possible, a majority interest in financial services companies.

The Company also provides bridge financing which is a part of its investment banking activities. Such financings can be provided to companies outside the financial service sector and can be extended for a period of up to three years, depending on the complexity of the undertaking.

InterUnion is both a holding and an operating company engaging in activities separate from the activities of its named subsidiaries: InterUnion derives independent revenues from its own investment banking activities.

### PRODUCTS AND/OR SERVICES OF ACTIVE SUBSIDIARIES

In addition to the operations of InterUnion Financial Corporation as the parent, the Company owns operating subsidiary corporations. A description of the business operations of these subsidiaries is as follows:

<TABLE>

<S>	<C>
Investment Banking	Investment Management
InterUnion Financial Corporation	InterUnion Asset Management Limited
Marbury Trading Corporation	Bearhill Limited
Credifinance Capital, Inc.	Black Investment Management Limited
Credifinance Securities Limited	Guardian Timing Services Inc.
	Leon Frazer, Black & Associates Limited
	The Glen Ardith-Frazer Corporation

</TABLE>

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## (1) UNDERWRITING AND RESEARCH

Credifinance Capital, Inc. is an investment corporation located in Toronto, Canada. The business activities of this company are limited to short term trading in securities and it owns Credifinance Securities Limited.

Credifinance Securities Limited ("Credifinance") started operations in September 1991 as an institutional boutique active in trading for the accounts of clients, in the fixed income and equity markets. Credifinance acts exclusively as agent. Credifinance's specialize research is the basis of its trading and corporate finance activities.

Between 1994 and 1998, Credifinance has been active in the financing of Canadian companies. Credifinance is a member of the International Securities Market Association, in addition, as a member of the Investment Dealers Association, the Toronto Stock Exchange and the Montreal Exchange, Credifinance is invited in most banking groups. Credifinance has acted as sole or co-underwriter in 26 transactions representing C\$255 million in financings. (C\$ means Canadian currency. All other amounts are in US dollars.)

## (2) INVESTMENT MANAGEMENT

The Company has interests in four independently operated investment management firms all located in Toronto, Canada.

Guardian Timing Services, Inc. ("Guardian") is an independent investment and fund management firm located in Toronto, Canada, with approximately C\$80 million in assets under management. Guardian manages the Canadian Protected Fund, the Protected American Fund and the First America Fund, in addition to being the co-manager of the India Excel Fund. It uses a proprietary ITM market timing model owned by Bearhill Limited, Inc., another subsidiary of the

Company.

Bearhill Limited ("Bearhill") is an investment management firm located in the British Virgin Islands. Bearhill owns the proprietary rights to certain computer software known as ITM Software, which is a computer software program which is used to generate buy and sell signals with respect to any stock market monitored. The forecasting technique used by the ITM market timing model involves general market indicators, interest rates and monetary analysis, market perception indicators, and various statistical data to detect trends. The model is continually updated and has been credited with successfully avoiding many of the overall market declines in the early part of the 1990s.

Black Investment Management Limited ("BIM") is an independent investment counsel located in Toronto, Canada, that provides professional management of financial assets for pension funds, corporations, foundations, mutual funds and group investment plans. BIM was established in 1973 by Mr. Paul Black and Mr. Robert W. Crosbie. Today BIM has approximately C\$450 million in assets under administration. IUFC has a 45% interest in BIM and is accounted for under the equity method.

Leon Frazer, Black & Associates Limited ("LFB") was established in 1939 and is the second oldest independent counseling and investment management firm in Toronto, Canada. LFB manages assets for high net worth individuals of approximately C\$250 million. LFB also manages a mutual fund, Associate Investor. IUFC has a 33.3% direct interest and an additional 14.3% indirect interest through BIM which owns 31.7% directly. LFB is accounted for under the equity method.

The Glen Ardith-Frazer Corporation ("GAF") is an independent investment counsel located in Toronto, Canada that provides discretionary management to both institutional and private clients. GAF has approximately C\$150 million in assets under administration.

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### (3) MEDIUM AND LONG TERM INVESTING

Marbury Trading Corporation ("Marbury") is a Panama corporation with its head office in Geneva, Switzerland. The business of Marbury is to take debt and equity positions in companies InterUnion carries out merger & acquisition activities for: these investments can be carried from a few weeks up to 3 years depending on the complexity of the transaction. Although Marbury's, and therefore the Company's, interest in the reorganized companies can be substantial, the intention is after the completion of the mandate, to reduce its interest to that of minority investor.

### COMPETITION

Competition is a part of every business. InterUnion faces competition directly and through its subsidiaries from larger and better capitalized financial service companies. These companies can be commercial/investment/merchant banks, thrift institutions, venture capital firms, etc.. On the investment management side, the performance of the assets under administration is another factor which could adversely affect the results of the Company, because poor performance may cause clients to move their assets to other managers.

### GROWTH STRATEGY

Since inception, InterUnion's strategy has been to be a "business bank" i.e. to be a company able to take advantage of opportunities in the financial services sector. These opportunities include the involvement in non pure financial service operations. InterUnion's business will remain the purchase and selling of companies or part of companies which will use InterUnion's investment banking services as well as its ability to issue its own securities in order to complete M&A transactions and reorganizations. InterUnion's strategy is also to reduce its shareholders risk by ensuring that its book value is not dependent on any one sector of activity or any one operation. InterUnion has been successful in managing its investors risk as today there

are enough experienced and credible individuals in the various operations who at the same time are shareholders of InterUnion: that strategy should help InterUnion to obtain the financing it needs for its growth. The investment management activity should continue to expand as InterUnion gets closer to a critical mass of assets under administration: the size of those assets and their geographical location might require a corporate restructuring if beneficial to all its shareholders.

GOVERNMENT REGULATION

The operating activities of InterUnion Financial Corporation are not subject to governmental regulatory agencies, with the exception of:

Credifinance Securities Limited, a member of the Investment Dealers Association of Canada, The Toronto Stock Exchange, The Montreal Exchange and the International Securities Market Association. As such, it is subject to the rules, regulations, and administrative rulings of these self regulatory organizations.

Black Investment Management Limited, The Glen Ardith-Frazer Corporation, Guardian Timing Services Inc. and Leon Frazer Black & Associates Limited are regulated by the Ontario Securities Commission

InterUnion Financial Corporation is not subject to the Investment Company Act of 1940 (the "Act"). Section 3(a)(3) of the Act defines an "investment company" as "any issuer which owns or proposes to acquire investment securities having a value exceeding 40% of the value of such issuer's total assets (exclusive of Government securities and cash items)on an unconsolidated basis." "Investment securities" are defined for purposes of this section as "all securities except (A) Government securities, (B) securities issued by employees' securities companies, and (C) securities issued by majority-owned subsidiaries of the owner which are not investment companies."

The Company is not an investment company because it does not invest more than 40% of its total assets (excluding government securities and cash items),on an unconsolidated basis, in "investment securities" as defined in the Act. The Company considers its primary business to be engaging in non-investment company businesses through majority owned companies.

EMPLOYEES

The total number of employees of InterUnion and its subsidiaries is 35.

Item 2 DESCRIPTION OF PROPERTY

The Company does not own real estate.

The Company has leasehold interests in real estate as shown below, and all premises are in good condition.

<TABLE>  
<CAPTION>

Lessee & Location of Premises	Gross Area (Sq. Ft.)	Annual Rent Term	Per Sq. Ft.
InterUnion Financial Corporation Suite 301 249 Royal Palm Way Palm Beach, Florida	300	Mar. 98-Feb. 99	\$15.32
Credifinance Securities Limited Suite 3303 130 Adelaide Street W	3,310	Feb. 97-Jan. 02	C\$22.00

Toronto, Ontario

Credifinance Securities Limited      927 Jul. 97-Jan. 02      C\$15.00  
Suite 3304  
130 Adelaide Street W  
Toronto, Ontario

Credifinance Securities Limited      1,000      Monthly      C\$12.00  
Suite 900  
1550 Metcalfe  
Montreal, Quebec

The Glen-Ardith Frazer Corporation      4,850 Dec. 97-Nov. 02      C\$11.00  
13th Floor      Dec. 02-Nov. 04      C\$12.00  
4 King St. W      Dec. 04-Nov. 07      C\$13.00  
Toronto, Ontario  
</TABLE>

Item 3 LEGAL PROCEEDINGS

Not applicable

Item 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

During the fourth quarter of the fiscal year covered by this report, there was no matter brought to a vote of security holders, through the solicitation of proxies or otherwise.

PART II

Item 5 MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

(a) MARKET INFORMATION

The issuer's common equity is traded on the NASD OTC Bulletin Board under the symbol: IUFC.

The high and low sale prices for each quarter within the last two fiscal years are as follows.

<TABLE>

<CAPTION>

Period	Open	High	Low	Close
FY97 Qtr 1	\$13.75	\$13.75	\$5.00	\$7.00
FY97 Qtr 2	7.00	15.00	4.75	5.00
FY97 Qtr 3	5.00	6.00	4.50	4.50
FY97 Qtr 4	4.50	6.00	4.50	5.00
FY98 Qtr 1	5.00	6.50	4.00	6.00
FY98 Qtr 2	6.00	6.75	4.50	4.50
FY98 Qtr 3	4.50	5.75	4.00	4.50
FY98 Qtr 4	4.50	5.50	3.50	3.50

</TABLE>

(b) HOLDERS

The approximate number of holders of record of each class of common equity is as follows:

<TABLE>

<CAPTION>



Class of Stock	Number of Holders
<S>	<C>
Common Share	451
Class A Preferred	1
Class B Preferred	none issued
Class C Preferred	none issued

(c) DIVIDENDS

The company has never declared or paid dividends on its common stock or its preferred stock. There are no restrictions, other than state law that may be applicable, that limit the ability to payout all earnings as dividends. The Board of Directors does not anticipate paying any dividends in the foreseeable future; it intends to retain its distributable earnings, if any, for the expansion and development of its business.

(d) RECENT SALES OF UNREGISTERED SECURITIES

(i) SALES PURSUANT TO REGULATION D

The following sales were made by the Company within the past three (3) years in reliance upon an exemption from the registration requirements of the Securities Act of 1933, as amended, as contained within Regulation D, Rule 504, promulgated by the Securities and Exchange Commission:

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Title of Class	Number of Shares	Price per Share	Consideration	Commission	Date
<S>	<C>	<C>	<C>	<C>	<C>
Common	62,500	\$2.00	\$125,000	\$Nil	June 1995
Common	160,000	2.00	320,000	Nil	March 1996

NOTES TO SALES PURSUANT TO REGULATION D

- (1) All sales were made directly by the Company as issuer. No commissions or underwriting discounts were paid in connection with the sales.
- (2) The class of persons to whom the Company sold the above-referenced securities were individuals or entities whom the Company had reason to believe were either accredited investors within the meaning of Regulation Section 230.501 or were investors having such knowledge and experience in financial and business matters that the purchaser could properly evaluate the risks and merits of the investment.
- (3) All sales as shown above were made to non-U.S. persons.
- (4) The company specifically relied upon compliance with Rule 504 of Regulation D (Regulation Section 230.504). The Company qualified for Rule 504 because all offers and sales were made by the issuer, the Company was not subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, the Company was not an investment company, and the Company was not a development stage company. Further, the Company was in compliance with the conditions as set forth in Regulation Section 230.504(b).

(B) SALES PURSUANT TO REGULATION S

The following sales were made by the Company within the past three (3) years in reliance upon an exemption from the registration requirements of the Securities Act of 1933, as amended, as contained within Regulation S promulgated by the Securities and Exchange Commission:

<TABLE>  
<CAPTION>

Title of Class	Number of Shares	Price per Share	Consideration	Commission	Date
<S>	<C>	<C>	<C>	<C>	<C>
Common	100,000	2.00	200,000	Nil	October 1995
Common	1,000	20.00	Services	Nil	March 1996
Common	151,500	1.00	151,500	Nil	August 1996
Common	105,642	5.00	528,210	32,371	October 1996
Common	35,000	4.00	140,000	7,000	June 1998

NOTES TO SALES PURSUANT TO REGULATION S

- (1) All sales were made directly by the Company as issuer.
- (2) The class of persons to whom the Company sold the above-referenced securities were individuals or entities whom the Company had reason to believe were either accredited investors within the meaning of Regulation Section 230.501 or were investors having such knowledge and experience in financial and business matters that the purchaser could properly evaluate the risks and merits of the investment.
- (3) All sales as shown above were made to non-U.S. persons.

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- (4) The company specifically relied upon compliance with Regulation S as promulgated by the Securities and Exchanges Commission. The Company was in compliance with Category 3 of Rule 903 of Regulation S which provides an issuer safe harbor. Under this Category the Company complied with the two general conditions of Rule 903(a) and (b) and to transactional and offering restrictions by the execution of an investor Subscription Agreement, and the placing of the appropriate restrictive legend on the stock certificate(s).
- (5) The 1,000 common shares issued for services in March 1996, was for work done in connection with the development of a business plan and market research for said business plan. These shares were given to a non related party.

Item 6 MANAGEMENT'S DISCUSSION AND ANALYSIS

(a) OVERVIEW

InterUnion Financial Corporation, ("IUFC" or "InterUnion"), was incorporated on February 7, 1994. InterUnion's strategy is to acquire, when possible, a majority interest in financial services business. InterUnion and its subsidiaries, (collectively the "Company"), also provides bridge financing as part of its investment banking activities. The Company acquires companies or interests in companies for cash but preferably for common shares of the Company with additional incentives for vending shareholders via common share purchase warrant and stock options for management. Since 1994, the Company has acquired:

<TABLE>  
<CAPTION>

Corporation Acquired	Nature of the Company	Date Acquired
<S>	<C>	<C>
Bearhill Limited	Investment Management	January 18, 1995
Guardian Timing Services, Inc.	Investment Management	January 18, 1995
Credifinance Capital Inc.	Investment Company	March 20, 1995

Credifinance Securities Limited	Investment Bank	March 20, 1995
Rosedale Realty Corporation	Real Estate Sales	March 20, 1995
Reeve, Mackay & Associates Ltd.	Auction Sales	May 15, 1995
Leon Frazer, Black & Associates Limited	Investment Management	July 2, 1997
Cluster Asset Management Limited	Investment Management	March 1, 1998
The Glen Ardith-Corporation	Investment Management	March 1, 1998
Black Investment Management Limited	Investment Management	March 31 1998

Note: 1 All companies listed are active with the exception of Rosedale Realty Corporation which was disposed of by the Company pursuant to an assignment in bankruptcy in September 1995 and Reeve, Mackay & Associates Limited which was sold in July 1997.

2 All are consolidated subsidiaries with the exception of Leon Frazer, Black & Associates Limited and Black Investment Management Limited, which are accounted for under the equity method as InterUnion owns 33.3% and 45% respectively, directly. And an additional 14.3% of Leon, Frazer, Black & Associates Limited is owned indirectly by InterUnion.

Due to the business strategy of the Company, it is not expected to generate revenues immediately, funding of operations is mainly effected through private (non registered) sales of common shares under Regulation "D" as promulgated by the United States Securities and Exchange Commission.

The first acquisition in January 1995, allowed the Company to generate some revenues. The following table shows revenues (in 000's) generated by InterUnion itself as well by each of the subsidiaries and affiliates since being acquired by InterUnion, except Rosedale Realty and Reeve Mackay & Associates:

Corporation	FY 1996	FY 1997	FY 1998
Bearhill Limited	30	14	18
Black Investment Management Limited			0
Cluster Asset Management Limited			0
Credifinance Capital Inc.	65	313	406
Credifinance Securities Limited	4,500	3,752	2,440
Guardian Timing Services, Inc.	355	365	371
Leon Frazer, Black & Associates Limited			771
The Glen Ardith-Corporation			102
InterUnion Financial Corporation	900	1,475	(212)
Total	5,850	5,892	3,878

Note The Glen-Ardith Frazer Corporation's ("GAF") revenues are only consolidated as of March 1, 1998. The revenues from Leon Frazer, Black & Associates ("LFB") and Black Investment Management Limited ("BIM") are not consolidated. In addition, their revenues are only as of the Company's investment in LFB on July 2, 1997, GAF on March 1, 1998 and March 31, 1998 for BIM.

Credifinance Capital Inc. ("CFCI") primarily invests its own capital resources. There is no reason to expect any consequential change in attained and projected revenues.

Credifinance Securities Limited ("Credifinance") is an investment bank. Revenues for fiscal 1998 were 35% lower than 1997. For the last two years, investment banking activities have been, when possible diverted towards

InterUnion, while Credifinance redirected its business from an institutional agency trading boutique to a corporate finance one. Efforts have been mainly directed towards the support of InterUnion's activities: reorganization of Receptagen as well as acquisition of asset management companies. Furthermore, during all of 1998, investors feelings towards one of the areas of traditional business for Credifinance, natural resources, has been negative.

Underwriting in junior gold companies has been non existent and another niche sector, oil and gas in the former Soviet Union, which has been a successful part of Credifinance business in 1997, has been reduced due to a downturn in the emerging markets. Management is currently looking at various options which will maintain the revenues from this subsidiary in the \$2-3 million range.

Bearhill Limited ("BHL") is an investment management firm. However, the primary asset of BHL remains its ownership of a computer software program, ITM Software. BHL sold an option to the right of this software to the Bank of Nova Scotia. In order to maintain the option the Bank of Nova Scotia is obligated to pay an annual premium. The premium of C\$50,000 due on April 23, 1998 has not been made, however, the Company continues to manage approximately C\$10 million in funds for the bank. If the option is not exercised, BHL will not be adversely affected.

Black Investment Management Limited ("BIM") is an independent investment counsel. BIM has assets under administration of approximately C\$450 million. The Company has a 45% direct interest in BIM and will be accounting for this investment on the equity basis as of March 31, 1998. Therefore BIM did not have any effect on the Company's performance in fiscal 1998.

Guardian Timing Services Inc. ("GTS") is an independent investment management firm. Assets under management for GTS have risen from C\$20 million at the start of fiscal 1996 to C\$80 million in fiscal 1997 and maintained that level throughout fiscal 1998. This explains the low growth in revenues over the last three fiscal years.

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Leon Frazer, Black & Associates Limited ("LFB") is the second oldest independent counseling and investment management firm in Canada, as it was established in 1939. LFB has assets under administration of approximately C\$250 million. The Company has a one third direct interest in LFB and has been accounting for this investment on the equity basis since July 2, 1997. Since then, LFB's revenues have been \$771,000. BIM also has a one third direct interest in LFB.

Cluster Asset Management Limited ("CAM") is a holding company who's only asset is its investment in The Glen Ardith-Frazer Corporation ("GAF") and therefore it is not expected to contribute revenues. The Company has a 91.55% direct interest and an indirect interest as LFB owns the remaining 8.45%. For the month of March 1998, GAF had revenues of \$102.

The following is a summary of InterUnion's interest in the above mentioned investment management firms.

<TABLE>

<CAPTION>

	Direct	Indirect	Total
	-----	-----	-----
<S>	<C>	<C>	<C>
BHL	100.00%	0.00%	100.00%
BIM	45.00%	0.00%	45.00%
GTS	100.00%	0.00%	100.00%
LFB	33.33%	14.30%	47.63%
CAM	91.55%	4.10%	95.65%

</TABLE>

InterUnion Financial Corporation's revenues for fiscal 1998 were negative due to

the reversal of the unrealized gain on marketable securities that had been previously recognized and not crystallized in fiscal 1998. Without this loss InterUnion's revenues would have been \$613,000 down from \$1,475,000 a year earlier. The decrease is due to InterUnion committing a majority of its resources to Receptagen Ltd. ("RCG"). RCG has deposited with the Ontario Securities Commission an information circular that describes the final stage of the restructuring which shareholders of RCG will be voting on at their Annual and Special General Meeting June 30. InterUnion derives its own revenues primarily from bridge financing and special situations and some limited investment in marketable securities.

There are no assurances that the Company will find acceptable companies for bridge financing in the future and there is no method of forecasting this probability except on a historical basis.

#### Cost of Revenues

The principal elements comprising costs of revenues are: commissions paid out and salaries paid to research analysts and investment managers. In general, non-administrative personnel within InterUnion are remunerated solely on performance, as this permits the Company to keep overhead to a minimum and to maintain a high correlation between its revenues and its personnel costs, as InterUnion and its subsidiaries are extremely labor intensive. Therefore, commissions paid out are the most important expense and generally rise and fall along with revenues of the Company.

Across all of the Company's subsidiaries, the contribution margin (contribution margin is defined as revenues less variable expenses) was 48.4% in fiscal 1998 versus 43.0% in fiscal 1997 and 36.1% in 1996. The increase in margin is primarily due to a shift in Credifinance's revenues from secondary market agency to primary market revenue from corporate finance and underwriting activities. The Company expects to maintain margins in this range due to the stability of its commission payout structure.

#### Interest Income

The Company invests its cash in government issued treasury bills which give rise to interest income. Additional interest income comes from the spread between the interest that the Company receives over

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and above what is paid to its clients on their deposits by its broker dealer clearing agent. This amount is not expected to be significant with respect to revenues on a yearly or quarterly basis.

#### Discontinued Operations

In May 1995, Reeve, Mackay and Associates Ltd. was created to act as the Company's auction subsidiary. Reeve, Mackay recorded operating losses of \$390,829 and \$452,291 in 1997 and 1996 respectively, prior to recording a small profit in the first quarter of 1998. The Company successfully sold its interest in Reeve, Mackay as of July 2, 1997.

#### Interest Expense

The Company's only debt that causes a revenue or an expense arises from its broker/dealer operation and from funds borrowed on a short term basis for its trading activity. This amount is not expected to be significant with respect to revenues on a yearly or quarterly basis.

#### Exposure to International Operations

Although all of the Company's revenues are generated from North America, all of its principal subsidiaries are located in Canada. Therefore, a small foreign exchange risk does exist due to the Canadian dollar. Due to the size of the risk and that each company within the InterUnion Group operates independently of each other, the Company does not purchase any derivative products to offset this risk. In addition, the Company considers North America

as its domestic market.

#### Seasonal

InterUnion Financial Corporation and its subsidiaries do not operate in any business which is affected by changes in season.

#### (b) RESULTS OF OPERATIONS

Fiscal 1997 marked a number of firsts for the Company.

- o The first year as a reporting company, as our Form 10-SB cleared the SEC;
- o The first year that the Company reports solely under US GAAP; and
- o The first year that the Company reported a profit from continuing operations.

Fiscal 1998 was no exception.

- o The first year with only finance services companies with its group;
- o The first year that investment management assets within the group exceeded that of the broker dealer.

Financial highlights are as follows:

<TABLE>  
<CAPTION>

	1998	1997	1996
	-----	-----	-----
<S>	<C>	<C>	<C>
Revenues	3,115,407	5,737,848	5,857,157
Income (loss) from continuing operations		(819,461)	160,676 (75,378)
Discontinued Operations		804,174	(390,829) (429,248)
Net Loss	(15,287)	(230,153)	(504,626)
Assets	48,743,732	38,820,507	9,364,007
Shareholders' Equity	6,692,432	3,639,337	3,033,848
Working Capital	(163,274)	1,750,889	928,268
Common Shares Outstanding	1,654,001	969,714	692,558
Book Value per Share	4.05	3.75	4.38

</TABLE>

#### Fiscal Year 1998 Compared to Fiscal Year 1997

##### (1) Overview

In fiscal 1998, revenues decreased by \$2,622,411 (or 45.7%) over fiscal year 1997. For the year, costs of revenues as a percentage of sales decreased to 65.0% from 67.1% a year earlier. Fixed overhead and non cash expenses increased by \$311,322 or 22.0%. The reduction in revenues and the increase in non variable expenses were too great to be over come by the reduction in cost of sales and caused a loss from operations in the amount of \$819,461 versus a profit of \$160,676 a year earlier. The Company reported a net loss of \$15,287 versus \$230,153 in fiscal 1997. The reduction in the loss is due to the accounting gain of the sale of Reeve, Mackay & Associates Limited. Earnings per share for fiscal 1998 was a loss of \$0.01 versus a loss of \$0.26 a year earlier. The average number of common shares outstanding for the year ending March 31, 1998 is 1,232,100 versus 907,097 a year earlier.

##### (2) Revenues

Revenues decreased by \$2,622,411 (or 45.7%) over fiscal year 1997 (from

\$5,712,183 to \$3,115,407). The decrease came from the activities of Credifinance Securities Limited and the reversal of an unrealized gain of the Company's portfolio of warrants, received as additional compensation for corporate finance mandates. The value of these warrants decreased by approximately \$825,000. Revenues for InterUnion itself also decreased by about \$600,000, due to its concentrating its resources on the restructuring of RCG. Revenues for Credifinance decreased almost \$1,300,000 or 34.5% (from \$3,727,292 to \$2,439,951). The reason why Credifinance's revenues decreased was due to the reduction in investors willingness to invest in small capitalized firms and in the natural resource sector.

### (3) Cost of Revenues

Costs of revenues (Selling, General and Administrative expenditures) for the year decreased by \$1,539,929 or 29.5% to \$3,674,548 from \$5,214,477. This decrease is due to the fact that the Company's principal expense are commission earned as a function of revenues.

### (4) Income from Continuing Operations

Income from continuing operations net of the provision for income taxes, decreased to a loss of \$818,461, or \$0.66 per share, from a profit of \$160,676, or \$0.18 per share, a year earlier. As discussed previously, the decrease in profitability has been attributed to the decrease in the value of the warrant portfolio and reduction in revenues due to investors interest in small capitalized firms. The average number of common shares outstanding for the year ending March 31, 1998 is 1,232,100 versus 900,429 a year earlier. These figures do not include an accounting gain of \$804,174 in fiscal 1998 on the sale of Reeve, Mackay, for which the Company recorded a loss in fiscal 1997 of \$390,829 as discontinued operations.

## Fiscal Year 1997 Compared to Fiscal Year 1996

### (1) Overview

In fiscal 1997, revenues decreased by \$144,974 (or 2.5%) over fiscal year 1996. For the year, costs of revenues as a percentage of sales decreased to 67.1% from 71.8% a year earlier. Fixed overhead and non cash expenses also decreased by 61,082 or 4.2%. These three factors contributed to the Company realizing income from continuing operations of \$160,676 versus a loss of \$75,378 a year earlier. The Company reported a net loss of \$230,153 in 1997 versus a net loss of \$504,626 due to the losses the Company recorded in relation to Rosedale Realty Corporation and Reeve, Mackay & Associates as

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discontinued operations. Excluding these discontinued operations, the Company's earnings per share from continuing operations was \$0.18 versus a loss of \$0.15 a year earlier.

### (2) Revenues

Revenues decreased by \$144,974 (or 2.5%) over fiscal year 1996 (from \$5,857,196 to \$5,712,183). The majority of the decrease came from the activities of Credifinance Securities Limited, the Company's main operating subsidiary, as its revenue decreased almost \$800,000 or 17.8% (from \$4,532,482 to \$3,727,292). The reason why Credifinance Securities' revenues decreased was due to the firm restructuring its efforts from agency activities to corporate finance activities. This decrease was offset by an increase in InterUnion's revenues of almost \$0.6 million or 62.1% (from \$911,094 to \$1,477,062).

### (3) Cost of Revenues

Costs of revenues (Selling, General and Administrative expenditures) for the year decreased by \$515,520 or 9.0% to \$5,214,477 from \$5,729,997. This decrease is due to the fact that the Company's revenues are generated more from underwritings than from buy and sell orders, where it retains a greater percentage, as variable costs decreased to 57.2% of revenues from 63.9% a year earlier. In addition cost cutting of fixed overhead contributed a savings of

approximately \$125,000. The Company was able to cut personnel due to the change in target market.

#### (4) Income from Continuing Operations

Income from continuing operations net of the provision for income taxes, increased to \$160,676, or \$0.18 per share, from a loss of \$75,378, or \$0.15 per share, a year earlier. As discussed above the increase in profitability has been attained by the combination of two things. The Company is deriving its revenues from sources where the commissions to be paid out are less (underwriting versus agency) and the cost savings discussed above. The average number of common shares outstanding for the year ending March 31, 1997 is 900,429 versus 501,335 a year earlier. These figures do not include losses of \$390,829 and \$429,248 in 1997 and 1996 respectively due to the discontinued operations of Reeve, Mackay & Associates Ltd. and Rosedale Realty Corporation.

#### (c) 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 Confidential Private Placement Offerings under Regulation "D" or Regulation "S". The following are details of these private placements during the previous three fiscal years:

<TABLE>

<S> Date	<C> # of Shares	<C> Amount	<C> Type
June 1995	62,500	\$125,000	Regulation "D"
October 1995	100,000	200,000	Regulation "D" & "S"
March 1996	160,000	320,000	Regulation "D"
September 1996	277,142	759,710	Regulation "S"
June 1998	35,000	140,000	Regulation "S"

</TABLE>

When unable, due to market conditions or unfavorable terms, the Company will issue notes payable. Until the acquisition of three investment management firms, with combined assets under administration of approximately C\$1 billion, and the Company's involvement in the restructuring of RCG, the Company did not have any long term debt. The debt that was assumed in the restructuring of RCG has been matched by receivables of similar terms, therefore, eliminating certain risks. The Company is currently seeking to raise additional capital by the issuance of common stock. Proceeds will be used to pay the debt that was issued for the acquisition of these investment management firms.

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The Company also has a credit facility of up to C\$2.35 million available with a Canadian financial institution. As of March 31, 1998 this credit was unused.

The Company plans on reviewing its portfolio of investment management companies in order to maximize shareholders' value.

#### 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.

In addition, there is no significant income or losses that have risen 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.

Year 2000: Management has compiled a list of both internally and externally supplied information systems that utilize imbedded date codes which could experience operational difficulties in the year 2000. The Company uses third



party applications or suppliers for all high level systems and reporting. These systems will either be upgraded and tested to be in compliance for the year 2000 or the Company will take necessary steps to replace the supplier. Management is testing new systems for which it is responsible. It is the Company's objective to be year 2000 compliance for all systems by the end of fiscal 1999, however, no assurances can be given. The Company believes that it has provisioned sufficient amounts to cover future expenditures.

Certain statements constitute "forward looking statements" within the meaning of the Private Securities Litigations Reform Act of 1995. Such forward looking statements involve risks, uncertainties and other factors which may cause the actual results, performance and achievements of the Corporation to be materially different from future results, performance or achievement expressed or implied by such forward looking statements.

#### Item 7 FINANCIAL STATEMENTS

The audited consolidated financial statements for InterUnion Financial Corporation, covering fiscal years ended March 31, 1998 and 1997 are submitted in compliance with the requirements of Item 310 of Regulation S-B.

#### Item 8 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Effective February 24, 1998, InterUnion Financial Corporation ("InterUnion") retained Ahearn Jasco + Company, P.A. ("AJC") of Pompano, FL as its new certifying accountants. AJC, replaced Goldstein Golub Kessler & Company, P.C. ("GGK") of New York. GGK or its Nexia International affiliate Mintz & Partner's ("MP") reported on InterUnion's fiscal 1996 and 1997 financial statements. The 1996 and 1997 opinions contained no adverse opinions or disclaimer of opinions, and was not qualified as to uncertainty, audit scope or accounting principles. The decision to change accountants was recommended by InterUnion's Audit Committee and approved by InterUnion's Board of Directors.

During the last two fiscal years and subsequent interim period to the date of change, there were no disagreements between InterUnion and GGK or its Nexia International affiliate MP on any matters of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to satisfaction of GGK or MP, would have caused it to make a reference to the subject matter of the disagreements in connection with its reports.

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None of the reportable events described in Item 304(a) (1) (ii) occurred with respect to InterUnion within the last two fiscal years and the subsequent interim period to the date of change. During the last two fiscal years and the subsequent interim period to the date of change, InterUnion did not consult AJC regarding any matter or events set forth in Item 304(a) (2) (i) and (ii) of Regulation S-B.

#### PART III

#### Item 9 DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

##### (a) IDENTIFY DIRECTORS AND EXECUTIVE OFFICERS

<TABLE>

<CAPTION>

Name, Municipality of Residence Age Length of Service

-----  
<S>

<C> <C>

Robert W. Crosbie 68 Nominated to Chairman of the Board

Toronto, Ontario

Georges Benarroch 51 Appointed as President and  
Paris, France Member of the Board (Outgoing Chairman)  
March 21, 1994

Selwyn J. Kletz 52 Appointed as Vice-President and  
Toronto, Ontario Member of the Board  
Canada August 18, 1997

Samuel Balloul 52 Nominated as Member of the Board  
Paris, France

Dr. Colin B. Bier 52 Appointed as Member of the Board  
Ville St-Laurent, Quebec August 18, 1997  
Canada

Karen Lynn Bolens 50 Appointed as Member of the Board  
Geneva, Switzerland December 16, 1994

Ann Glover 47 Appointed as Member of the Board  
Toronto, Ontario February 17, 1995  
Canada

T. Jack Gary, III 56 Appointed as Secretary  
West Palm Beach, Florida January 30, 1995

Claude E. Ayache 35 Appointed as Executive Vice-President and  
Toronto, Ontario Chief Financial Officer  
Canada March 2, 1998

</TABLE>

ROBERT W. CROSBIE is nominated to the position of Chairman of the Board of the Company. Mr. Crosbie has been Chairman of the Board of Black Investment Management Limited since 1973.

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GEORGES BENARROCH is the President, Chief Executive Officer of the Company as well as a Director and Chairman of the Audit Committee. He is also the Chief Executive Officer, and Chairman of the Board of Credifinance Securities Limited, President, Chief Executive Officer, and Chairman of the Board of Credifinance Capital Inc. and Chairman of the Board of Guardian Timing Services, Inc. The Glen-Ardith Frazer Corporation and InterUnion Asset Management Limited -- all wholly-owned subsidiaries of the Company. In addition, he is a member of the Board of Directors of, Black Investment Management Limited, Leon Frazer, Black & Associates Limited and Receptagen Limited. He is also the President of Equibank.

Since 1977, Mr. Benarroch has held the position of officer and partner/director with various investment firms and private/public companies in the United States, Canada and Europe. He has been a senior partner and/or seat holder of a member firm of The Toronto Stock Exchange since 1982. His experience covers Euro-financings, venture capital, mining and high tech financings, bridge financings and mergers & acquisitions.

SELWYN J. KLETZ is Vice-President of the Company, as well as a Director. He is also President and a member of the board of The Glen-Ardith Frazer Corporation and InterUnion Asset Management Limited, in addition to being a Director of Black Investment Management Limited, Guardian Timing Services, Inc. And Leon Frazer, Black & Associates Limited. He has also held the position of officer and partner/director with various investment firms and private/public companies in Canada and South Africa. His experience in the investment industry covers research, investment banking, merchant banking, corporate finance and investment management. Mr. Kletz will be devoting 100% of his time to the Company.

SAMUEL BALLOUL will serve as a Director of the Company. Mr. Balloul is in

house counsel for Le Refuge in France since 1975. Mr. Balloul's duties for InterUnion will be limited to his participation at Board Meetings and as a member of the Audit Committee.

DR. COLIN B. BIER serves as a Director of the Company and Receptagen Limited. Since 1990 through and including the present, he has been Managing Director of ABA BioResearch Inc., an independent bio-regulatory consulting firm providing expertise for strategic management and development of biopharmaceuticals. Mr. Bier's duties for InterUnion will be limited to his participation at Board Meetings.

KAREN LYNN BOLENS serves as a Director of the Company. Since 1985 through and including the present time, she has practiced as an associate attorney, specializing in corporate, estate and family law for international clients. Ms. Bolens' duties for InterUnion will be limited to her participation at Board Meetings and as a member of the Audit Committee.

ANN GLOVER serves as a Director of the Company. She is a Director, Secretary/Treasurer and Chief Financial Officer of Credifinance Securities Limited a subsidiary of the Company. Ms. Glover has been an employee of Credifinance Securities Limited since 1991, having held the position of a Director, Secretary/ Treasurer, and Chief Compliance Officer. Ms. Glover will devote approximately 10% of her time to InterUnion as she is also a director and officer of Credifinance Securities Limited.

T. JACK GARY, III is the Secretary of the Company. He is Manager of the West Palm Beach, Florida, office of Raymond James & Associates, a national brokerage firm, having held that position since 1995 as well as a Director. From April 1988 to 1995, Mr. Gary was President and Chief Executive Officer of Crown Capital Advisors, Inc., a company registered as an investment advisor with the Securities and Exchange Commission and with the State of Florida under the Florida Securities and Investor Protection Act. Mr. Gary will devote approximately 10% of his time to his duties as Secretary at InterUnion.

CLAUDE E. AYACHE is the Executive Vice-President and Chief Financial Officer of the Company and Manager of Corporate Finance and Investment Banking (non resources) for Credifinance Securities Limited a subsidiary of the Company. Mr. Ayache has been with the Company since 1995, having held various positions in both administration, sales and corporate finance / investment banking. Mr. Ayache will

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devote all of his time to the affairs of the Company. Prior to joining the Company, Mr. Ayache was Controller for a manufacturer and Director of Finance for an asset based lender for which he was instrumental in their restructuring.

- (1) No director of InterUnion is currently a director of any other reporting company, with the following exception: Georges Benarroch and Dr. Colin B. Bier are directors of Receptagen Limited which is listed on the Toronto Stock Exchange and trades on the NASD OTC Bulletin Board under the symbol RCEPF.
- (2) Under Section 1, ARTICLE III, of the By-Laws, the directors shall serve until the next annual meeting of the stockholders, as prescribed by the Board of Directors, at which time directors are elected by the stockholders.
- (3) In accordance with Item 405 no director, executive officer and beneficial owner of more than ten percent (10%) of any class of equity securities of the Company failed to file on a timely basis reports required by section 16(a) of the Exchange Act during the most recent two fiscal years to the best of the Company's knowledge.

(b) AUDIT COMMITTEE

The Audit Committee had three meetings. The first meeting was to approve the change in auditors. The second meeting was to review the Company's accounting policies with the auditors while the third meeting was to recommend to the

Board of Director that the March 31, 1998 Consolidated Financial Statements be approved and presented to the shareholders.

(c) IDENTIFY SIGNIFICANT EMPLOYEES

The Company does not expect to receive a significant contribution from employees that are not executive officers.

(d) FAMILY RELATIONSHIPS

Currently, there are no directors, executive officers or persons nominated or persons chosen by the Company to become a director or executive officer of the Company who are directly related to an individual who currently holds the position of director or executive officer or is nominated to one of the said positions.

(e) INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

There are no material events that have occurred in the last five years that would affect the evaluation of the ability or integrity of any director, person nominated to become a director, executive officer, promoter or control person of the Company.

(f) COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

For the two fiscal years ended March 31, 1998, to the best of the Company's knowledge no director, executive officer and beneficial owner of more than ten percent (10%) of any class of equity securities of the Company failed to file on a timely basis reports required by section 16(a) of the Exchange Act.

Item 10 EXECUTIVE COMPENSATION

(a) SUMMARY COMPENSATION TABLE

<TABLE>

<CAPTION>

Name and Principal Position	Fiscal Year	Base Salary	Other Bonus	Long Term Compensation	All other Compensation	Total Compensation
Georges Benarroch President & CEO	1998 1997	None None	None None	None None	\$ 30,000(1) None	\$ 30,000 None

Selwyn J. Kletz Vice-President	1998 1997	\$75,245 None	\$60,000(2) None	None None	\$355,000(3) \$ 13,265(4)	\$488,314 \$ 13,265
-----------------------------------	--------------	------------------	---------------------	--------------	------------------------------	------------------------

</TABLE>

- (1) This amount represents life, disability and medical insurance and certain expenses.
- (2) This amount represents 60,000 short term stock options, that was fully exercised.
- (3) This amount represents \$168,200 for life, disability and medical insurance and \$186,800 paid to a company controlled by Mr. Kletz for services.
- (4) This amount was paid to a company controlled by Mr. Kletz for services.

(b) Option/SAR Grants in Last Fiscal Year

<TABLE>

<CAPTION>

Name	Number of Securities Underlying Options/SARs Granted (#)	% of Total		Exercise Price	Expiration Date
		Options/SARs Granted to Employees in Fiscal Year			
<S>	<C>	<C>	<C>	<C>	<C>
Georges Benarroch	0	0.0%		\$0.00	
Selwyn J. Kletz	60,000	44.4%		\$3.00	June 1997

(c) AGGREGATED OPTION/SAR EXERCISE IN LATEST FISCAL YEAR AND FISCAL YEAR END OPTION/VAR VALUES

<TABLE>  
<CAPTION>

Name	Shares Acquired on Exercise(#)	Number of Securities Underlying Unexercised		Value of In-the-Money Option	
		Value Realized	Option at Fiscal Year end Exercisable/Unexercisable	at Fiscal Year end Exercisable/Unexercisable	
<S>	<C>	<C>	<C>	<C>	<C>
Georges Benarroch	0	\$ 0.00	0	0	\$0.00 \$0.00
Selwyn J. Kletz	60,000	\$240,000	0	0	\$0.00 \$0.00

(B) ALL COMPENSATION COVERED

As of the date of this registration statement, the Company has no formal options, warrants, SARs, long-term incentive plans, pension or profit-sharing plans, or other compensation plans, in effect regarding any employees of the Company.

The Company feels that it does not have to include executive compensation for an executive officer of any subsidiary because under Rule 3b-7 under the Exchange Act (17 CFR 240.3b-7) no executive officer(s) of any subsidiary perform(s) policy making functions for the registrant.

As of the date of this registration statement, the Company has no agreement or understanding, express or implied, with any officer or director, or any other person regarding employment with the Company or compensation for services.

Section 14 of ARTICLE III of the By-Laws of InterUnion provides that directors do not receive any stated salary for their services as directors. However, by board resolution, a fixed fee and expenses of attendance may be allowed for each meeting. These limitations do not affect compensation for a person serving as an officer or otherwise for the Company and receiving compensation therefor. The Company's Board of Directors has approved payment of \$1,750 for the services of each of its independent directors for the fiscal year ending March 31,1997.

Item 11 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(a) SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following persons (including any group as defined in Regulation S-B, Section 228.403) are known to InterUnion Financial Corporation, as the issuer, to be the beneficial owner of more than five percent (5%) of any class of the said issuer's voting securities.

<TABLE>

<CAPTION>

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Owner	Percentage of Class
<S>	<C>	<C>	<C>
Common	RIF Capital Inc. (1) Price Waterhouse Centre PO Box 634C St. Michael, Barbados, WI	536,899	31.5%
Common	Selwyn J. Kletz 499 Riverside Drive Toronto, Ontario Canada M6S 4B6	100,000	5.9%
	Total	636,899	37.4%
Preferred A	RIF Capital Inc. (1) Price Waterhouse Centre PO Box 634C St. Michael, Barbados, WI	1,500,000	100.0%

</TABLE>

(1) RIF Capital Inc. is a wholly-owned subsidiary of Equibank Inc. which is wholly-owned by Central Investment Trust. As of January 1998, Safeguardian Limited replaced Georges Benarroch as the sole protector of Central Investment Trust and neither is a beneficiary of the Trust nor its subsidiaries.

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#### (b) SECURITY OWNERSHIP OF MANAGEMENT

The following information lists, as to each class, equity securities beneficially owned by all directors and nominees, and of the directors and nominees of the issuer, as a group.

<TABLE>

<CAPTION>

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Owner	Percentage of Class
<S>	<C>	<C>	<C>
Common	Safeguardian Limited PO Box 316 Jardine House 1 Hesley Street St. Helier, Jersey, UK JE4 8UD	Trustee (voting power of Central Investment Trust)	536,899 31.5%
Common	Robert W. Crosbie 110 Yonge Street, #1701 Toronto, Ontario Canada M5C 1T4		25,404 1.5%
Common	Selwyn J. Kletz 499 Riverside Drive Toronto, Ontario Canada M6S 4B6		100,000 5.9%
Preferred A	Safeguardian Limited PO Box 316 Jardine House 1 Hesley Street St. Helier, Jersey, UK JE4 8UD	Trustee (voting power of Central Investment Trust)	1,500,000 100.0%
Common	Directors and Executive Officers		667,803 39.1%

as a group (4 people)

Preferred A Directors and Executive Officers	1,500,000	100.0%
as a group (1 person)		

</TABLE>

NOTE TO (A) AND (B): As to the beneficial owner(s) of the securities listed above in (a) and (b), no such owner has any right to acquire within sixty (60) days or otherwise, the right to acquire shares from options, warrants, rights, conversion privileges or similar obligations. With the exception of

(c) CHANGES IN CONTROL

Currently, there is no such arrangement which may result in a change in control of the Company.

Item 12 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

(a) CERTAIN RELATED TRANSACTIONS

The Company paid \$186,765 to Witpan Inc. for services rendered in the acquisition of Leon, Frazer, Black & Associates Limited, Cluster Asset Management Limited, The Glen-Ardith Frazer Corporation and Black Investment Limited. In addition, the Company received \$135,850 from Witpan, for investment research services. Witpan is controlled by Mr. Selwyn J. Kletz.

For services rendered in the restructuring of RCG, the Company paid Rif Capital Inc. \$300,000.

In fiscal 1997, the Company acquired an option on all of the issued and outstanding shares of News Research Corporation (see Exhibit 10(vi)) at a cost of \$80,000. The vendors of the option were Rif Capital Inc. and Central Investment Trust. The Company allowed the option to expire in December 1997 and therefore expensed this cost of the option.

Item 13 EXHIBITS AND REPORTS ON FORM 8-K

<TABLE>

<CAPTION>

Exhibit	Page	
Table Number	Exhibit Name	Number
<S>	<C>	<C>
(2)(i)	Unanimous Consent in Lieu of The First Meeting of the Board of Directors of AU 'N AG, INC. (A Delaware Corporation)	+
(2)(ii)	Pre-Organization Subscription and Letter of Non-Distributive Intent	+
(2)(iii)	Plan and Agreement of Merger	+
(2)(iv)	Certificate of Merger, dated February 15, 1994	+
(3)(i)	Certificate of Incorporation of AU 'N AG, INC. Dated February 15, 1994	+
(3)(ii)	Certificate of Amendment of Certificate of Incorporation of AU 'N AG, INC. Dated April 11, 1994	+
(3)(iii)	Certificate of Amendment of Certificate of Incorporation of AU 'N AG, INC. Dated April 11, 1994	+
(3)(iv)	Bylaws of InterUnion Financial Corporation	+
(4)	Instruments Defining the Rights of Security Holders Including Indentures	+
(10)(i)	ITM Software Development Agreement	+
(10)(ii)	Letter of Understanding (iITM Option Agreement) dated November 30, 1995	+
(10)(iii)	Investment Management Agreement	+
(10)(iv)	Agreements (Havensight/InterUnion)	+
(10)(v)	Amendment to the Letter of Understanding (iITM Option Agreement), dated April 16, 1997	+

</TABLE>

<TABLE>		
<S>	<C>	<C>
(10)(vi)	Letter of Understanding (New Researches Corporation)	+
(10)(vii)	Letter Agreement (Receptagen, Ltd.)	+
(16)	Letter on change in certifying accountant	++
(21)	Subsidiaries of InterUnion	E - 1
(27)	Financial Data Schedule	E - 2

<TABLE>	
<S>	<C>
+	Incorporated by reference to the Company's Registration Statement on Form 10-KSB filed on June 20, 1997.
++	Incorporated by reference to the Company's Registration Statement on Form 8-K filed on March 3 1998.

SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

INTERUNION FINANCIAL CORPORATION  
(Registrant)

Date: June 26, 1998                      By: /s/ Georges Benarroch

-----  
Georges Benarroch  
President, Chief Executive Officer  
Chairman, Board of Directors

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in their capacities on the dates indicated.

<TABLE>		
<CAPTION>		
Signature	Title	Date
-----	-----	-----
<S>	<C>	<C>
/s/ Georges Benarroch	President, Chief Executive Officer, Chairman, Board of Directors	June 26, 1998
----- Georges Benarroch		-----
/s/ Claude E. Ayache	Executive Vice - President and Chief Financial Officer	June 26, 1998
----- Claude E. Ayache		-----
/s/ Karen Lynn Bolens	Director	June 26, 1998
----- Karen Lynn Bolens		-----



INTERUNION FINANCIAL CORPORATION  
CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 1998 and 1997

INTERUNION FINANCIAL CORPORATION  
MARCH 31, 1998 and 1997

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To The Directors and Shareholders,  
InterUnion Financial Corporation

We have audited the accompanying consolidated balance sheet of InterUnion Financial Corporation and its subsidiaries as of March 31, 1998, and the related consolidated statements of operations, shareholders' equity, and cash flows for the year 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 audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of InterUnion Financial Corporation and its subsidiaries as of March 31, 1998, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

We also audited the adjustments described in Note 2 that were applied to restate basic and diluted earnings per share in the March 31, 1997 consolidated financial statements in accordance with Statement of Financial Accounting Standards No. 128, Earnings per Share. In our opinion, such adjustments are appropriate and have been properly applied.

Ahearn, Jasco + Company, P.A.

Pompano Beach, Florida  
May 29, 1998

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#### INDEPENDENT AUDITOR'S REPORT

To The Directors and Shareholders,  
InterUnion Financial Corporation

We have audited the accompanying consolidated balance sheet of InterUnion Financial Corporation as of March 31, 1997 and the related consolidated statements of operations, shareholders' equity and cash flows for the year then ended (prior to the effects on such financial statements of the adoption of Statement of Financial Accounting Standards ("SFAS") No. 128, Earnings per Share, and the resultant restatement of the Company's earnings per share for the year ended March 31, 1997 as discussed in Note 2). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting

the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of InterUnion Financial Corporation as of March 31, 1997 and the results of its consolidated operations and its cash flows for the year then ended (prior to the effects on such financial statements of the adoption of SFAS No. 128, and the resultant restatement of the Company's earnings per share for the year ended March 31, 1997 as discussed in Note 2) in conformity with generally accepted accounting principles.

Goldstein Golub Kessler & Company, P.C.

New York, New York  
May 14, 1997

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INTERUNION FINANCIAL CORPORATION  
CONSOLIDATED BALANCE SHEETS

<TABLE>  
<CAPTION>  
MARCH 31,

1998      1997

---

A S S E T S

<S>	<C>	<C>
CURRENT ASSETS		
Cash and cash equivalents	\$2,873,731	\$349,738
Due from brokers and dealers	2,012	166,062
Due from clients	715,871	5,967,989
Marketable securities	35,169,986	29,457,965
Accounts receivable	882,491	226,663
Refundable income taxes	7,789	22,197
Notes receivable, current portion	616,579	---
Prepaid expenses and other current assets	56,733	151,483
	-----	-----
Total current assets	40,325,192	36,342,097
	-----	-----

OTHER NON-CURRENT ASSETS

Property & equipment, net	1,425,192	1,609,905
Notes receivable, non-current portion	952,106	---
Other long-term assets	84,710	256,945
Investment in unconsolidated affiliates	3,488,322	---
Goodwill, net	2,468,210	394,332
Net assets related to discontinued operations	---	217,228
	-----	-----
Total non-current assets	8,418,540	2,478,410

Total Assets	\$48,743,732	\$38,820,507
--------------	--------------	--------------

</TABLE>

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See Notes to Consolidated Financial Statements F - 4

INTERUNION FINANCIAL CORPORATION  
CONSOLIDATED BALANCE SHEETS

<TABLE>  
<CAPTION>  
MARCH 31,

1998 1997

LIABILITIES

<S>	<C>	<C>		
CURRENT LIABILITIES				
Due to brokers and dealers	\$34,663,322	\$33,012,864		
Due to clients	3,057,747	1,320,874		
Accounts payable and accrued liabilities	1,063,956	257,470		
Notes payable, current portion	1,703,441	---		
	-----	-----		
Total current liabilities	40,488,466	34,591,208		
LIABILITIES RELATED TO DISCONTINUED OPERATIONS			---	504,962
OTHER LIABILITIES	77,033	---		
NOTES PAYABLE, long-term portion		1,485,801	---	
DEFERRED INCOME TAXES		---	85,000	
	-----	-----		
Total liabilities	42,051,300	35,181,170		

</TABLE>

COMMITMENTS AND CONTINGENCIES

SHAREHOLDERS' EQUITY

<S>	<C>	<C>		
CAPITAL STOCK AND ADDITIONAL PAID-IN CAPITAL				
Class A Preferred Stock, \$0.10 par value				
Authorized - 1,500,000 shares				
Issued and outstanding - 1,500,000		150,000	150,000	
Class B Preferred Stock, \$0.10 par value				
Authorized - 1,000 shares				
Issued and outstanding - None		---	---	
Class C Preferred Stock, \$0.10 par value				
Authorized - 1,000 shares				
Issued and outstanding - None		---	---	

Common Stock, \$0.001 par value		
Authorized - 2,500,000 shares		
Issued and outstanding - 1,654,001 in 1998,		
969,714 in 1997	1,654	970
Additional Paid-In Capital	8,119,397	5,055,845
ACCUMULATED DEFICIT	(1,573,568)	(1,558,281)
CUMULATIVE TRANSLATION ADJUSTMENT	(5,051)	(9,197)
	-----	-----
Total shareholders' equity	6,692,432	3,639,337
	-----	-----
Total Liabilities and Shareholders' Equity	\$48,743,732	\$38,820,507
	=====	=====

</TABLE>

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See Notes to Consolidated Financial Statements F - 5

INTERUNION FINANCIAL CORPORATION  
CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>  
<CAPTION>

FOR THE YEARS ENDED MARCH 31, 1998 1997

<S>	<C>	<C>
REVENUES		
Investment Banking	\$2,642,958	\$5,346,503
Investment Management	370,871	365,680
Interest income	101,578	25,665
	-----	-----
	3,115,407	5,737,848
	-----	-----
EXPENSES		
Selling, General and Administrative	3,674,548	5,214,477
Depreciation and Amortization	240,886	240,912
Foreign exchange loss	17,361	31,067
Interest expense	76,627	2,631
	-----	-----
	4,009,422	5,489,087
	-----	-----
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND EQUITY IN NET EARNINGS (LOSSES) OF UNCONSOLIDATED AFFILIATES	(894,015)	248,761
EQUITY IN NET EARNINGS (LOSSES) OF UNCONSOLIDATED AFFILIATES	(8,310)	---
BENEFIT (PROVISION) FOR INCOME TAXES	82,864	(88,085)
	-----	-----
INCOME (LOSS) FROM CONTINUING OPERATIONS	(819,461)	160,676

GAIN (LOSS) FROM DISCONTINUED OPERATIONS	691	(390,829)
GAIN ON DISPOSITION OF SUBSIDIARY	803,483	---

NET LOSS	\$ (15,287)	\$ (230,153)
----------	-------------	--------------

EARNINGS (LOSS) PER COMMON SHARE - Basic		
Continuing operations	\$ (0.66)	\$ 0.18
Discontinued operations	\$ 0.65	\$ (0.43)
Net loss	\$ (0.01)	\$ (0.25)

Weighted average common shares outstanding	1,232,100	899,859
--	-----------	---------

EARNINGS (LOSS) PER COMMON SHARE - Diluted		
Continuing operations	\$ (0.66)	\$ 0.16
Discontinuing operations	\$ 0.48	\$ (0.43)
Net loss	\$ (0.01)	\$ (0.25)

Weighted average common shares outstanding	1,671,568	985,951
--	-----------	---------

</TABLE>

See Notes to Consolidated Financial Statements

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INTERUNION FINANCIAL CORPORATION  
CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

FOR THE YEARS ENDED MARCH 31, 1998 AND 1997

<TABLE>  
<CAPTION>

	Number of Shares	Amount	Additional Paid-in Capital	Share Capital Totals	
<S>	<C>	<C>	<C>	<C>	<C>
Preferred Shares					
Balances,					
March 31, 1997 & 1998	1,500,000	\$ 150,000	\$ ---	\$ 150,000	
Common Shares					
Balance, March 31, 1996	692,558	693	4,211,283	4,211,976	
Adjustment, reverse split	14	---	---	---	
Issued during the year					
net of issue costs	277,142	277	727,062	727,339	
Compensation related to					

stock options	---	---	117,500	117,500	
Balance, March 31, 1997	969,714		970	5,055,845	5,056,815
Issued during the year					
Exercise of warrants	15,000		15	89,985	90,000
Exercise of options	60,000		60	179,940	180,000
Investments	659,287		659	3,002,327	3,002,986
Cancellation	(50,000)		(50)	(268,700)	(268,750)
Compensation related to stock options	---	---		60,000	60,000
Balance, March 31, 1998	1,654,001		1,654	8,119,397	8,121,051
Total Share Capital		\$151,654		\$8,119,397	\$8,271,051

</TABLE>

<TABLE>

<S>	<C>	<C>		
	Cumulative Foreign Currency Translation		Adjustment	Deficit
Deficit and Foreign currency translation adjustment				
Balance, Mach 31, 1996	\$ ---		\$(1,328,128)	
Foreign currency translation adjustment	(9,197)		---	
Net loss for fiscal	---		(230,153)	
Balance, March 31, 1997		(9,197)	(1,558,281)	
Foreign currency translation adjustment		4,146	---	
Net loss for fiscal 1998		---	(15,287)	
Balance, March 31, 1998		\$ (5,051)	\$(1,573,568)	

</TABLE>

See Notes to Consolidated Financial Statements

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INTERUNION FINANCIAL CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>

<CAPTION>

FOR THE YEARS ENDED MARCH 31, 1998 1997

<S>

<C>

<C>

CASH FLOWS FROM OPERATING ACTIVITIES

Net loss		\$(15,287)	\$(230,153)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities			
Depreciation and amortization		240,886	240,912
Gain on disposal of discontinued operations		(804,174)	---
Non cash compensation - stock options		60,000	117,500
Deferred income taxes		(85,000)	85,000

Unrealized loss (gain) in marketable securities	159,831	(529,854)
	-----	-----
	(443,744)	(316,595)
Changes in operating assets and liabilities net of effects from the purchase of Cluster Asset Management Limited		
Increase in due to/from brokers and dealers, net	1,814,508	31,515,327
Decrease (increase) in due to/from client, net	6,988,991	(5,588,459)
Increase in marketable securities	(5,871,852)	(26,352,526)
Increase in accounts receivable and other assets	(452,610)	(184,970)
Increase (decrease) in accounts payable and accrued liabilities	633,103	(56,560)
Increase (decrease) in assets and liabilities related to discontinued operations	(287,734)	129,296
	-----	-----
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	2,380,662	(854,487)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds on issuance of capital stock	270,000	727,339
Proceeds (repayment) of notes payable	1,508,712	(119,462)
	-----	-----
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,778,712	607,877
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment, net	(2,032)	(10,866)
Purchase of long-term investments, net	(485,336)	(66,945)
Investment in notes receivable	(1,299,935)	---
	-----	-----
NET CASH USED IN INVESTING ACTIVITIES	(1,787,303)	(77,811)
	-----	-----
NET INCREASE (DECREASE) IN CASH	2,372,071	(324,421)
CASH AND CASH EQUIVALENTS - Beginning of Year	349,738	674,159
CASH ACQUIRED ON ACQUISITION OF SUBSIDIARY	151,922	---
	-----	-----
CASH AND CASH EQUIVALENTS - End of Year	\$2,873,731	\$349,738
	=====	=====

</TABLE>

For supplemental disclosure information for the Consolidated Statement of Cash flows, see note 15.

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See Notes to Consolidated Financial Statements F - 8

INTERUNION FINANCIAL CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 1998 AND 1997

---

1. ORGANIZATION AND BASIS OF PRESENTION

Description of Business: InterUnion Financial Corporation ("IUFC") and its



subsidiaries (collectively the "Company") are engaged in financial services with activities in investment banking, securities brokerage, and money management.

**Principles of Consolidation:** The consolidated financial statements include the accounts of IUFC and all wholly owned and majority owned subsidiaries from their respective dates of acquisition, after the elimination of all significant intercompany transactions and balances. The consolidated subsidiaries of IUFC are Bearhill Limited, Cluster Asset Management Limited, Credifinance Capital Inc., Credifinance Securities Limited, Guardian Timing Services Limited, I & B Inc., Marbury Trading Corporation, and The Glen-Ardith Frazer Corporation. Investments in affiliates, representing 20% to 50% of the ownership, are accounted for under the equity method. Under the equity method, the Company records its proportionate share of income (loss) of the affiliate (net of the amortization of the excess of the purchase price over the net assets acquired) to results of operations, with this amount either added to (deducted from) the cost of the investment. Dividends received from affiliates who are accounted for on the equity basis are deducted from the carrying value of the investment. Equity method affiliates are Black Investment Management Limited and Leon Frazer, Black & Associates Limited. Investments in affiliates representing less than 20% ownership are accounted for under the cost method; this affiliate is Receptagen Ltd.

**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 and disclosure of contingent assets and liabilities at the dates of the financial statements and reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates and assumptions.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Cash and Cash Equivalents:** Cash and cash equivalents include demand deposits with banks, money market accounts, and other short term investments with original maturities of 90 days or less. Balances of cash and cash equivalents in financial institutions may at times exceed the government insured limits.

**Marketable Securities:** The Company classifies its marketable securities into one of three categories: trading, held to maturity, or available for sale. Trading securities, which are bought and held primarily for the purpose of selling them in the near term, are recorded at fair value with gains and losses included in earnings. Held-to-maturity securities, which are securities that the Company has the ability and the intent to hold until maturity, are recorded at amortized cost and adjusted for amortization or accretion of premiums or discounts. All other investments in marketable securities not classified as either trading or held-to-maturity are classified as available-for-sale and are reported at fair value. Unrealized gains and losses on securities classified as available for sale are reported as a separate component of shareholders' equity until realized. Market values of marketable securities are based on the last day of the fiscal year. A decline in market value of any available-for-sale or held-to-maturity security below cost that is deemed other than temporary is charged to earnings, resulting in the establishment of a new cost basis for the security.

**Security Transactions:** Security transactions are recorded in accordance with industry practice in the accounts on trade date. Commission income and related expenses for transactions executed but not yet settled are accrued as of the financial statement date.

In accordance with Canadian industry practice, the balances due from and to brokers, dealers and clients may include the trading balances of clients at the end of the reporting period and may not be an indication of the investment activity of the Company. These balances are due to the Company's ownership of Credifinance Securities Limited, a Canadian broker/dealer. These balances may fluctuate significantly.

INTERUNION FINANCIAL CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 1998 AND 1997

---

**Property and Equipment:** Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using straight line and accelerated methods over the estimated useful lives of the asset.

**Other Long-Term Assets:** Stock exchange seats are recorded at cost and are included in other long-term assets. Declines in market value are only recorded when there is an indication of permanent decline in value.

**Goodwill:** Following purchase accounting for businesses acquired, goodwill represents the excess of the purchase price over the fair value of the net assets acquired, and is being amortized over a period of 20 years on a straight line basis. Accumulated amortization as of March 31, 1998 and 1997 was \$74,240 and \$43,816, respectively.

**Long-lived Assets:** As prescribed by the Statement of Financial Accounting (SFAS) No. 121, "Accounting for the Impairment of Long-lived Assets and for Long-lived Assets to be Disposed of," the Company assesses the recoverability of its long-lived assets (including goodwill) by determining whether the asset balance can be recovered over the remaining depreciation or amortization period through projected undiscounted future cash flows. As of March 31, 1998, no impairment of any asset was recognized.

**Fair Value of Financial Assets:** The carrying value of cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, notes receivable and notes payable approximates the fair value. In addition, unless described elsewhere, the carrying value of all financial assets approximate fair value based on terms and interest rates currently available to the Company.

**Income Taxes:** The Company provides for federal and state income taxes currently payable, as well as for those deferred because of timing differences between reporting income and expenses for financial statement purposes versus tax purposes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates is recognized as income or expense in the period that includes the enactment date.

The Company and its eligible subsidiaries file consolidated U.S. federal tax income returns. Non-U.S. subsidiaries, which are consolidated for financial reporting, are not eligible to be included in consolidated U.S. federal income tax returns, and therefore separate provisions for income taxes have been determined for these entities. Except for return of capital and selected dividends, the Company intends to reinvest the unremitted earnings of its non-U.S. subsidiaries and postpone their remittance indefinitely. Accordingly, no provision for U.S. income taxes for non-U.S. subsidiaries was required for any year presented.

**Translation of Foreign Currencies:** In accordance with SFAS No.52, *Foreign Currency Translation*, the financial statements of certain subsidiaries of the Company are measured using local currency as the functional currency. Assets and liabilities have been translated at current exchange rates and related revenue and expenses have been translated at average monthly exchange rates. Gains and losses resulting from the translation of subsidiaries financial statements are included as a separate component of shareholders' equity. Any gains or losses resulting from foreign currency transactions are included in results of operations.

INTERUNION FINANCIAL CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 1998 AND 1997

---

Earnings per Share: Net Income (loss) per share is reported in accordance with SFAS No. 128, "Earnings Per Share". SFAS No. 128 requires dual presentation of basic earnings per share ("EPS") and diluted EPS on the face of all statements of earnings issued for periods ending after December 15, 1997, for all entities with complex capital structures. In accordance with SFAS No. 128, the EPS computation for March 31, 1997 has been restated. Basic EPS is computed by dividing income (loss) available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur from common shares issuable through the exercise or conversion of stock options, restricted stock awards, warrants and convertible securities. In certain circumstances, the conversion of these options, warrants and convertible securities are excluded from diluted EPS if the effect of such inclusion is anti-dilutive. The numerators of EPS computations are as reported in the statement of operations; the denominators include the effects of the Common Share equivalents of outstanding warrants and stock options which total 439,468 for 1998 and 86,092 for 1997.

Stock Based Compensation: The Company accounts for employee stock options in accordance with Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees". Under APB No. 25, the Company applies the intrinsic value method of accounting. SFAS No. 123, "Accounting for Stock-Based Compensation", prescribes the recognition of compensation expense based on fair value of options determined on the grant date. However, SFAS No. 123 allows companies currently applying APB No. 25 to continue applying the intrinsic value method under APB No. 25. For companies that continue in applying the intrinsic value method, SFAS No. 123 mandates certain pro forma disclosures as if the fair value method had been utilized. (See Note 6)

Pending Accounting Pronouncements: In June 1997, the Financial Accounting Standards Board ("FASB") issued SFAS No. 130, "Reporting Comprehensive Income" and SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." SFAS No. 130 and SFAS No. 131 are effective for fiscal years beginning after December 15, 1997 and the Company does not believe that adoption of these standards will have a material impact on the Company's results of operations.

Other: Certain amounts on the 1997 financial statements have been reclassified to conform with the 1998 presentation. All amounts in these financial statements are in United States dollars unless indicated with a "C" to represent Canadian dollar presentation.

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/Continued...

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INTERUNION FINANCIAL CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 1998 AND 1997

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3. MARKETABLE SECURITIES

<TABLE>  
<CAPTION>  
As of March 31, 1998

	Cost	Original Value	Carrying Value	Market
<S>	<C>	<C>	<C>	
Trading securities	\$35,335,725	\$35,169,986	\$35,169,986	\$35,169,986
Available for Sale	---	---	---	
Held to maturity	---	---	---	
Total	\$35,335,725	\$35,169,986	\$35,169,986	\$35,169,986

</TABLE>

<TABLE>  
<CAPTION>  
As of March 31, 1997

	Cost	Original Value	Carrying Value	Market
<S>	<C>	<C>	<C>	
Trading securities	\$29,006,131	\$29,457,965	\$29,457,965	\$29,457,965
Available for Sale	---	---	---	
Held to maturity	---	---	---	
Total	\$29,006,131	\$29,457,965	\$29,457,965	\$29,457,965

</TABLE>

<TABLE>  
<CAPTION>

For the year ending March 31,	1998	1997
<S>	<C>	<C>
Proceeds from securities classified as available for sale		--- 2,500,000
Gross realized gains (losses) from securities classified as available for sale	---	335
Gross realized gains (losses) due to change in classification to trading from available for sale		---
Change in net unrealized gains (losses) on available for sale securities	---	---
Change in net unrealized gains (losses) on trading securities included in revenues	(159,831)	529,854

</TABLE>

#### 4. PROPERTY AND EQUIPMENT

<TABLE>  
<CAPTION>

	March 31	
	1998	1997
<S>	<C>	<C>
Computer hardware and software	\$126,595	\$104,046
ITM Computer software	1,924,443	1,924,443
Furniture, fixtures and equipment	70,650	69,786
Leasehold improvements	1,735	1,735
Total cost	2,123,423	2,100,010
Less: accumulated depreciation	692,231	490,105
	\$1,425,192	\$1,609,905

</TABLE>

Depreciation expense amounted to \$210,462 and \$219,444, respectively, for

/Continued...

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INTERUNION FINANCIAL CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 1998 AND 1997

5. NOTES RECEIVABLE

<TABLE>  
<CAPTION>

	1998	1997	
	-----	-----	
<S>	<C>	<C>	
Note receivable from Receptagen Ltd. with no minimum periodic payment, due September 15, 1998 plus interest at the rate of 11%, loan is secured by a pledge on all of the intellectual property	\$616,579	\$ ---	---
Note receivable from Receptagen Ltd. with no minimum periodic payment, no maturity and no rate of interest (\$292,229 + C\$494,431); see notes payable for corresponding obligation	641,255	---	---
Note receivable from the purchaser of the Company's auction subsidiary with no minimum periodic payment, due June 30, 2002 plus interest at the rate of 5.5%; purchaser may prepay any amount with no penalty	310,851	---	---
	-----	-----	
Total	1,568,685	---	
Less: current portion	616,579	---	
	-----	-----	
Non-current portion	\$952,106	\$ ---	
	=====	=====	

</TABLE>

The fair value of the non-interest bearing notes receivable from Receptagen Ltd., as well as the corresponding obligation described in note 6, cannot be determined because of the unique nature of these instruments.

6. NOTES PAYABLE

<TABLE>  
<CAPTION>

	1998	1997	
	-----	-----	
<S>	<C>	<C>	
Note payable, non-interest bearing, to the former shareholders of The Glen-Ardith Frazer Corporation with no minimum periodic payment, \$662,412 and \$476,857 due June 2, 1998 and August 29, 2000 respectively; discounted for recording using a rate of 8%	\$1,139,269	\$ ---	---
Note payable with no minimum periodic payment, due September 15, 1998 plus interest at the rate of 11%, 265,750 common shares issued as collateral	616,579	---	---
Note payable to the co developer of Receptagen Ltd.'s research with no minimum periodic payment, no maturity and no rate of interest (\$292,229 + C\$494,431); see note receivable for corresponding asset	641,255	---	---
Note payable, non-interest bearing, to the former shareholders of Leon Frazer, Black & Associates Limited with no minimum periodic payment, \$414,964 and \$377,205 due July 2, 1998 and 1999 respectively; discounted for recording using a rate of 8%	792,169	---	---

Total	3,189,242	---
Less: current portion	1,703,441	---
Long-term portion	\$1,485,801	\$ ---

</TABLE>

A portion of the note due to the former shareholders of Leon Frazer, Black & Associates Limited ("LFB") was assumed when IUFC invested in Black Investment Management Limited ("BIM"). (See Note 7)

The Company has a credit facility of up to C\$2.35 million available with a Canadian financial institution. As of March 31, 1998 this credit facility was unused.

/Continued...

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INTERUNION FINANCIAL CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 1998 AND 1997

7. ACQUISITIONS AND EQUITY INVESTMENTS

Leon Frazer, Black & Associates Ltd.: On July 2, 1997, IUFC acquired a one third interest in all of the issued and outstanding shares of Leon Frazer, Black & Associates Ltd. ("LFB") for cash of C\$650,000, notes payable of C\$550,000 and acquisition costs of \$170,000.

This investment will be accounted for using the equity method. The difference between the carrying value of this investment and the underlying equity in net assets is \$1 million, and this amount will be amortized to equity in earnings of unconsolidated affiliates over 20 years. During fiscal 1998, \$37,800 was amortized.

Cluster Asset Management Limited: Effective March 1, 1998, IUFC acquired a 91.55% direct interest in all of the issued and outstanding shares of Cluster Asset Management Limited ("CAM") for 213,194 IUFC common shares and 106,597 share purchase warrants of valued at \$852,776, assumption of debt valued at \$1,197,924 and acquisition costs of \$59,768. Each share purchase warrant entitles the holder to acquire an additional share of IUFC common stock at \$5.00 within two years. The acquisition has been accounted for using the purchase method and, accordingly, the purchase price has been allocated to the assets purchased and the liabilities assumed based upon the fair values at the date of acquisition. The excess of the purchase price over the fair value of the net assets acquired was \$2.07 million and has been recorded as goodwill, which will be amortized over 20 years. During fiscal 1998, \$8,516 was amortized.

The net purchased price was allocated as follows:

<TABLE>

<S>	<C>
Working capital	\$19,945
Property and equipment	21,085
Goodwill	2,069,438
Purchase price	\$2,110,468

</TABLE>

CAM's sole asset is a Canadian money management firm, The Glen Ardith-Frazier Corporation ("GAF"), which was acquired by CAM in September 1997. IUFC, in addition to its 91.55% direct interest, has an additional indirect ownership of 4.08% of CAM through its interest in LFB, as LFB owns directly the 8.45% not owned by IUFC.

Subsequent to year end, CAM changed its name to InterUnion Asset Management Limited ("IUAM").

Black Investment Management Limited.: Effective March 31, 1998, IUFC acquired a 45% direct interest in all of the issued and outstanding shares of Black Investment Management Limited ("BIM") for cash of \$202,480, 216,640 shares of IUFC common stock valued at \$788,570, assumption of notes payable of \$430,806 and acquisition costs of \$67,151.

This investment will be accounted for using the equity method. The difference between the carrying value of this investment and the underlying equity in net assets is \$1.3 million, and this amount will be amortized to equity in earnings of unconsolidated affiliates over 20 years. During fiscal 1998, no amount was amortized.

A stand still agreement exists between the shareholders of BIM, whereby IUFC agrees not to acquire additional shares in BIM until April 18, 1999.

/Continued...

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INTERUNION FINANCIAL CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 1998 AND 1997

BIM holds a 31.7% direct ownership interest in LFB, which it acquired in July 1997. As a result, IUFC acquired (1) an additional indirect interest in LFB of approximately 14.3% through its investment in BIM, and (2) an additional 1.3% indirect ownership of IUAM through BIM's ownership in LFB. In summary, as a result of the above transactions, IUFC has the following ownership in these entities:

<TABLE>  
<CAPTION>

	Direct	Indirect	Total
<S>	<C>	<C>	<C>
BIM	45.0%	0.0%	45.0%
LFB	33.3%	14.3%	47.6%
IUAM	91.55%	4.1%	95.65%

</TABLE>

The following table summarizes, on an unaudited proforma basis, the combined results of the Company had the acquisition of consolidated affiliates had taken place at the beginning of fiscal 1998. Appropriate proforma adjustments have been made to reflect the accounting used in recording these acquisitions. This pro-forma information does not purport to be indicative of the results of operations that would have been resulted had the acquisitions been in effect for the entire periods presented, and is not intended to be a projection of future results or trends.

<TABLE>

<S>	<C>
Proforma earnings data, 12 months to March 31, 1998	
Revenue	\$4,057,806
Loss from continuing operations	(821,212)

Net loss	(17,083)
Loss per share	(0.01)

The following table reflects, on an audited and unaudited pro-forma basis, certain summarized financial information with regards to IUFC's equity method affiliates.

<TABLE>  
<CAPTION>

	LFB		BIM	
	12 Months Ended		12 Months Ended	
	Dec 31/97	Mar 31/98	Dec 31/97	Mar 31/98
	Audited	Unaudited	Audited	Unaudited
<S>	<C>	<C>	<C>	<C>
Assets	\$250,747	\$ 357,134	\$816,759	\$730,269
Liabilities	206,824	300,513	883,257	291,938
Revenues	909,170	811,051	918,856	929,233
Net Income	58,292	41,206	14,903	45,022

## 8. CAPITAL STOCK

On May 17, 1996, the shareholders' of the Company approved a twenty (20) to one (1) reverse stock split. All references to number of shares and exercise prices have been adjusted accordingly. In addition, at the 1997 annual and special shareholders meeting, shareholders' approved a reduction to the authorized number of shares that may be issued for each class.

/Continued...

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### INTERUNION FINANCIAL CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 1998 AND 1997

Currently, the number of shares authorized to be issued under each class of stock is:

- 1,500,000 Class A Preferred Shares, (\$0.10 par value), entitled to 100 votes for every one share issued, annual dividends, if declared by the directors, at a rate of \$0.01 per share, non-cumulative
- 1,000 Class B Preferred Shares, (\$0.10 par value), non-voting, annual dividends, if declared by the directors, at a rate to be determined by the directors at the first issuance of these shares, non-cumulative
- 1,000 Class C Preferred Shares, (\$0.10 par value), non-voting, annual dividends, if declared by the directors, at a rate to be determined by the directors at the first issuance of these shares, non-cumulative. These shares are convertible into common stock at terms determined by the directors when these shares are issued.
- 2,500,000 Common shares (\$0.001 par value), each share has one vote

During fiscal 1997, the Company issued 277,142 shares of common stock for gross proceeds of \$759,142. Of these shares, 105,642 had common share purchase warrants attached to them. Each warrant entitles the holder to purchase 1 additional common share at \$6.00 within one year. A value of \$78,175 was assigned to the warrants.

During fiscal 1998, the Company issued 659,287 shares of common stock and 106,597 common stock purchase warrants for investments in affiliates (see note



7 & 13). The Company issued 60,000 and 15,000 shares of common stock upon the exercise of stock options and warrants. In addition, the Company cancelled 50,000 shares that it received in reduction of the note receivable from the purchaser of Reeve, Mackay & Associates Ltd.

Subsequent to year end the Company issued 35,000 shares of common stock and 17,500 common share purchase warrants for net proceeds of \$133,000, and 17,002 shares of common stock as per its agreement with Receptagen Ltd, for which it will receive additional units from Receptagen Ltd.

#### 9. STOCK OPTIONS AND WARRANTS

The Company currently issues stock options at the direction of the Board of Directors. To date, non-qualified stock options have been granted to select key employees under terms and conditions determined by the Board of Directors at the time the options are issued.

Presented below is a summary of stock option plan activity:

<TABLE>  
<CAPTION>

	Wt. Avg. Exercise		Wt. Avg. Options Exercise	
	Number	Price	Exercisable	Price
<S>	<C>	<C>	<C>	<C>
Balance, April 1, 1996		--	--	--
Granted	190,000	4.00	190,000	4.00
Balance, April 1, 1997	190,000	4.00	190,000	4.00
Cancelled	145,000	4.00	145,000	4.00
Granted	135,000	3.56	135,000	3.56
Exercised	60,000	3.00	190,000	3.00
Balance, March 31, 1998	120,000	\$4.00	120,000	\$4.00

</TABLE>

/Continued...

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INTERUNION FINANCIAL CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 1998 AND 1997

Options and warrants outstanding and exercisable at March 31, 1998, as well as those issued subsequent to March 31, 1998 are as follows:

<TABLE>  
<CAPTION>

Outstanding			Exercisable		
Price	Number	Life	Exercise Price	Number	Price
<S>	<C>	<C>	<C>	<C>	<C>
\$4.00	70,000	<1	4.00	70,000	4.00
4.00	106,597	<2	\$4.00	106,597	\$4.00
5.00	17,500	<2	5.00	17,500	5.00
4.00	50,000	<2	4.00	75,000	4.00

5.00 213,482 <2 5.00 213,482 5.00  
</TABLE>

<TABLE>  
<CAPTION>

Number	Exercise Price	Expire Date
<S>	<C>	<C>
70,000	\$4.00	February 1999
213,482	5.00	April 1999
106,597	4.00	February 2000
17,500	5.00	March 2000
50,000	4.00	January 2001

</TABLE>

SFAS No.123 requires entities that account for awards for stock-based compensation to employees in accordance with APB No.25 to present pro forma disclosures of net income and earnings per share as if compensation cost was measured at the date of grant based on fair value of the award. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

<TABLE>  
<CAPTION>

	1998	1997
<S>	<C>	<C>
Expected life of the option	2 years	2 years
Risk free interest rate	5.5 %	5.2 %
Expected volatility	20.0 %	50.0%
Expected dividend yield	0.0 %	0.0 %

</TABLE>

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

Had the compensation cost for the Company's stock option plan been recognized based upon the fair value on the grant date under the methodology prescribed by SFAS No. 123, the Company's income from continuing operations and earnings per share for the year ended March 31, 1998 and 1997 would have been impacted as indicated in the following table. The proforma results below reflect only the impact of the options granted. EPS is presented following SFAS No. 128.

<TABLE>  
<CAPTION>

	1998		1997	
	Reported	Proforma	Reported	Proforma
<S>	<C>	<C>	<C>	<C>
Income (loss) from continuing operations	\$(819,461)	\$(852,806)	\$160,676	\$(50,888)
Net loss	(15,287)	(48,632)	(230,153)	(441,718)
Basic EPS from continuing operations	(0.66)	(0.69)	0.18	(0.06)
Basic EPS	(0.01)	(0.04)	(0.25)	(0.49)
Diluted EPS from continuing operations	(0.66)	(0.69)	0.16	(0.06)
Diluted EPS	(0.01)	(0.04)	(0.25)	(0.49)

</TABLE>

/Continued...

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INTERUNION FINANCIAL CORPORATION  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 MARCH 31, 1998 AND 1997

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10. SALES COMMITMENT

The Company entered into an option agreement in fiscal 1996 with a major international financial institution whereby software ("ITM Software") owned by its subsidiary, Bearhill Limited ("Bearhill") may be purchased by the option holder for approximately C\$15,000,000 (at March 31, 1998 - approximately \$10,600,000). The Company's interest in this software is included in property and equipment.

During the life of the non-transferable option, Bearhill will receive an option fee from the option holder annually in order to maintain the option. The decision to exercise this option is at the full and unlimited discretion of the option holder. The future annual option fee are payable in Canadian dollars, at the beginning of the corresponding periods as follows:

<TABLE>

	<u>&lt;S&gt;</u>		<u>&lt;C&gt;</u>	
For the year beginning April 23, 1998	C\$		50,000	
For the year beginning April 23, 1999			C\$	50,000

</TABLE>

As of May 29, 1998, the option premium due for the period beginning April 23, 1998 had not been paid. It is management's belief that this is not significant, as the Company continues to manage approximately C\$10 million funds on behalf of the holder of the option.

11. DISCONTINUED OPERATIONS

During fiscal 1997, the Company adopted a formal plan to dispose of its auction subsidiary, Reeve, Mackay & Associates Ltd. As a result, the Company reclassified the operating losses and the net assets of the subsidiary as separate items on the financial statements. No loss on disposition was accrued at March 31, 1997.

In July 1997, the Company sold the auction subsidiary. The operating loss that was incurred by Reeve, Mackay until the date of sale is recorded as operating losses from discontinued operations. The gain from discontinued operations is equal to the excess of the liability over the assets carried by the Company, resulted from the investment in and advances to Reeve, Mackay.

12. INCOME TAXES

IUFC files a consolidated US Federal income tax return for its US operations and its US subsidiaries. Separate returns are filed, as locally required, for each of its foreign subsidiaries. The provision for income taxes consists of:

<TABLE>

<CAPTION>

	<u>Year Ended March 31,</u>	<u>1998</u>	<u>1997</u>
	<u>-----</u>	<u>-----</u>	<u>-----</u>
<u>&lt;S&gt;</u>	<u>&lt;C&gt;</u>	<u>&lt;C&gt;</u>	
Domestic			
Current	\$ --	\$ --	
Deferred	(85,000)	85,000	
Foreign			
Current	2,136	3,085	
Deferred	--	--	
	<u>-----</u>	<u>-----</u>	
Total provision for income taxes	\$ (82,864)	\$88,085	

</TABLE>

=====

/Continued...

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INTERUNION FINANCIAL CORPORATION  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 MARCH 31, 1998 AND 1997

The total provision for income taxes differs from that amount which would be computed by applying the United States federal income tax rate to income (loss) before provision for income taxes. The reason for these differences are as follows:

<TABLE>

<CAPTION>

Year Ended March 31, -----	1998		1997	
	Amount	%	Amount	%
<S>	<C>	<C>	<C>	<C>
Statutory income tax rate (recovery)	\$(300,000)	(34)	\$ 84,500	34
Foreign taxes payable	2,136	0	3,085	1
Effect of non taxable gain on disposition of subsidiary	275,000	31	---	0
Non-deductible items	17,500	2	10,500	4
Other, including valuation allowance adjustment	(78,450)	(9)	(10,000)	(4)
Net taxes (recovery) and effective rate	\$ (82,864)	(10)	\$ 88,085	35

</TABLE>

The Company recognizes deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities and net operating loss carryforwards. Temporary differences and carryforwards which give rise to deferred tax assets and liabilities are as follows:

<TABLE>

<CAPTION>

	March 31, 1998		March 31, 1997	
	Component	Tax Effect	Component	Tax Effect
<S>	<C>	<C>	<C>	<C>
Net operating losses - foreign	\$ 363,000	\$ 145,000	\$ 150,000	\$ 60,000
Less valuation allowance	(363,000)	(145,000)	(150,000)	(60,000)
Net deferred asset	\$ ---	\$ ---	\$ ---	\$ ---
Net operating losses - domestic	\$ 310,000	\$ 45,000	\$ 90,000	\$ 15,000
Unrealized gains - domestic	(6,000)	(900)	(550,000)	(100,000)
Less valuation allowance	(304,000)	(44,100)	---	---

Net deferred asset	\$	---	\$	---	\$(460,000)	\$	(85,000)
--------------------	----	-----	----	-----	-------------	----	----------

</TABLE>

At March 31, 1998, the Company had cumulative net operating loss carryforwards of approximately \$310,000 and \$363,000 in the United States and Canada, respectively. These amounts will expire in various years through 2013. In addition, the Company has capital loss carryforward of approximately \$1,250,000 for tax purposes. The related deferred tax asset has been completely offset by a valuation allowance. This amount will expire in various years beginning in 2001. The Company has no significant deferred tax liabilities

### 13. INVESTMENT BANKING ACTIVITIES

During fiscal 1997, IUFC entered into an agreement to act as investment banker for the recapitalization of Receptagen Ltd. IUFC made available to Receptagen a credit facility of C\$400,000 (approximately \$290,000). This credit facility was exchanged for a convertible debenture of Receptagen which has been converted into units of Receptagen at a rate of C\$0.105 per unit. Each unit is itself exchangeable, after the private placement outlined below, into one common share and one share purchase warrant at C\$0.14 for two years. The credit facility was fully subscribed by investors other than the Company.

/Continued...

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INTERUNION FINANCIAL CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 1998 AND 1997

On April 7, 1997, all creditors of Receptagen agreed to exchange debt of approximately C\$9 million for shares of common stock of IUFC issued under Regulation "S" of the Securities Act of 1933, at a rate of C\$0.20 per C\$1.00 of debt. IUFC expects to issue approximately 250,000 shares valued at \$4.00 per share for this transaction in addition to 220,000 share purchase warrant at \$4.00. In exchange, IUFC will receive C\$0.20 per C\$1.00 of debt of Receptagen acquired from creditors in the form of a convertible debenture. This debenture is convertible into unit "A" of Receptagen at a rate of C\$0.07 per unit. Each unit 'A' is exchangeable into one common share and one share purchase warrant at C\$0.14 within two years.

The third phase of the recapitalization of Receptagen involves a private placement of C\$2.5 million in Special Warrants, which closed in May 1997. The offering price of these Special Warrants was C\$0.116 and they are exchangeable into one common share and one share purchase warrant at C\$0.14 within two years.

Receptagen is currently listed on the Toronto Stock Exchange ("RCG") and trades on the NASD Over-the-Counter Bulletin Board ("RCEPF").

During the year, the Company made available a credit facility of up to \$875,000 to Receptagen. This credit facility is fully secured by Receptagen's intellectual property. Upon non-interested shareholders approval this loan may be convertible in to common shares of Receptagen, with the conversion price being C\$0.035.

IUFC's ownership interest in Receptagen was 19.4% and 0%, respectively at March 31, 1998 and 1997. The Company also holds 15,916,875 common share purchase warrants at C\$0.14 per warrant to acquire additional stock in Receptagen and has a receivable in the amount of \$350,000 for investment services. The Company accounts for its investment in Receptagen following the cost method. Because IUFC holds a security interest in Receptagen's intellectual property, management believes that this investment, including the

related notes receivable, are recorded at the lower of cost or fair value.

Receptagen intends to hold, on June 30, 1998, an Annual and Special Meeting of Shareholders where it is seeking approval to merge its operations with GRN -International Inc., a multi-service contract research organization providing research and development services to pharmaceutical, biotechnology and medical device companies. Should this transaction be completed, the Company's interest in Receptagen will be reduced to approximately 7.5%. In addition, non-interested shareholders of Receptagen will vote to have all warrants, issued in the restructuring, repriced at C\$0.035 and extend the expiration date to July 30, 2000, subject to certain conditions.

### 13. RELATED PARTY TRANSACTIONS

Directors, officers or employees of the Company may also be officers of and serve on the board of directors of companies in which IUFC or its subsidiaries have invested. This is considered to be in the normal course of IUFC's business.

During the period ending March 31, 1998, the Company paid an entity owned by one of its directors approximately \$186,765 for services, and received approximately \$135,000 from the same company for advisory services.

During the period ending March 31, 1998, the Company paid an entity related by common ownership approximately \$300,000 for advisory fees.

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/Continued...

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INTERUNION FINANCIAL CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 1998 AND 1997

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The Company paid an entity related by common ownership approximately \$35,000 and \$40,000, during fiscal 1998 and 1997 respectively, which has been included as rent expense. In turn, this related company has paid an unrelated entity \$40,000 as rent for these same premises.

On September 26, 1996, the Company paid \$80,000 to a related company in order to acquire an option to purchase all of the outstanding shares of New Research Corporation. The option expired on December 15, 1997 and the Company expensed the cost of the option.

### 14. COMMITMENTS AND CONTINGENCIES

The Company leases office space under a number of operating leases expiring at various dates through to November 2007. The Company also has a number of commitments with regards to information suppliers that expire at various dates through to January 2000. The total minimum annual rentals, exclusive of additional operating costs, under the leases for the company's premises and information systems in each of the next five fiscal years are approximately:

<TABLE>

<S>	<C>
1999	\$150,000
2000	130,000
2001	100,000
2002	90,000
2003	40,000

</TABLE>

Payments under the above mentioned leases that have been charged to operations for the periods ending March 31, 1998 and 1997 amount to \$352,666 and \$414,539, respectively.

From time to time the Company is exposed to claims and legal actions in the normal course of business, some of which are initiated by the Company. At March 31, 1998, management believes that any such outstanding issues will be resolved without significantly impairing the financial condition of the Company.

#### 15. SUPPLEMENTAL CASH FLOW DISCLOSURE

The following is additional information regarding the Consolidated Statement of Cash Flows:

<TABLE>

<S>	<C>	<C>
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	\$76,627	\$ 2,631
Cash paid during the period for income taxes	11,231	15,160

Supplemental disclosure of non-cash financing and investing:

Stock issued for long-term investments	3,002,986	---
Common stock canceled	268,750	---
Notes payable assumed in acquisitions	430,896	---

</TABLE>

/Continued...

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INTERUNION FINANCIAL CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 1998 AND 1997

#### 16. GEOGRAPHICAL AREA SEGMENTATION

The following tables summaries the revenues, operating profits (losses) from continuing operations and identifiable assets by geographical area.

<TABLE>

<CAPTION>

	Canada	United States	Adjustments & Other	Elimination	Consolidated
<S>	<C>	<C>	<C>	<C>	<C>
For the year ended and as of March 31, 1998					
Revenue from unaffiliated customers	\$ 3,343,052	\$ (262,065)	\$ 34,420	\$ --	\$ 3,115,407

Revenue from intersegments	312,745	50,000	--	(362,745)	--
Total revenue	3,655,797	212,065	34,420	--	3,115,407
Depreciation & Amortization	47,450	992	192,444	--	240,886
Operating profit	198,085	(693,742)	(242,309)	--	(743,966)
General corporate expenses				175,000	
Interest expenses, net				(24,951)	
Income from continuing Operations before provision for income taxes				(894,015)	
Identifiable assets	9,102,875	1,679,781	37,961,076	--	48,743,732

For the year ended and as of March 31, 1997

Revenue from unaffiliated customers	\$ 4,220,784	\$ 1,477,062	\$ 14,337	\$ --	\$ 5,712,183
Revenue from intersegments	292,567	--	--	(292,567)	--
Total revenue	4,513,351	1,477,062	14,337	--	5,712,183
Depreciation & Amortization	25,986	574	214,352	--	240,912
Operating profit	104,931	550,424	(229,628)	--	425,727
General corporate expenses				200,000	
Interest expenses, net				(23,034)	
Income from continuing Operations before provision for income taxes				248,761	
Identifiable assets	11,253,145	25,990,456	1,576,906	--	38,820,507

</TABLE>

For both fiscal years ended March 31, 1998 and March 31, 1997 the Company did not have any customers that represented revenues in excess of 10%, nor did the Company have activities outside of the financial services industry.



EXHIBIT 21

SUBSIDIARIES  
OF  
INTERUNION FINANCIAL CORPORATION

Name of Subsidiary -----	Jurisdiction of Incorporation -----
Bearhill Limited	British Virgin Islands
Credifinance Capital Inc.	Ontario, Canada
Credifinance Securities Ltd.	Ontario, Canada
Guardian Timing Services Inc.	Ontario, Canada
I & B Inc.	State of Delaware
InterUnion Asset management Limited	Ontario, Canada
Marbury Trading Corporation	Panama
The Glen-Ardith Frazer Corporation	Ontario, Canada

NOTE: All subsidiaries do business under their official names.

<TABLE> <S> <C>

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM INTERUNION FINANCIAL CORPORATION CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 1997.

</LEGEND>

<S>	<C>
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<PERIOD-START>	APR-01-1997
<PERIOD-END>	MAR-31-1998
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<CGS>	0
<TOTAL-COSTS>	3,674,548
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<INCOME-TAX>	(82,864)
<INCOME-CONTINUING>	(819,461)
<DISCONTINUED>	804,174
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<CHANGES>	0
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<EPS-DILUTED>	(0.01)

</TABLE>