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

FORM 10-QSB

(Mark One)

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

For the quarterly period ended December 31, 1999.

[] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT For the transition period from April 1, 99 to December 31, 1999

Commission file number

INTERUNION FINANCIAL CORPORATION

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

Delaware (State or other jurisdiction of

52-2002396 (IRS Employer Identification No.)

incorporation or organization)

249 Royal Palm Way, Suite 301 H, Palm Beach, Fl.

33480 (Zip Code)

(Address of principal executive offices)

` 1

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

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

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

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: \$0.001 Par Value Common Shares -- 4,243,123 as of December 31, 1999

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

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UNAUDITED CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT FOR THE PERIOD ENDED DECEMBER 31, 1999

<table> <caption></caption></table>								
		E MONTHS E 9 31-Dec						
<s></s>	<c></c>		<c></c>			76		
REVENUE Investment Banking		181 875	200 907	1 050 11	2 46	56 306		
Investment Management		0.00	309,838	0.00	1,049	9,826		
Investment Income		181,875 0.00 15,586	16,757	84,567	76,5	84		
	197,461	527,502	2 1,143,6	78 1,	592,806			
EXPENSES								
Selling, General & Administra	ition	258,875	772,663	3 78	37,350	2,098,629		
Foreign Exchange Loss (Gain)	(10,374)	1,833	(18,0	505 017)	230,289 (60,964)		
Selling, General & Administra Amortization & Depreciation Foreign Exchange Loss (Gain) Interest Expense	(2,907) 7	5,666	16,322	191,42	9		
	296,608	950,052	967,51	18 2,4				
P&(LOSS) FROM CONTIN.OPER					(422,5	50) 176	,160	(874,577)
PROV. FOR INCOME TAXES (RI	ECOVERA	BLE)	0	()	0 2,8	373	
EQUITY IN NET EARN (LOSS) C	F UNCON	ISOL. AFFILI	ATES	(132,106)	(4,9	62) (338	3,224)	0
EQUITY IN NET EARN (LOSS) C	F CONSO	L. AFFILIATI	ES 65	59,344	2,873	659,34	14 (2	29,957)
PROFIT (LOSS) FROM CONTINU	JOUS OPE	RATIONS	428	,091	(430,385)	497,28	30 (9	007,407)
PROFIT (LOSS) FROM CONTINU GAIN (LOSS) FROM DISCONTIN GAIN (LOSS) ON DISPOSAL OF	IUED OPE DISCONT	RATIONS INUED ASSE	TS	00	0 0	0	0	
NET PROFIT (LOSS) FOR THE P	ERIOD		428,091	(430,385	5) 497	7,280 (9	907,407)	
FOREIGN EXCHANGE TRANSL	ATION EF	FECT	(10,5	59)	715	(10,559)	(197,5	528)
RETAINED EARNINGS (DEFICITAL Adjustment due to dissolution of sur	Γ) BEG. PE bsidiaries	ERIOD 81,10	(1,769,78	(2,5 81,	253,884) ,104	(1,963,750)) (1,5	78,619)
RETAINED EARNINGS (DEFICI	Γ) - END P	ERIOD	(1,271,1	51) (2,	683,554)	(1,395,92	5) (2,6	(83,554)
FINANCIAL OVERVIEW Common Shares Outstanding Weighted Average Shares Out			5,390 1,	930,035	243,123 3,495,3		7,454	
EPS - From Continuing Opera EPS - From Discontinuing Op EPS (Basic)	erations (B	sasic) 0.	000 0	.00 142	0.142 0.00 (0.50)	(0.50) 0.00		
Weighted Avg Com. Sh. Outs Weighted Ave Pref Sh. Outsta	tanding - D	iluted 4,24	43,123 2,	893,364 00,000	4,243, 1,500,00		92,729 ,000	
EPS - From Contin. Operat. (I		0.101	(0.220)	0.1		(0.50)	,000	
EPS - From Contin. Operat. (I								

 FD) | 0.101 | (0.220) | 0.1 | 17 | (0.50) | | || | | | | | | | | |
See Accompanying Notes to Unaudited Consolidated Financial Statements

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INTERUNION FINANCIAL CORPORATION UNAUDITED CONSOLIDATED BALANCE SHEET

<table> <caption></caption></table>				
	As at D	ecember 31	A	s at March 31
	1999	1998	1999	1998

<\$> <\(\)	> <c></c>	<c></c>	<c></c>		
CURRENT ASSETS: Cash and cash equivalent	215,400	338,877	285,706	2,873,731	
Marketable Securities	9,183		19,885,302	35,169,986	
Due from brokers and dealers	1,368,228	587,548	0	2,012	
Due from Clients	502,174	153,223	93,183	715,871	
Accounts Receivable Refundable Income Taxes	568,409 0	535,942 0	690,374	882,491 7.780	
Prepaid expenses and other current a			5,046 8 25,7	7,789 72 56,733	
Notes receivable				16,579	
Loan receivable	69,220	0	0 0		
Total Current Assets	2,784,683	2,332,776	21,958,698	40,325,192	
NON-CURRENT ASSETS					
Property & equipment, net	1,053,180		1,199,953		
Notes receivable, non-current portion					
Other long-term assets Investment in unconsolidated affiliat	90,503 ses 5,492,45	84,710 59 4,156,36	77,651 53 5,591,	84,710 892 3,488,322	
Goodwill, net		9,918	0 2,468,	· · ·	
Discontinued Assets	0		0 0		
Total non-current assets	9,210,613	8,335,501	7,489,488	8,418,540	
TOTAL ASSETS	11,995,296	10,668,277	29,448,18	48,743,732	
LIABILITIES					
CURRENT LIABILITIES:					
Due to brokers and dealers	0		8,899,072	34,663,322	
Due to clients	1,794,544		979,783 57,747		
Accounts payable and accrued liabil	ities 183,55		*	1,063,956	
Due to affiliates	13,258	0 776,		0	
Notes Payable, current portion	0	731,548		1,703,441	
Bank Loan	0 656	,313	0 0		
Total Current Liabilities	1,991,361	2,348,122	20,908,544	40,488,466	
Due to Related Parties	522,566	0			
OTHER LIABILITIES	_			77,033	
NOTES PAYABLE, Longterm Portion Discontinued Liabilities	0	34,467 61 0	14,944	519,992 1,485,801	
Deferred Income Tax Liability	0	0			
TOTAL LIABILITIES	2,625,828	3,554,484	21,528,5	36 42,051,300	
SHAREHOLDER'S EQUITY					
Capital Stock and additional paid-in				2,363 8,271,051	
Accumulated Comprehensive Incom Cumulative Translation Adjustment	e (10,	(203, 0) (203, 0)	,294) (18,963)	0 0 (5.051)	
Retained Earnings (Deficit)	(1,395,925)	(2,050,590)	(18,963)	(5,051) 0) (1,573,568)	
	, ,				
Total Shareholders' Equity	9,369,468	7,113,793	7,919,650	6,692,432	
TOTAL LIABILITIES & SHAREH	OLDERS' EQUITY	11,995,2	296 10,66	29,448,186	48,743,732

</TABLE>

See accompanying Notes to Unaudited Consolidated Financial Statements

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INTERUNION FINANCIAL CORPORATION UNAUDITED CONSOLIDATED BALANCE SHEET

	As at December 31		As	at March 31		
	1999	1998	1999	1998		
<s></s>	<c></c>	<c></c>	<c></c>	<c></c>		
SHAREHOLDERS' EQUITY						
Class A Preferred Stock, \$0.10 par value Authorized - 1,500,000 shares Issued outstanding - 1,500,000		150,0	000 150),000 150	0,000 150,0	000
Class B Preferred stock, \$0.10 par value authorized - 1,000,000 shares Issued and outstanding - none				0	0	
Class C Preferred Stock, \$0.10 par value Authorized - 1,000 shares Issued and outstanding - none				0	0	
Common Stock, \$0.01 par value Authorized - 5,000,000 in 1999; 2,500,0	00 in 1998	2				
Issued and outstanding - 4,243,123 in 19			4,343	1,936	2,114	1,654
Additional paid-in-capital		10,661,050	9,215,741	9,750,249	9 8,119,397	,
Accumulated Comprehensive Income		(10),559) (2	03,294)	0 0	
CUMULATIVE TRANSLATION ADJU	USTMEN	Γ		0 0	(18,963)	(5,051)
ACCUMULATED DEFICIT		(1,39	5,925) (2	,050,590) (1	1,963,750) (1	,573,568)
Total Shareholders' Equity		9,369,468	7,113,793	7,919,65	0 6,692,432	2
Total Liabilities and Sheholders' Equi	ity	11,995,2	296 10,66	58,277 29,4	148,186 48,7	743,732
San Anomnonying Notes to Consolide	tad Financ	ial Statemen	to			

As at December 31

Ac at March 31

See Accompanying Notes to Consolidated Financial Statements

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INTERUNION FINANCIAL CORPORATION CONSOLIDATED STATEMENTS OF CASH FLOW FOR THE THREE MONTHS ENDED DECEMBER 31, 1999

<TABLE> <CAPTION> 9 Months to 12 Months to 31-Dec-99 31-Dec-98 31-Dec-99 31-Dec-98 <C> <C> <C> <C> CASH FLOW FROM OPERATING ACTIVITIES Net Income (loss) 497,280 (907,407)(390,182)(15,287)Adjustment to reconcile net profit (loss) to net cash provided by (used in) operating activities Depreciation and amortization 151,863 238,289 200,171 240,886 492,917 Loss on equity investments (321,120)0 Gain on sale of securities by subsidiary (486,099)0 Gain on disposal of discontinued operations 0 (804,174)0 Non cash compensation 87,500 60,000 Non cash expenses (income) (14,475)40,000 0 Deferred income taxes (85,000)Unrealized loss (gain) in marketable securities 15,608 (11,814)159,831 313,548 (653,510)(68,243)(443,744)

Changes in operating assets and liabilities net of effects from

the purchase/divestiture of InterUnion Asset Mgmt. Ltd

Decrease (increase) in due to/from brokers and dealers, net (20,267,300) (35,447,946) (15,762,238) 1,814,508 405,770

Decrease (increase) in due to/from client, net (1,545,921) (1,455,276) 6,988,991 Decrease (increase) in marketable securities 19,876,120 35,198,633 15.242.302 (5,871,852)

Increase (decrease) in accounts receivable & other assets 31,493 282,643 124,263 (452,610)

Increase (decrease) in accounts payable & accrued liab (832,872)(531,887)(572,359)633,103

Increase (decrease) in assets and liabilities related to/ discontined operations)	0	0	(287,734)			
NET CASH PROVIDED BY (USED IN) OPERATING A	.CTIVITI	ES		(473,241)	(2,697,988)	(2,490,815)	2,380,662
CASH FLOW FROM FINANCING ACTIVITIES Net proceeds on issuance of capital stock Increase (decrease) in due to related parties Proceeds (repayment) of notes payable Proceeds (repayment) of bank loan	863,03 0 (995,63 0	628,42	16,763	771,109	0		
NET CASH PROVIDED BY FINANCING ACTIVITIES			(132,	609) 544	4,043 800	,661 1,778,	712
CASH FLOW FROM INVESTING ACTIVITIES Purchase of property and equipment, net Purchase of long-term investment, net Cash acquired on acquisition of subsidiary Cash divested on sale of security by subsidiary Investment in notes receivable	0	(6,53 (364,18 0 0	34))	(7,438) (437,363) 0 (195,304) 767) (1,29	(2,0,32) (485,336) 0 0 099,935)		
NET CASH USED IN INVESTING ACTIVITIES		()	(370,716)	(897,872)	(1,787,303)	
NET INCREASE (DECREASE) IN CASH		(70,306) (2	2,524,661)	(2,588,026)	2,372,071	
CASH AND CASH EQUIVALENTS - Beginning of Year cash - Acquired on acquisition		2	85,70	6 2,873,7 151,922		731 349,73	38
CASH AND CASH EQUIVALENTS - End of Year		215,	,400	349,070	285,705	2,873,731	

See Accompanying Notes to Unaudited Consolidated Financial Statements

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</TABLE>

PART 1 - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

- 1. Interim information is unaudited; however, in the opinion of management, all adjustments necessary for a fair statement of interim results have been included in accordance with Generally Accepted Accounting Principals. All adjustments are of a normal recurring nature unless specified in a separate note included in these Notes to Unaudited Consolidated Financial Statements. The results for interim periods are not necessarily indicative of results to be expected for the entire fiscal year. These financial statements and notes should be read in conjunction with the Company's annual consolidated financial statements and the notes thereto for the fiscal year ended March 31, 1999, included in its Form 10-KSB for the year ended March 31, 1999.
- 2. Earning per share is computed using the weighted average number of common shares outstanding during the period. Loss per share is computed using the weighted average number of common shares outstanding during the period.

ITEM - MANAGEMENT'S DISCUSSION AND ANALYSIS

(1) OVERVIEW

During the first nine months of fiscal 2000 ending December 31, 1999, InterUnion reported consolidated revenues of \$1,143,679 versus \$1,592,808 a year earlier. The revenue during the third fiscal quarter ending December 31, 1999 was \$197,461 versus \$527,502 a year earlier.

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

<TABLE> <CAPTION> 9 mos ended 9 mos ended 9 mos ended Dec. 31, 99 Dec. 31, 98 Dec. 31, 97 <S><C> <C> <C> Revenues 1.144 1.593 3,080 Net Profit 497 (907)597

EPS - Operations (basic)	0.142	2 (0.50	0) 0.49	00
EPS - Discontinued Operation	ns (basic)	0.000	0.000	0.670
EPS (Basic)	0.142	0.500	0.490	
working Capital	793	(205)	888	
Cash Fllow	314	(653)	855	
Total Assets	11,995	10,902	8,926	
Shareholder's Equity	9,369	6,559	5,928	

 | | | |During the quarter ending December 1999, the Company implemented a number of recommendations from its board of directors:

- a) Simplification of corporate structure: after the consolidation of the Company's Canadian management activities under one 44% owned subsidiary, InterUnion Asset Management Limited, the Company continued to reduce the number of subsidiaries through a reallocation of their business to other operating entities or the merging of their activities, thus allowing a simpler corporate chart;
- b) Closer monitoring of its 44% owned subsidiary InterUnion Asset Management Limited, in co-operation with the other 56% shareholder which should result into implementing better controls, lower costs and increased profitability;
- Better exposure through the creation of a website: www. interunion-financial.com.

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During the third quarter ending December 31, 1999, the Company also:

- a) Issued 2,218,690 Common Shares for conversion of debt, increasing the total number of Common Shares by 111.5%.
- b) recovered \$1,071,014.80 of outstanding loans;
- c) acquired, through its 44% owned subsidiary, InterUnion Asset Management, a 75% interest into P.J.Doherty an Ottawa, Canada, based money manager with about Can\$640 million of assets under management for individuals and institutions, thus bringing the assets under management to over \$1.5 billion

During the first nine months of fiscal 2000, ending December 31, 1999, InterUnion reported consolidated revenues of \$1,143,679 versus \$1,592,906 a year earlier, a decrease of 28%. Investment banking revenues increased by 127% to \$1,059,112 from \$466,396 the previous year. Investment management revenues were nil versus \$1,049,826 a year earlier, as they are now accounted for on the equity basis.through the Company's 44% ownership in InterUnion Asset Management Limited.

Net earnings of the Company will continue to be affected by InterUnion Asset Management Limited which as a consolidator in its industry will continue to be affected by amortisation, write-off and other costs associated with its acquisitions.

(3) EXPENSES

During the first nine months of fiscal 1999, InterUnion reduced its expenses from \$2,467,383 a year earlier to \$987,096 representing a decrease of 61%. This decrease is attributable to continuing reduction (over 60%) in general and administration through the rationalisation of equipment (communication/information) as well as a reduction of interest expenses (75%).

(4) NET INCOME

Net income from operations (basic) for the nine months ending December 31, 1999 was \$497,280 or \$0.142 per Common Share, versus a loss of \$907,407 or \$0.50 per share a year earlier, representing a 155% increase. The increase in EPS is due to increased investment banking activity as well as from the sale of certain assets belonging to Marbury Trading Corp which resulted in a one time profit of \$659,344.

The basic weighted average number of Common Shares outstanding for the nine months ending December 31, 1999 is 3,495,390 versus 1,817,454 a year earlier, an increase of 92.3% which indicates a book value per Common Share of \$2.21 for 4,243,123 Common Shares versus \$3.44 for 1,817,454. The increase is due to the issuance of shares resulting from the conversion of debt (see -- Liquidity and Capital Resources).

5) LIQUIDITY AND CAPITAL RESOURCES

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

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<TABLE> <CAPTION>

Date	# of Shares	Amount	Type
<s></s>	<c></c>	<c> <</c>	C>
May 1998	17,002	68,008	Regulation "D"
June 1998	35,000	140,000	Regulation "S"
July 1998	262,142	1.048,568	Regulation "S"
December	1998 10,00	00 40,000	0 Regulation "S"
February 1	999 180,00	0 630,000	0 Regulation "S"
March 199	9 25,000	87,500	Regulation "S"
March 199	9 1,140	4,560	Regulation "S"

November 1999 2,014,198 905,680 Regulation "S" November 1999 114,500 57,250 Regulation "S" </TABLE>

(6) CONCLUDING REMARKS

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

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

(7) CERTAIN RISK FACTORS WHICH MAY IMPACT FUTURE OPERATIONS

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

In the opinion of management the financial statements for the period ending December 31, 1999, accurately reflect the operation of the Company of its subsidiaries. The Company has taken every reasonable step to ensure itself that its quarterly financial statements do not represent a distorted picture to anyone having a business reason to review such statements and who have also reviewed its previous audited annual financial statements for the year ended March 31, 1999.

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

PART 11 - OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

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

ITEM 2 - CHANGES IN SECURITIES

None.

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

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

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

None

None.		
ITEM 6 - EXHIBITS AND RE	PORTS ON FORM 8-K	
Exhibit 27 Financial Data Scher	dule (for SEC use only).	
SIGNATI	URES	
	nents of the Exchange Act, the regists behalf by the undersigned thereus	
Ir	nterUnion Financial Corporation	
Data Dacamber 14 00	/s/ Georges	Rangrach Director
	ignature)*	
DateDecember 14, 1999		
(S	ignature)*	_
* Print the name of each signing	g officer under his signature.	
Page 9 of	9	
INTERUNION ASSET MANA FINANCIAL STATEMENTS FOR THE 3 AND 9 MONTHS	GEMENT LIMITED ENDED DECEMBER 31, 1999 A	.ND DECEMBER 31, 1998
<caption></caption>		
	CONTENTS	. -
<s> COMPLIANCE CERTIFICAT</s>	<c></c>	2
FINANCIAL STATEMENTS		
BALANCE SHEETS	3	
STATEMENTS OF OPERA	TIONS AND DEFICIT	4
STATEMENTS OF CASH	FLOWS	5
NOTES TO CONSOLIDAT	ED FINANCIAL STATEMENTS	6-16

 | || | 1 | |
COMPLIANCE CERTIFICATE

ITEM 5 - OTHER INFORMATION

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

Date: December 31, 1999

I, Russell Lindsay, of InterUnion Asset Management Limited (the "CORPORATION"), hereby certify for and on behalf of the Corporation, intending that the same may be relied upon by you without further enquiry, that since April 1, 1999:

- (a) the attached financial statements delivered pursuant to the Agreement have been prepared in accordance with generally accepted accounting principles in effect on the date of such financial statements and the information contained therein is true and correct in all material aspects, subject only to year-end audit adjustments, and presents fairly and consistently the results of operations and changes in the financial position of the Corporation as of and to the date hereof:
- (b) the Corporation is in compliance with all taxes and other withholding obligations and has accrued unpaid vacation pay in its financial statements;
- (c) the Corporation has (i) made all deductions for taxes or other obligations required to be deducted and has paid the same to the proper tax or other receiving officers; (ii) remitted to the appropriate tax authority, on a timely basis, all amounts collected on account of goods and services taxes and provincial sales taxes; and (iii) remitted to the appropriate receiving officer, on a timely basis, all amounts required to be paid by it in connection with workman's compensation legislation;
- (d) the Corporation is not aware of any breach or potential breach by the Corporation of any Environmental Laws (as such term is defined in the Share Purchase Agreement entered into between the parties as of March 8, 1999 (the "SHARE PURCHASE AGREEMENT")) and to the best of its knowledge is in compliance with all applicable Environmental Laws; and
- (e) the Corporation is not aware of any year 2000 issues of the Corporation or its major customers or suppliers that would have a material adverse effect on the Corporation or its Business and the Corporation is in compliance with its year 2000 policy.

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

Witness my hand this day of January, 2000.	
By: Name: Russell Lindsay	_ except for note 1 below
Title: Senior Vice-President & Chief Financial Of	ficer

Note 1: Black Investment Management Limited have approximately \$152,000 unremitted payroll deductions and \$119,000 unremitted GST collected.

InterUnion Asset Management Limited Consolidated Balance Sheets (as at December 31)

<TABLE> <CAPTION>

December 31 December 31 1999 1998

<S>

Assets Current:						
Cash	\$	5 518,175	\$ 10	00,43	8	
Marketable secuities, at m	narket (note 4)		2,662,2	243	61,029	9
Accounts receivable and	accrued revenue	(note 5)	,	705,2	53 70	00,226
Prepaid expenses		94,6	545	67,5	568	
Income taxes recoverable			-	8,2	113	
	3,	,980,316	937,4	174		
Management contracts (no	te 6)		2,401,19	90	-	
Capital assets, net (note 7)		461	1,895	10	03,026	
Investments, at cost (note 8	3)	461 7 12,927	1,668	2	04,478	
Goodwill (note 9)		12,927	,/01	/,/	99,303	
Total assets		\$ 19,842,7		9,044	,281	
Liabilities						
Current:						
Bank indebtedness (note					280,467	<i>(</i> 1
Accounts payable and acc Current portion of long te			1,001,	,243	910,40 152,400	61
Income taxes payable	rm debt	10				
meome taxes payable			1,555		-	
	1,	,410,420	1,343,	328		
Deferred liabilities and ind	ucements (note					,964
Long term debt (note 13)		8	9,800	1,0	26,860	
Preference shares (note 14))		500,000		-	
Other liabilities		9,986 		-		
		,158,612		152		
Non-controlling interest		440 	5,708	46	66,853	
SHAREHOLDERS' EQUI	TY					
C1 1 1.1 1 2						
Shareholders' equity: Share capital (note 15)		16 35	8,558	1 3	374 000	
Deficit	((2,121,108)				
Total shareholders' equity		14,2				
Total liabilities and sharehod/TABLE>	olders' equity	\$	19,842,	770	\$9,044,2	281
See accompanying notes to	oonsolidatad fi	nanaial stats	manta	Anne	avad by the	
Board:	consolidated in	nanciai state	ments. 1	дррг	oved by the	,
Director	Director					
		3				
InterUnion Asset Managen Consolidated Statements o	f Operations and	l Deficit				
(for the periods ended Dec	einber 31)					
<table></table>						
<caption></caption>						
3	3 months ended December 31 1999		er 31	De	onths ende cember 31	December 31

<C>

\$ 1,419,655

(35,095)

<C>

<S>

Revenue:

Management fees

Other income (loss)

<C>

\$1,055,280 68,078 <C>

(71,327)

\$ 3,763,881

\$3,709,921

112,587

	1,384,560	1,123,35	8 3,692,	554 3,82	22,508	
Operating expense Commission and incentives Salaries and benefits Marketing and advertising Office and general Professional fees Amortization of management Amortization of capital ass	s	270,042	187,420	728,170	573,865	
Salaries and benefits Marketing and advertising	772	2,044 5	597,228 317.643	1,915,050	1,718,093	
Office and general	304	1,451 1	.93,223	976,211	719,729	
Professional fees	35,3	371 10	0,218 1	52,468	84,094	
Amortization of manageme	ent contracts	48,810 22,067) (1 178)	98,810 47 147	23.061	
	1,550,897	1,304,55	4 4,335,	999 3,92	29,521	
Operating loss	(166,3	337) (18	81,196)	(643,445)	(107,013)	
NON-OPER ATING EXPEN	NSE:					
Interest	37,508	16,13	2 49,1	38 24,	789	
Interest Interest on long term debt Amortization of goodwill]	11,946 149,902	15,257 104,641	16,433 369,798	39,099 313,920	
			435,36			
LOSS BEFORE NON-CON AND INCOME TAXES	TROLLING	INTEREST (365,693)	(317,22	26) (1,078	,814) (484,821)	
Income taxes (recovery) (no						
LOSS BEFORE NON-CON	TROLLING	INTEREST	(433,74	19) (292	,811) (1,205,256)	(474,283)
Non-controlling interest		897 (69,046)	(74,814)	4,122	
Net loss, for the period (note						
Deficit, beginning of period	(1	,686,462)	(273,959)	(990,666	(19,319)	
Deficit, end of period	\$(2.1)	21.108)	\$(497,724)		\$ (497,724)	
·					, , , , , ,	

						See accompanying notes to	consolidated	financial state	ements			
		4										
InterUnion Asset Manageme Consolidated Cash Flow Sta (for the periods ended Decer	itements											

<caption></caption>					
3	months en	ded 3 mo	nths ended	9 months ended	9 months ended
Ι	December 3	1 Decei	mber 31	December 31	December 31
1	999	1998	1999	1998	
<s></s>	<c></c>	<c></c>	<c></c>	<c></c>	
Cash flow from operating a	ctivities				
Net loss	\$ (434,	,646) \$ ((223,765)	\$(1,130,442)	\$ (478,405)
Adjustments for:					
Amortization of goodwil	1	149,902	104,64	41 369,798	313,920
Amortization of manage		ŕ	Í	,	
contracts	48,8	310	!	98,810	-
Amortization of capital a	issets	22,067	(1,173	3) 47,147	23,061
Deferred rent inducement	its	(8,808)	(1,818	(59,147)	(5,456)
Non-controlling interest		(897)	69,046	74,814	(4,122)

Decrease (increase) in wo capital	rking 4,002,315	87,130	(2,941,	470) (1,17	73,601)
	3,778,743	34,056	(3,540,49	00) (1,324,	,603)
Cash flows from investing a Acquisition of capital asset Acquisiton of goodwill & r contract, net of cash acqui Net advances from (prepay related parties	ctivities s (4, nanagement red (3,72 ments to)	929)	5,928 ((268,302) 3,976,443)	(95,800)
Cash flows from (used) in financing activities		24) 5,	928 (4,	250,748)	
Cash flows from financing a Increase (decrease) in bank Increase (decrease) of defer Increase (decrease) in long Dividend paid to non-contrainterest	indebtedness red revenue term debt olling	(8,490)		(21,105)	4 280,467 83,804 977,737
Cash flows from (used) in activities	(43,243)	(12,401)	173,6	594 1,320),903
Net increase (decrease) in ca	sh 3	3,076	27,583	(7,617,544)	(129,500)
Cash at beginning of period		5,099		8,135,719	229,938
Cash at end of period		175 \$ 1		\$ 518,175	\$ 100,438
Interest and income taxes par Interest paid Income taxes paid (received)	\$ 29,455	\$ 30,45 5,618 (59 \$ 45 (26,488)	5,572 \$ 3	58,936 7,512

</TABLE>

See accompanying notes to consolidated financial statements.

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INTERUNION ASSET MANAGEMENT LIMITED Notes to Consolidated Financial Statements December 31, 1999 and December 31, 1998 (amounts expressed in Canadian dollars unless otherwise stated)

1. NATURE OF BUSINESS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Principles of consolidation

These consolidated financial statements include the accounts of InterUnion Asset Management Limited and its subsidiaries. The principal operating subsidiaries are A.I.L. Investment Services Inc., Black Investment Management Ltd., Glen Ardith-Frazer Corporation, Guardian Timing Services Inc., Leon Frazer, Black & Associates Limited, and P.J. Doherty & Associates Co. Ltd. Unless the context

requires otherwise, the term "Company" collectively refers to InterUnion Asset Management Limited and all of its subsidiaries.

b) Marketable Securities

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

c) Management Contracts

Management contracts are recorded at cost and are amortized on a straight-line basis over a five year period (unless otherwise stated). The Company assesses the value of its management contracts by considering the future economic benefit associated with the revenue capacity of the related contracted items.

d) Capital assets

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

Computer equipment 30% declining balance
Furniture and fixtures 20% declining balance
Leasehold improvements over the term of lease on a straight line basis

e) Goodwill

Goodwill being the excess of cost over assigned values of net assets acquired, is stated at cost less amortization. Amortization is provided on a straight-line basis over 20 years (unless otherwise stated). The value of goodwill is evaluated regularly by reviewing the returns of the related business, taking into account the risk associated with the investment. Any impairment in the value of the goodwill is written off against earnings.

f) Revenue Recognition

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

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g) Financial Instruments

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

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

h) Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

3. ACQUISITIONS

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

1998 Acquisitions:

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

1999 Acquisitions:

- o The Company purchased an additional 5,978 shares in Black Investment Management Limited on April 13, 1999 for cash considerations of \$209,230. The purchase increased the Company's ownership to 50.5%.
- The Company purchased an additional 3,000 shares in Black Investment Management Ltd. on July 22, 1999 for cash consideration of \$105,000.
- o On November 19, 1999, the Company completed the acquisition of 75% of P.J. Doherty & Associates Co. Ltd., the primary business of which is to provide discretionary and advisory portfolio management services. The goodwill of \$5,353,911 resulting from this acquisition is amortized over 15 years.

7

The assets acquired and consideration given are as follows:

```
<CAPTION>
                                    1999
                                                1998
   <S>
                                              <C>
                                   <C>
   Cash
                                  $ 33,637
                                              $ 90,823
   Net assets (liabilities) acquired,
   at fair value
                                      309,726
                                                  (490,992)
                                $ 343,363 $ (400,169)
  Consideration
                                   2,010,080
   Cash
   Class A Preferred Shares
                                          3,500,000
   Share capital - common shares
                                                      5,143,491
   Direct acquisition expenses
                                            121,942
                                 5,946,252
                                              5,143,491
```

The following table reflects, on a pro-forma basis, the combined results of InterUnion Asset Management Limited as if the P.J. Doherty & Associates Co. Ltd. acquisition had taken place at April 1, 1998.

<TABLE> <CAPTION>

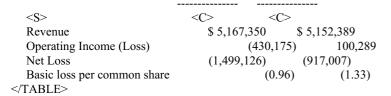
Goodwill

</TABLE>

<TABLE>

9 months ended December 31, December 31, 1999 1998

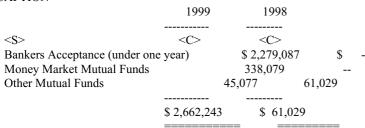
\$ 5,602,889 \$ 5,543,660



4. MARKETABLE SECURITIES

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

<TABLE> <CAPTION>

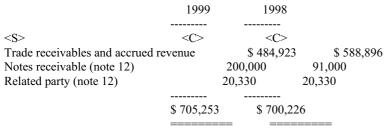


</TABLE>

5. ACCOUNTS RECEIVABLE AND ACCRUED REVENUE

Accounts receivable and accrued revenue comprise the following:

<TABLE> <CAPTION>



</TABLE>

The notes receivable are non-interest bearing and the balances are expected to be repaid in the current fiscal year.

8

6. MANAGEMENT CONTRACTS

Management contracts comprise the following:

<TABLE> <CAPTION>

OIN HOIV			1999	19	98			
	Cost		Accumulated Amortization			Net Book Value		
<s></s>	<c></c>		<c></c>	<c></c>		<c></c>		
Management contract		\$	500,000	\$ 75,000	\$	425,000	\$	
Non-competition agree	ement		2,000,000	23,810)	1,976,190		
	\$ 2,500,0	000	\$ 98,810	\$ 2,401,	,190) \$		
		===	====				=	

</TABLE>

Non-competition agreements with principal individuals at P.J. Doherty & Associates Co. Ltd are amortized over a period of 7 years.

7. CAPITAL ASSETS

Capital assets comprise the following:

<TABLE>

<CAPTION>

	1999		1998		
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	
<s></s>	<c></c>	<c></c>	<c></c>	<c></c>	
Computer equipment	\$	609,155	\$ 417,909	\$ 191,246	\$ 56,766
Furniture, fixtures and	other	427,349	295,451	131,898	46,260
Leasehold improvement	nts	155,366	16,615	138,751	
	\$ 1,191,87	0 \$ 729,97	5 \$ 461,89	95 \$ 103,0	26

</TABLE>

Amortization expense during the year was \$47,147 (1998; \$23,061).

8. INVESTMENTS

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

<TABLE>

<CAPTION>

1999 1998 <S> <C> <C> 27,224 common shares of InterUnion Financial Corporation, \$ 17,190 \$ 150,000 a shareholder of the Company, held by a subsidiary of the company (quoted market value - \$17,190) 44,477 Class A preference shares of Kanata Capital Inc., a 44,478 44,478 corporation controlled by minority shareholders of and held by a subsidiary (it is impractical to determine a fair value as the company is privately held and there is no ready market)

Other investments 10,000 10,000

\$ 71,668 \$ 204,478

</TABLE>

9. GOODWILL

<TABLE>

<CAPTION>

Cost \$13,775,881 \$8,179,109

Accumulated amortization 848,180 379,806

\$ 12,927,701 \$ 7,799,303

</TABLE>

10. BANK INDEBTEDNESS

<TABLE>

<CAPTION>

Demand bank loans bearing interest at prime $\pm 1/2\%$ to $\pm 3/4\%$ \$ 128,449 \$ 100,000

Overdraft 146,975 180,467

\$ 275,424 \$ 280,467

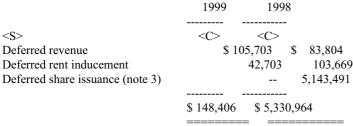
The demand bank loans are guaranteed by two of a subsidiary Company's shareholders.

9

11. DEFERRED LIABILITIES AND LEASE INDUCEMENTS

Deferred liabilities and lease inducements compromise the following:





</TABLE>

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

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

12. RELATED PARTY TRANSACTIONS

Significant related party transactions are as follows:

<TABLE> <CAPTION>

<caption></caption>			
	1999	1998	
<s></s>	<c></c>	<c></c>	
Revenue			
Management fees from corporation			
subsidiary shareholder has operat	ional control	\$	\$ 117,000
Rent from corporation owned by	common		
subsidiary shareholders			9,000
_			
Expenses			
Mutual fund administration fees t	o the majority		
shareholder of the company		91,787	
Managament face to a company in			
Management fees to a corporation			- 12,600
by minority shareholder of the co	шрапу	_	- 12,000
Rent, no formal agreement in place	re.		
to corporation controlled by a mir			
shareholder of the company	iority	18,900	18,900
sharehelder of the company		10,700	10,700
Trailer fees to corporations contro	olled		
by an officer of a subsidiary comp			52,515
-y yyy			,
Management fees to a corporation	controlled		
by a director and officer of the co			90,000
•	1 2		,
Marketing fees to a company con-	trolled by an		
officer of the company		31,250	56,250

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

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Related party balances in the accounts are as follows:

<TABLE> <S> <C> <C> Accounts receivable from a corporation with common subsidiary shareholders 20,330 \$ 20,330 Notes receivable from an officer of a subsidiary company 91.000 200.000 Accounts payable due to a corporation controlled by an officer of a 4,082 subsidiary company Accounts payable due to the minority shareholder of the company 50,370 Accounts payable due to minority shareholders of a subsidiary 78,680 company </TABLE>

These balances are interest-free, unsecured, payable on demand and have arisen from the provision of services referred to above.

13. LONG-TERM DEBT

<TABLE> <CAPTION>

Demand installment loan, monthly principal payments of \$2,700, interest at prime plus 2%. Unless demanded, balance is due on October 15, 2000. \$ 154,600

Bank loan bearing interest at prime, repayable in monthly principal installments of \$10,000 plus interest, secured by a general security agreement and a guarantee of the subsidiary

10% note payable to a director and non-controlling interest

shareholder, due on demand -- 49,123

122,200 1,179,260

Less: current portion 32,400 152,400

975,537

</TABLE>

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

14. PREFERENCE SHARES

3,500 Cumulative Redeemable Convertible Class A Preference Shares (with a value equal to \$1,000 per share) were issued on November 19, 1999 as consideration for the acquisition of P.J. Doherty & Associates Co. Ltd.

These Class A Preference Shares are redeemable at the option of either the holders (commencing November 19, 2002, subject to certain provisions with respect to non-payment of dividends and an Initial Public Offering of the Common Shares of the Company) or the Company (commencing November 19, 2001) at \$1,000 per share. In the instance that the Class A Preference Shares are

redeemed by the Company, the holders are entitled to a cash premium of 2.5% per annum, calculated from the original issue date together with all dividends accruing thereon whether or not declared. At any time after issuance, each Class A Preference Share is convertible to 78.408 Common Shares at a conversion price of \$12.7538 per Common Share (subject to certain provisions with respect to the issuance of additional Common Shares). Holders of these Class A Preference Shares are entitled to quarterly cumulative cash dividends of: i.) 2.50%

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per annum until the third anniversary of the original issue date; and ii.) 5.00% per annum thereafter. Holders of these Class A Preference Shares are also entitled to an additional dividend of 2.50% per annum accruing until and payable on the earlier of: i.) the third anniversary of the original issue date; ii.) the date on which Common Shares are delivered to the holder pursuant to a conversion of Class A Preference Shares; and iii.) the redemption of such Class A Preference Shares. As these Class A Preference Shares are redeemable at the option of the holders, the value of these shares have been classified as long-term debt on the balance sheet. These Class A Preference Shares are collateralized by a pledge by the Company of 4,000,000 common shares in the capital of P.J. Doherty & Associates Co. Ltd. valued at \$4,000,000.

15. SHARE CAPITAL

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

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

During the year, the articles of the Company were amended to cancel the existing Preference Shares and to authorize the issuance of an unlimited number of Class A and Class B Preference Shares, issuable in Series (note 14).

Details of issued share capital are as follows:

<TABLE>

:CAPHON> -	Shares Common Pre	eference		Preference
<s></s>	<c> <c></c></c>	> <c></c>	<c></c>	
Opening				
Share Capital				
April 1, 1998	234,292	\$ 1	,374,000(1)	\$
-				
Dagambar 21	1009 224 20	2	1 274 000	
December 31,			1,374,000	4 020 522(1)
,	455,699	,	, , , , ,	4,920,533(1)
Mar 8, 1999	310,000	(310,010)	4,920,533(3)) 4,920,533)
Mar 8, 1999	568,160	4,	920,534(1)	
-				
Closing				
Share Capital	l:			
December 31.				
1999	1,568,161	\$ 16,	358.558 \$	
= = = = = = = = = = = = = = = = = = = =	=======================================	=======		

- </TABLE>
 - (1) issued for cash
 - (2) issued on acquisition of subsidiaries
 - (3) Preference Share conversion

During the prior period the Board of Directors of the Company approved the granting of options to employees to purchase up to 136,300 common shares of

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Vested Options

<TABLE>

<CAPTION>

				Number o	f Option		
Year	Vested	Exercise	Outstanding	Issued (ve	sted)	Exercised	Outstanding
Grante	ed expiry	price 1	December 31,			Decembe	r 31,
	date	19	998		19	99	
<s></s>	<c></c>			<c></c>			
-	· ·	<c></c>	<c></c>	C	<c></c>	<c></c>	
1999	Jan 21,	\$16.13		36,300		36,300	
	2009						
1999	Jan 21,	\$0.001		22,000		22,000	
	2009			,		,	
1999	May 10,	\$13.00		6,417		6,417	
	2009			,			
<td>BLE></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>	BLE>						

Unvested Options

<TABLE>

<CAPTION>

	11011					
				Number of	of Option	
Year granted		price 1	Outstanding December 31, 998	Issu		ed Outstanding December 31,
<s></s>	<c></c>	<c></c>	<c></c>	<c></c>	<c></c>	<c></c>
1999	Jan 21,	\$0.001		37,000	11,000	26,000
	2009					
1999	May 10,	\$13.00		32,000	6,417	26,583
	2009					
<td>LE></td> <td></td> <td></td> <td></td> <td></td> <td></td>	LE>					

Unvested options with an exercise price of \$0.001 will vest on the basis of specific employee performance related to the acquisition of assets under management. The unvested options will expire on dates from March 31, 2000 to March 31, 2002 if performance criteria is not met. Unvested options with an exercise price of \$13.00 will vest evenly over a three year term.

16. INCOME TAXES

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

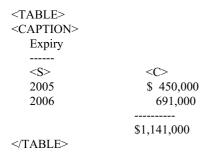
<TABLE> <CAPTION>

	1999	1998		
<s></s>	<c></c>	<c></c>	>	
Combined statutory tax rate (recovery)		(44.6))% (4	44.6)%
Deduct:				
Non-deductible expenses, amortization of	of goodwill	and	56.3%	46.5%
unrecognized losses carried forward				
Small business reduction rate			(4.1)%	
Effective income tax rate		11.7%	(2.2)%)

</TABLE>

As at December 31, 1999 the consolidated group had approximately \$1,141,000 of non-capital losses (1998 - \$191,000) and \$133,000 of unrealized capital losses (1998 - \$0) which may be carried forward and utilized to reduce future years' taxable income and capital gains, respectively. Capital losses can be carried forward indefinitely. The

right to claim the non capital losses expires as follows:



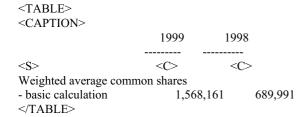
13

During the period, the Company's future income tax asset increased by \$315,000 (1998 - \$85,000) and totaled \$509,000 (1998 - \$85,000) after applying the statutory tax rate to the non-capital losses described above.

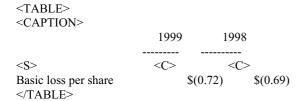
Subsequently, the net change to the valuation allowance during the period, and the total valuation allowance as at December 31, 1999 provided by the Company, increased by \$315,000 (1998 - \$85,000) and totaled \$509,000 (1998 - \$85,000) to reduce the future income tax asset, reflecting the uncertainty of realization of the future income tax asset.

17. LOSS PER SHARE

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



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

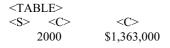


18. COMMITMENTS

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

<table></table>	
<s> <c></c></s>	<c></c>
2000	\$402,000
2001	382,000
2002	239,000
2003	215,000
2004	83,001

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



2001	1,210,000
2002	717,000
2003	490,000
2004	449,000

 |

19. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000.

The Company uses third party applications or suppliers for its major information 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. If the Year 2000 Issue is not addressed by the Company

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and its major customers, suppliers and other third party business associates, the impact on the Company's operations and financial reporting may range from minor errors to significant systems failure which could affect the Company's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Company, including those related in the efforts of employers, suppliers, or other third parties, will be fully resolved.

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

The consolidated financial statements of the Company are prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"). Material differences at December 31 between Canadian GAAP and accounting principles generally accepted in the United States ("U.S. GAAP") are described below.

Stock Based Compensation

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

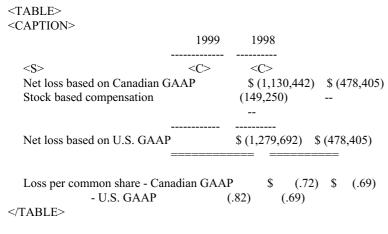
Under APB 25 the intrinsic-value of vested options would have been \$0. The intrinsic-value of unvested options granted is estimated to be \$597,000 (1998 - \$0) with a vesting period of three years. Accordingly, had the Company recognized compensation cost related to the unvested options the intrinsic value would have been amortized over the vesting period, or in amounts of \$199,000 in each vesting year. Management's best estimate is that the performance conditions attached to the unvested options will be met. Total compensation cost for the period under APB 25 would have been \$149,250. Had the Company booked compensation expense in accordance with APB 25, basic loss per share would have been increased by \$0.10 (1998 - \$0).

The estimated fair value of the underlying equity at December 31, 1999 was \$13.00. As such, compensation costs under SFAS 123 would have totaled \$227,700 (1998 - \$0) with a vesting period of three years.

The fair value estimates were determined using the Black-Scholes option-pricing model. Valuation was based on a risk-free interest rate of 5.46%, an expected term of 10 years, an expected volatility of 30% and no

expected dividends. Had the Company booked compensation expense, basic earnings per share would have been reduced by \$0.04 (1998 - \$0).

The application of U.S. GAAP would have the following approximate effects on the Company's consolidated financial statements:



Comprehensive Income

15

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

21. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative quarterly consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the current quarterly consolidated financial statements.

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