

CONSOLIDATED FINANCIAL STATEMENTS OF
NORTHFIELD CAPITAL
CORPORATION
YEARS ENDED DECEMBER 31, 1997 AND 1996

AUDITORS' REPORT
To the Shareholders of
Northfield Capital Corporation

We have audited the consolidated balance sheets of Northfield Capital Corporation as at December 31, 1997 and December 31, 1996 and the consolidated statements of earnings, retained earnings and changes in financial position for the years then ended. 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 audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance 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.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1997 and December 31, 1996 and the results of its operations and the changes in its financial position for each of the years then ended in accordance with generally accepted accounting principles.

TORONTO, Ontario
March 25, 1998

CHARTERED ACCOUNTANTS

NORTHFIELD CAPITAL CORPORATION
CONSOLIDATED BALANCE SHEETS AS AT DECEMBER 31, 1997 AND 1996

	1997	1996
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,004,206	\$ 183,771
Accounts receivable	233,761	821,977
Marketable securities (market value \$605,966; 1996 - \$779,147)	500,735	664,698
Inventories	343,659	336,786
Prepaid expenses	29,612	17,612
Income taxes receivable	39,900	-
	2,151,873	2,024,844
INVESTMENTS (Note 3)	1,514,609	2,719,560
CAPITAL ASSETS (Notes 4, 6 and 7)	185,052	371,099
OTHER ASSETS (Note 5)	199,032	248,389
	\$ 4,050,566	\$ 5,363,892
LIABILITIES		
CURRENT LIABILITIES		
Bank loan (Note 6)	\$ 205,000	\$ 260,000
Due to brokers	-	704,863
Accounts payable and accrued liabilities	279,391	428,307
Income taxes payable	-	358,755
Due to a related company	-	25,000
Due to a director	-	26,156
Current portion of long-term debt (Note 7)	71,051	153,199
	555,442	1,956,280
LONG-TERM DEBT (Note 7)	210,233	321,631
MINORITY INTEREST	32,506	39,461
FUTURE INCOME TAXES	137,823	116,198
	936,004	2,433,570
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 8)	2,113,586	2,113,586
CONTRIBUTED SURPLUS	42,831	42,831
RETAINED EARNINGS	958,145	773,905
	3,114,562	2,930,322
	\$ 4,050,566	\$ 5,363,892

SIGNED ON BEHALF OF THE BOARD

))
.....) DIRECTORS
))
.....)

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

NORTHFIELD CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
YEARS ENDED DECEMBER 31, 1997 AND 1996

	1997	1996
RETAINED EARNINGS (DEFICIT) - BEGINNING OF YEAR	\$ 773,905	\$(347,571)
Net earnings for the year	184,240	1,155,520
Cancellation of shares (Note 8(c))	-	(34,044)
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RETAINED EARNINGS - END OF YEAR	\$ 958,145	\$ 773,905

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

NORTHFIELD CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF EARNINGS
YEARS ENDED DECEMBER 31, 1997 AND 1996

	1997	1996
INCOME		
Sales	\$ 1,572,888	\$ 102,841
Other (Note 9)	660,632	2,078,271
	2,233,520	2,181,112
OPERATING EXPENSES		
Cost of sales, selling and administrative expenses	1,933,479	553,125
	300,041	1,627,987
NET INCOME BEFORE THE FOLLOWING		
Amortization	85,386	336
Interest expense -		
Long-term	37,633	-
Short-term	29,216	-
	152,235	336
EARNINGS BEFORE INCOME TAXES AND MINORITY INTEREST	147,806	1,627,651
INCOME TAXES (Note 10)	(18,275)	472,131
EARNINGS BEFORE MINORITY INTEREST	166,081	1,155,520
MINORITY INTEREST	18,159	-
NET EARNINGS FOR THE YEAR	\$ 184,240	\$ 1,155,520
EARNINGS PER SHARE (Note 11)	\$ 0.09	\$ 0.58

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

NORTHFIELD CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION
YEARS ENDED DECEMBER 31, 1997 AND 1996

	1997	1996
OPERATING ACTIVITIES		
Earnings before minority interest	\$ 166,081	\$ 1,155,520
Items not affecting cash –		
Trademarks, patents and other written off	-	121,798
Gain on sale of long-term investments	(892,789)	(1,307,604)
Amortization	85,386	336
Future income taxes	21,625	116,198
Other	(1,303)	-
Share in earnings of equity investment	(13,406)	-
Loss on disposal of capital and other assets	30,990	-
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	(603,416)	86,248
Decrease (increase) in non-cash components of operating working capital	(570,285)	623,381
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	(1,173,701)	709,629
INVESTING ACTIVITIES		
Business acquisitions (Note 2)	-	(360,929)
Purchase of capital assets	(9,502)	-
Purchase of long-term investments	(248,307)	(2,208,204)
Note receivable (Note 3)	(320,000)	-
Advances, unsecured (Note 3)	155,000	(155,000)
Proceeds on disposal of long-term investments	2,524,453	1,779,592
Proceeds on disposal of capital and other assets	129,834	-
Minority interest in shares issued by subsidiary	11,204	-
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	2,242,682	(944,541)
FINANCING ACTIVITIES		
Repayment of long-term debt	(193,546)	(10,258)
Proceeds of long-term debt	-	45,000
Stock options exercised	-	140,000
Repurchase of common shares by the Company	-	(6,630)
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	(193,546)	168,112
INCREASE (DECREASE) IN CASH	875,435	(66,800)
CASH (BANK INDEBTEDNESS) – BEGINNING OF YEAR	(76,229)	(9,429)
CASH (BANK INDEBTEDNESS) – END OF YEAR	<hr/>	<hr/>
	\$ 799,206	\$ (76,229)
CASH (BANK INDEBTEDNESS) CONSISTS OF:		
Cash	\$ 1,004,206	\$ 183,771
Bank loan	(205,000)	(260,000)
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	\$ 799,206	\$ (76,229)

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

NORTHFIELD CAPITAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1997 AND 1996

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all subsidiaries. The subsidiary companies are Henry J. Thomas & Son Limited (73% owned) and Culverhouse Foods Corporation (80% owned). All significant intercompany transactions and balances have been eliminated.

(b) Investments

Marketable securities represent short-term investments which are carried at the lower of cost and quoted market value.

Investments in companies over which the Company has the ability to exercise significant influence are accounted for by the equity method. Accordingly the original cost of the shares is adjusted for the Company's share of earnings or losses less dividends received since significant influence commenced.

Other long-term investments are carried at cost less any write-downs for impairments in value that are other than temporary.

(c) Inventories

Inventories are valued at the lower of cost and net realizable value, with cost generally determined on a first-in, first-out basis.

(d) Capital Assets

Capital assets are amortized principally on the diminishing balance basis over their estimated useful lives at the following annual rates:

Leasehold land	2.5%
Buildings	4%, 5% and 10%
Equipment and furnishings	20%
Vehicles	30%

(e) Goodwill

The excess of the purchase price of investments in subsidiaries over the fair value of the net assets acquired is amortized on a straight-line basis over ten years. Goodwill is written down to fair value when declines in value are considered other than temporary based on the expected cash flows of the respective business.

NORTHFIELD CAPITAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1997 AND 1996

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Trademarks and Patents

Trademarks and patents are amortized on a straight-line basis over ten years. Trademarks and patents are written down to fair value when, in management's estimate, they provide no future benefit to the respective business.

(g) Future Income Taxes

Future income taxes arise from flow-through share expenses being deducted for income tax purposes in a different reporting period than any gain or loss realized on the disposal of the shares.

2. BUSINESS ACQUISITIONS

- (a) Effective December 31, 1996 the Company acquired 70% of the common shares of Henry J. Thomas & Son Limited, a glass sales and installation company. This has been accounted for by the purchase method.

Net assets acquired – at fair values

Working capital (including bank indebtedness of \$103,581)	\$ 158,131
Capital assets	354,998
Other assets	12,430
	525,559
Long-term debt	(395,324)
Minority interest	(39,461)
	90,774
Excess cost of shares over fair values of net assets acquired	169,226
	\$ 260,000
Consideration given –	
Cash	\$ 215,000
Promissory note payable (Note 7)	45,000
	\$ 260,000

During 1997, the Company increased its ownership interest in Henry J. Thomas & Son Limited to 73% by acquiring 134 newly issued treasury shares for \$50,000.

NORTHFIELD CAPITAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1997 AND 1996

2. BUSINESS ACQUISITIONS (continued)

- (b) In January, 1996 the Company acquired for cash 80% of the common shares of Culverhouse Foods Corporation, a food packager and wholesaler, for \$800. This has been accounted for by the purchase method and the results of operations have been included in the accompanying consolidated financial statements since January 1, 1996.

Net assets acquired – at fair values

Working capital (including cash of \$3,452)	\$ 21,079
Capital assets	756
Other assets	59,400
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	81,235
Long-term debt	(83,764)
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	(2,529)
Excess cost of shares over fair values of net assets acquired	3,329
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Cash purchase price	\$ 800
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3. INVESTMENTS

	1997	1996
Accounted for on the equity basis -		
Sunserve Glass Products Limited (40%)	\$ 97,248	\$ -
i5ive communications inc. -		
Common shares (40%)	40	40
6 1/2% demand promissory note, secured, no fixed repayment terms	320,000	-
Advances, unsecured	-	155,000
Accounted for on the cost basis -		
Northfield Minerals Inc. (market value 1996 - \$4,583,067)	-	734,111
MDSI Mobile Data Solution Inc. (market value \$792,396; 1996 - \$1,410,228)	363,860	993,384
Cimitec Environmental Inc. (market value \$288,143; 1996 - \$420,874)	354,844	389,645
Tyranax Gold Inc. (market value \$211,739; 1996 - \$358,402)	318,899	396,065
Instep Mobile Communications (market value \$11,880)	8,363	-
Other	51,355	51,315
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	\$ 1,514,609	\$ 2,719,560
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NORTHFIELD CAPITAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1997 AND 1996

4. CAPITAL ASSETS

	Cost	1997 Accumulated Amortization	Net	1996 Net
Leasehold land	\$ 7,143	\$ 22	\$ 7,121	\$ 7,143
Buildings	112,131	50,000	62,131	220,493
Equipment and furnishings	117,921	30,083	87,838	97,075
Vehicles	38,243	10,281	27,962	46,388
	\$ 275,438	\$ 90,386	\$ 185,052	\$ 371,099

5. OTHER ASSETS

	1997	1996
Goodwill	\$ 172,555	\$ 172,555
Trademarks and patents	59,400	59,400
Other	13,733	16,434
	245,688	248,389
Accumulated amortization	46,656	-
	\$ 199,032	\$ 248,389

6. BANK LOAN

The demand loan bears interest at prime plus 2% and is secured by a general assignment of book debts, an assignment of life insurance and a fixed and floating charge debenture for \$450,000 covering certain property and assets of a subsidiary. The effective interest rate at December 31, 1997 was 8%.

NORTHFIELD CAPITAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1997 AND 1996

7. LONG-TERM DEBT

	1997	1996
Term loans repayable in monthly instalments of \$3,065 plus interest, secured by land, building and equipment, maturing at various dates to October 2000, bearing interest at 11.20% to 13.50%.	\$ 140,240	\$ 152,500
First mortgage repaid in 1997.	-	\$ 107,233
Chattel mortgages with interest rates ranging from 9.5% to 14% maturing at various dates to August 1999, repayable in blended monthly payments of principal and interest of \$2,638 and secured by specific vehicles.	16,589	46,664
Non-interest bearing promissory note payable, no set repayment terms.	45,000	45,000
15% note payable, no set repayment terms.	28,045	34,506
Other	51,410	88,927
	281,284	474,830
Deduct: Current portion	71,051	153,199
	\$ 210,233	\$ 321,631

The estimated fair values of these loans, based on discounting future contractual cash flows under the current financing arrangements at discount rates currently available, approximate their carrying values.

Principal repayments of long term debt over the next five years are as follows:

1998	\$ 71,051
1999	41,900
2000	27,904
2001	18,180
2002	14,880
Thereafter	107,369
	\$ 281,284

NORTHFIELD CAPITAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1997 AND 1996

8. SHARE CAPITAL

(a) Authorized

An unlimited number of –
 Class A common shares
 Class B common shares having 500 votes per share,
 convertible into one Class A common share; ownership
 is restricted to the original promoters of the Company
 Preference shares

(b) Issued

	Number of Shares	Consideration
Class A Common Shares		
Balance – December 31, 1995	1,934,519	\$ 1,986,438
Shares repurchased and cancelled (Note 8(c))	(19,995)	(20,532)
Stock options exercised (Note 8(d))	200,000	140,000
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Balance – December 31, 1996 and 1997	2,114,524	2,105,906
 Class B Common Shares		
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Balance – December 31, 1995, 1996 and 1997	3,720	7,680
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	2,118,244	\$ 2,113,586
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(c) Purchase for Cancellation

During 1996 the Company repurchased for cancellation 2,495 Class A common shares for cash of \$6,630 (1995 – 17,500 Class A common shares for cash of \$47,945). During 1996 the Company cancelled all of these 19,995 repurchased common shares. The excess of cost over the paid-up capital of these shares amounted to \$34,044 and has been charged to retained earnings.

(d) Options

During 1996, 200,000 options were exercised for cash consideration of \$140,000.

In June 1996, the Company granted 90,000 options to certain officers and directors of the Company to acquire Class A common shares of the Company at \$2.25 per share. These options will expire on June 25, 2001. As at December 31, 1997, all of these options remain outstanding.

In June 1997, the Company granted 120,000 options to certain officers and directors of the Company to acquire Class A common shares of the Company at \$2.25 per share. These options will expire on June 25, 2002. As at December 31, 1997, all of these options remain outstanding.

On March 25, 1998, all outstanding options were repriced to \$2.00 per share.

NORTHFIELD CAPITAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1997 AND 1996

9. OTHER INCOME (EXPENSE)

	1997	1996
Gain on sale of investments	\$ 620,140	\$ 2,185,942
Investment income and other	27,086	14,127
Trademarks, patents and other written off	-	(121,798)
Share in earnings of equity investments	13,406	-
	\$ 660,632	\$ 2,078,271

The Company's share of earnings of Sunserve Glass Products Limited is \$13,406, net of amortization of goodwill of \$2,083.

isive communications inc. had no earnings in 1997.

10. INCOME TAXES

The major factors that cause variations from the Company's combined federal and provincial statutory Canadian income tax rates of 44.6% (1996 – 44.6%) were the following:

	1997	1996
Income tax at statutory tax rates	\$ 65,921	\$ 725,932
Effect of:		
Non-taxable portion of capital gains	(72,812)	(243,732)
Flow-through share deductions	(54,858)	(146,221)
Other	(8,640)	19,954
Losses of other years	7,359	-
Losses of subsidiaries	23,130	-
	(39,900)	355,933
Income tax expense	(39,900)	355,933
Future income taxes	21,625	116,198
	\$(18,275)	\$ 472,131

At December 31, 1997, a subsidiary has the following benefits available to reduce future years' income for tax purposes, the tax effect of which has not been recorded in the accounts.

Losses carried forward for tax purposes available until 2004		\$ 275,954
Excess of undepreciated capital cost over net book value of capital assets		143,921
		\$ 419,875

NORTHFIELD CAPITAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1997 AND 1996

11. EARNINGS PER SHARE

The earnings per share has been calculated based on the weighted average aggregate number of Class A and Class B common shares outstanding during the year of 2,118,294 (1996 - 1,988,242).

12. RELATED PARTY TRANSACTIONS

During the year the Company bought/sold marketable securities to/from a company controlled by a director. These transactions took place at fair market value. The Company also paid consulting fees to the same company.

These transactions are summarized as follows:

Investments bought	\$ 165,685
Investments sold	\$ 45,000
Consulting fees paid	\$ 120,000

13. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation. Net earnings previously reported have not been affected by this reclassification.

14. SUBSEQUENT EVENTS

Subsequent to year end, the Company entered into an agreement to purchase all remaining outstanding shares of Henry J. Thomas & Son Limited.

In addition, the Company's subsidiary, Henry J. Thomas & Son Limited, entered into an agreement to increase its ownership interest from 40% to 70% in Sunserve Glass Products Limited.

15. SEGMENTED INFORMATION

Glass sales and installation - Henry J. Thomas & Son Limited operates in the province of Newfoundland.

Food wholesaling - Culverhouse Foods Corporation operates in the province of Ontario.

Other - Corporate activities.

NORTHFIELD CAPITAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1997 AND 1996

15. SEGMENTED INFORMATION (continued)

	1997	1996
Revenues		
Glass sales and installation	\$ 1,475,053	\$ -
Food wholesaling	97,835	102,841
	\$ 1,572,888	\$ 102,841
Operating loss		
Glass sales and installation	\$ (57,896)	\$ -
Food wholesaling	(910)	(2,343)
	\$ (58,806)	\$ (2,343)
Additions to capital assets		
Glass sales and installation	\$ 6,702	\$ -
Food wholesaling	-	-
Other	2,800	-
	\$ 9,502	\$ -
Total assets		
Glass sales and installation	\$ 852,384	\$ 1,109,678
Food wholesaling	67,036	97,954
Other	3,131,146	4,156,260
	\$ 4,050,566	\$ 5,363,892
Amortization expense		
Glass sales and installation	\$ 38,730	\$ -
Food wholesaling	-	-
Other	46,656	336
	\$ 85,386	\$ 336