

**CONSOLIDATED FINANCIAL STATEMENTS OF**  
**NORTHFIELD CAPITAL**  
**CORPORATION**  
**YEARS ENDED DECEMBER 31, 1999 AND 1998**

**AUDITORS' REPORT  
To the Shareholders of  
Northfield Capital Corporation**

We have audited the consolidated balance sheets of Northfield Capital Corporation as at December 31, 1999 and 1998 and the consolidated statements of earnings and retained earnings and cash flows 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, 1999 and 1998 and the results of its operations and cash flows for the years then ended in accordance with generally accepted accounting principles.

*Smith, Nipon + Co. LLP*

**TORONTO, March 10, 2000**

**CHARTERED ACCOUNTANTS**

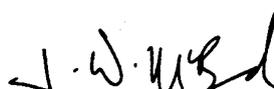
**NORTHFIELD CAPITAL CORPORATION**  
**CONSOLIDATED BALANCE SHEETS AS AT DECEMBER 31, 1999 AND 1998**

	<b>1999</b>	<b>1998</b>
<b>ASSETS</b>		
Current Assets		
Cash	\$ 832,244	\$ 79,620
Receivables	723,957	621,854
Marketable securities (market value \$640,514;1998 - \$620,204)	598,104	430,674
Inventories	519,273	503,997
Prepaid expenses	22,176	22,234
Income taxes receivable	-	54,078
Note receivable (Note 4)	<u>150,000</u>	<u>-</u>
	2,845,754	1,712,457
Investments (Note 3)	2,359,649	2,220,865
Note Receivable (Note 4)	-	150,000
Capital Assets (Note 5)	236,362	242,865
Other Assets (Note 6)	<u>409,289</u>	<u>459,421</u>
	<u>\$ 5,851,054</u>	<u>\$ 4,785,608</u>
<b>LIABILITIES</b>		
Current Liabilities		
Bank indebtedness (Note 7)	\$ 145,886	\$ 188,606
Due to brokers	-	171,621
Accounts payable and accrued liabilities	919,206	760,288
Income taxes payable	272,676	-
Current portion of long-term debt (Note 8)	<u>192,448</u>	<u>90,240</u>
	1,530,216	1,210,755
Long-Term Debt (Note 8)	377,385	556,615
Minority Interest	-	10,893
Future Income Taxes	<u>67,000</u>	<u>7,875</u>
	<u>1,974,601</u>	<u>1,786,138</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share Capital (Note 9)	2,502,086	2,396,086
Contributed Surplus	42,831	42,831
Retained Earnings	<u>1,331,536</u>	<u>560,553</u>
	<u>3,876,453</u>	<u>2,999,470</u>
	<u>\$ 5,851,054</u>	<u>\$ 4,785,608</u>

On behalf of the Board



Director



Director

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

**NORTHFIELD CAPITAL CORPORATION**  
**CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS**  
**YEARS ENDED DECEMBER 31, 1999 AND 1998**

	<b>1999</b>	<b>1998</b>
<b>REVENUES</b>		
Sales	\$ 3,475,471	\$ 3,037,806
Other income (expense) (Note 11)	<u>1,663,307</u>	<u>(95,582)</u>
	<u>5,138,778</u>	<u>2,942,224</u>
<b>OPERATING EXPENSES</b>		
Cost of sales	2,485,428	2,071,290
Selling and administrative	1,420,630	1,269,595
Amortization	98,785	121,067
Interest on long-term debt	<u>40,700</u>	<u>23,356</u>
	<u>4,045,543</u>	<u>3,485,308</u>
Earnings (loss) before income taxes	1,093,235	(543,084)
Income taxes (Note 12)	<u>333,145</u>	<u>(151,775)</u>
Earnings (loss) before minority interest	760,090	(391,309)
Minority interest	<u>10,893</u>	<u>(6,283)</u>
Net Earnings (Loss)	770,983	(397,592)
Retained Earnings - Beginning of Year	<u>560,553</u>	<u>958,145</u>
Retained Earnings - End of Year	<u>\$ 1,331,536</u>	<u>\$ 560,553</u>
Earnings (Loss) Per Share (Note 10)	<u>\$ 0.33</u>	<u>\$ (0.18)</u>

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

**NORTHFIELD CAPITAL CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 1999 AND 1998**

	<b>1999</b>	<b>1998</b>
<b>CASH PROVIDED BY ( USED IN )</b>		
<b>OPERATIONS</b>		
Earnings (loss) before minority interest	\$ 760,090	\$ (391,309)
Items not affecting cash -		
Loss (gain) on sale of long-term investments	(1,569,489)	304,556
Amortization	98,785	121,067
Future income taxes	59,125	(129,948)
Other	(6,867)	(1,235)
Share in earnings of equity investments	-	44,812
Long-term debt written off	<u>(28,045)</u>	<u>-</u>
	(686,401)	(52,057)
Net change in non-cash working capital (Note 13)	<u>29,300</u>	<u>177,653</u>
	<u>(657,101)</u>	<u>125,596</u>
<b>INVESTING ACTIVITIES</b>		
Business acquisitions	-	(128,954)
Purchase of capital assets	(40,682)	(34,284)
Purchase of long-term investments	(1,461,325)	(1,560,144)
Proceeds on disposal of long-term investments	2,892,030	452,084
Notes payable	-	100,000
Proceeds on disposal of capital assets	5,400	-
Note receivable (Note 4)	<u>-</u>	<u>(150,000)</u>
	<u>1,395,423</u>	<u>(1,321,298)</u>
<b>FINANCING ACTIVITIES</b>		
Decrease in bank indebtedness	(42,720)	(16,394)
Repayment of long-term debt	(78,978)	(82,490)
Proceeds of long-term debt	30,000	-
Proceeds from shares issued	106,000	170,000
Proceeds from convertible debenture	<u>-</u>	<u>200,000</u>
	<u>14,302</u>	<u>271,116</u>
Increase (Decrease) in Cash	752,624	(924,586)
Cash - Beginning of Year	<u>79,620</u>	<u>1,004,206</u>
Cash - End of Year	<u>\$ 832,244</u>	<u>\$ 79,620</u>

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

**NORTHFIELD CAPITAL CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 1999 AND 1998**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all subsidiaries. All significant intercompany transactions and balances have been eliminated.

Use of Estimates

The preparation of consolidated 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 and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results may differ from these estimates.

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.

Inventories

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

Capital Assets

Capital assets are recorded at cost and 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%
Leasehold improvements	20%
Vehicles	30%

Goodwill

Goodwill represents the excess of the purchase price of investments in subsidiaries over the fair value of the identifiable net assets acquired and is amortized on a straight-line basis over ten years. The carrying value of goodwill is evaluated in each reporting period to determine if there were events or circumstances which would indicate a possible inability to recover the carrying amount. Any permanent impairment in the carrying value of goodwill is expensed in the period in which the assessment is made.

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

**NORTHFIELD CAPITAL CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 1999 AND 1998**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Translation of Foreign Currencies

Purchases and sales of securities denominated in foreign currencies are translated at the rate of exchange prevailing on the respective dates of such transactions. Foreign exchange gains and losses resulting from the foregoing are included in capital gains on the consolidated statements of operations.

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**

Effective March 31, 1998, the Company acquired the remaining 27% of the outstanding shares of Henry J. Thomas & Son Limited.

Effective March 31, 1998, Henry J. Thomas & Son Limited acquired an additional 30% interest in Sunserve Glass Products Limited for a total ownership interest of 70%.

Effective June 30, 1998, Henry J. Thomas & Son Limited acquired a 70% interest in NewGlass Limited.

These acquisitions were accounted for by the purchase method and consolidated from their respective dates of acquisition. The assets acquired and consideration given are as follows:

Working capital deficiency (including bank indebtedness of \$ 48,954)	\$ (61,023)
Capital assets	<u>131,911</u>
	70,888
Long-term debt	(152,503)
Minority interest at book value	<u>32,541</u>
	(49,074)
Equity position at the date of acquisition	(44,301)
Excess cost of shares over net assets acquired	<u>325,875</u>
Purchase price	<u><u>\$ 232,500</u></u>
Consideration:	
Cash	\$ 80,000
Promissory notes	40,000
Class A shares issued	<u>112,500</u>
	<u><u>\$ 232,500</u></u>

**NORTHFIELD CAPITAL CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 1999 AND 1998**

**3. INVESTMENTS**

	1999		1998	
	Quoted Market Value	Cost	Quoted Market Value	Cost
Accounted for on the cost basis -				
Cimatec Environmental Engineering Inc.	\$ 508,955	\$ 659,449	\$ 475,483	\$ 453,521
Dotcom 2000 Inc. (formerly Tyranex Gold Inc.)	112,437	46,455	22,548	22,548
eDispatch.com Wireless Data Inc. (formerly Instep Mobile Communications Inc.)	3,769,275	257,892	374,430	306,211
Fort Knox Gold Resources Inc.	36,720	51,488	440,449	448,200
Guyana Goldfields Inc.	313,379	325,583	226,954	247,931
i5ive communications inc. - advances, unsecured	-	-	-	124,982
NFX Gold Inc.	75	381	84,319	160,549
Pharmex Industries Inc.	725,671	467,064	-	-
Suite101.com, Inc.	9,923,604	397,357	10,940,163	415,018
Other	114,978	61,930	-	41,855
Phoenix Performance Products Inc. - Non-interest bearing note receivable, no set repayment terms	-	92,000	-	-
Accounted for on the equity basis -				
Phoenix Performance Products Inc. - Common shares (50%)	-	<u>50</u>	-	<u>50</u>
		<u>\$ 2,359,649</u>		<u>\$ 2,220,865</u>

**4. NOTE RECEIVABLE**

The unsecured note receivable bears interest at 8% per annum, payable quarterly in arrears. The note is due on or before June 2, 2000.

**5. CAPITAL ASSETS**

	1999			1998
	Cost	Accumulated Amortization	Net	Net
Leasehold land	\$ 8,326	\$ -	\$ 8,326	\$ 8,326
Buildings	286,516	234,058	52,458	56,371
Equipment and furnishings	495,342	360,613	134,729	140,882
Vehicles	195,554	174,945	20,609	25,442
Leasehold improvements	32,052	11,812	20,240	11,844
	<u>\$ 1,017,790</u>	<u>\$ 781,428</u>	<u>\$ 236,362</u>	<u>\$ 242,865</u>

**NORTHFIELD CAPITAL CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 1999 AND 1998**

**6. OTHER ASSETS**

	<b>1999</b>	<b>1998</b>
Goodwill	\$ 488,195	\$ 488,195
Other	<u>16,435</u>	<u>14,968</u>
	504,630	503,163
Accumulated amortization	<u>95,341</u>	<u>43,742</u>
	<u>\$ 409,289</u>	<u>\$ 459,421</u>

**7. BANK INDEBTEDNESS**

Bank indebtedness is secured by a general assignment of book debts and a fixed and floating charge debenture for \$450,000 covering certain property and assets of a subsidiary. Interest is paid at prime plus 2%. The effective interest rate at December 31, 1999 was 8.5% (1998 - 8.75%).

**8. LONG-TERM DEBT**

	<b>1999</b>	<b>1998</b>
Term loans repayable in monthly instalments of \$3,732 plus interest, secured by land, building and equipment, maturing at various dates to January 2005, bearing interest at 9.25% to 13.50%.	\$ 121,448	\$ 129,400
Non-interest bearing promissory notes payable, no set repayment terms.	93,990	93,990
15% note payable, no set repayment terms.	-	28,045
8% notes payable, interest payable quarterly in arrears, due on or before June 2, 2000.	100,000	100,000
10% convertible debenture, unsecured, convertible into Class A shares at \$ 1.50 per share, interest payable semi-annually, due November 20, 2001.	200,000	200,000
Non-interest bearing notes payable, repayable in annual instalments of \$20,000, due January 31, 2000.	20,000	40,000
Capital lease obligations for equipment, repayable in blended monthly instalments of \$805, maturing from October 2001 to October 2003, bearing interest at 13% to 17%.	20,771	26,818
Other	<u>13,624</u>	<u>28,602</u>
	569,833	646,855
Deduct: Current portion	<u>192,448</u>	<u>90,240</u>
	<u>\$ 377,385</u>	<u>\$ 556,615</u>

**NORTHFIELD CAPITAL CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 1999 AND 1998**

**8. LONG-TERM DEBT** (continued)

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:

2000	\$ 192,448
2001	231,700
2002	18,700
2003	18,500
2004	15,100
Thereafter	<u>93,385</u>
	<u>\$ 569,833</u>

**9. SHARE CAPITAL**

(a) Authorized

An unlimited number of -

Class A restricted voting shares

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

Preference shares

(b) Issued

	Number of Shares	Consideration
Class A Restricted Voting Shares		
Balance - December 31, 1997	2,114,524	\$ 2,105,906
Shares issued on acquisition of subsidiary shares (Note 2)	75,000	112,500
Shares issued by private placement	120,000	150,000
Stock options exercised	<u>10,000</u>	<u>20,000</u>
Balance - December 31, 1998	2,319,524	2,388,406
Stock options exercised	<u>50,500</u>	<u>106,000</u>
Balance - December 31, 1999	2,370,024	2,494,406
Class B Common Shares		
Balance - December 31, 1997, 1998 and 1999	<u>3,720</u>	<u>7,680</u>
	<u>2,373,744</u>	<u>\$ 2,502,086</u>

**NORTHFIELD CAPITAL CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 1999 AND 1998**

**9. SHARE CAPITAL** (continued)

(c) Options

As at December 31, 1999, options were outstanding to certain officers, directors and key employees for the purchase of Class A restricted voting shares as follows:

Date of Grant	Number	Exercise Price	Expiry Date
June 25, 1996	90,000	\$2.00	June 25, 2001
June 25, 1997	10,000	\$2.00	June 25, 2002
March 31, 1998	7,500	\$2.00	March 31, 2003
August 10, 1998	50,000	\$2.00	August 10, 2003
January 21, 1999	85,500	\$2.50	January 21, 2004

**10. EARNINGS PER SHARE**

The earnings per share has been calculated based on the weighted average aggregate number of Class A restricted voting shares and Class B common shares outstanding during the year of 2,364,310 (1998 - 2,222,090).

**11. OTHER INCOME (EXPENSE)**

	<b>1999</b>	<b>1998</b>
Gain (loss) on sale of long-term investments	\$ 1,569,489	\$ (8,195)
Gain (loss) on sale of marketable securities	58,712	299,769
Investment and other	35,106	34,004
Loss on write-down of long-term investments	-	(296,361)
Loss on write-down of marketable securities	-	(79,987)
Share in earnings of equity investments	-	(44,812)
	<u>\$ 1,663,307</u>	<u>\$ (95,582)</u>

**NORTHFIELD CAPITAL CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 1999 AND 1998**

**12. INCOME TAXES**

The major factors that cause variations from the Company's combined federal and provincial statutory Canadian income tax rates of 44.6 % (1998 - 44.6%) were the following:

	<b>1999</b>	<b>1998</b>
Expected income tax at statutory tax rates	\$ 487,583	\$ (228,835)
Effect of:		
Non-taxable portion of capital gains	(181,544)	(32,510)
Flow-through share deductions	(72,185)	(2,230)
Other	15,033	64,912
Losses carried forward	(17,167)	-
Losses of subsidiaries	42,300	8,985
Loss on write-down of investments	<u>-</u>	<u>167,851</u>
Income tax expense (recovery)	274,020	(21,827)
Future income taxes	<u>59,125</u>	<u>(129,948)</u>
	<u>\$ 333,145</u>	<u>\$ (151,775)</u>

At December 31, 1999, subsidiary companies have the following amounts available to reduce future years' income for tax purposes, the benefit of which has not been recorded in the accounts.

Losses carried forward for tax purposes which expire between 2001 and 2006	\$ 383,100
Excess of undepreciated capital cost over net book value of capital assets	<u>198,000</u>
	<u>\$ 581,100</u>

**13. STATEMENT OF CASH FLOWS**

(a) Net Change in Non-cash Working Capital Balances

The net change in non-cash working capital balances related to operations is represented by the following:

	<b>1999</b>	<b>1998</b>
Receivables	\$ (102,103)	\$ (186,676)
Marketable securities	(167,430)	70,061
Inventories	(15,276)	(36,388)
Prepaid expenses	58	9,862
Income taxes receivable (payable)	326,754	(14,178)
Due to brokers	(171,621)	171,621
Accounts payable and accrued liabilities	<u>158,918</u>	<u>163,351</u>
	<u>\$ 29,300</u>	<u>\$ 177,653</u>

**NORTHFIELD CAPITAL CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 1999 AND 1998**

**13. STATEMENT OF CASH FLOWS** (continued)

(b) Supplemental Information

Interest paid	<u>\$ 109,183</u>	<u>\$ 73,756</u>
Income taxes recovered	<u>\$ (52,735)</u>	<u>\$ (7,649)</u>

**14. RELATED PARTY TRANSACTIONS**

During the year the Company paid consulting fees of \$120,000 (1998 - \$120,000) to a company controlled by a director.

During the year the Company sold investments totalling \$ 110,553 to certain officers, directors, employees, and related companies. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

**15. FINANCIAL INSTRUMENTS**

(a) Interest Rate Risk

The Company's financial assets and liabilities are non-interest bearing, except for the short-term investment and the bank indebtedness.

(b) Credit Risk

There is no substantial concentration of credit risk on accounts receivable due to the large number of customers. The Company's management performs ongoing credit evaluations of its customers and establishes an allowance for doubtful accounts based on the credit risk applicable to particular customers, historical trends and other relevant information.

(c) Foreign Exchange Risk

There are no significant balances denominated in a foreign currency.

(d) Fair Value

The carrying value of the financial instruments included in the balance sheet approximate fair value because of the limited term of these investments.

**16. SUBSEQUENT EVENT**

Subsequent to year-end, a subsidiary company entered into a letter of intent to purchase all the outstanding shares of Kidston Glass (1993) Incorporated. The agreement provides for the payment of \$400,000, issuance of \$150,000 of Northfield Capital Corporation shares and a 3% note for \$350,000 which is guaranteed by Northfield Capital Corporation.

**NORTHFIELD CAPITAL CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 1999 AND 1998**

**17. YEAR 2000 ISSUE**

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

**18. SEGMENTED INFORMATION**

Glass sales and installation - Henry J. Thomas & Son Limited and its subsidiaries, Sunserve Glass Products Limited, and NewGlass Limited operate in the province of Newfoundland.

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

Other - Corporate activities.

	<b>1999</b>	<b>1998</b>
Revenues		
Glass sales and installation	\$ 3,385,432	\$ 2,970,154
Food wholesaling	<u>90,039</u>	<u>67,652</u>
	<u>\$ 3,475,471</u>	<u>\$ 3,037,806</u>
Operating loss		
Glass sales and installation	\$ (81,758)	\$ (10,144)
Food wholesaling	<u>38,492</u>	<u>(10,001)</u>
	<u>\$ (43,266)</u>	<u>\$ (20,145)</u>
Additions to capital assets		
Glass sales and installation	\$ 37,763	\$ 30,216
Food wholesaling	291	1,150
Other	<u>2,628</u>	<u>2,918</u>
	<u>\$ 40,682</u>	<u>\$ 34,284</u>
Total assets		
Glass sales and installation	\$ 1,637,140	\$ 1,604,961
Food wholesaling	105,070	81,454
Other	<u>4,108,844</u>	<u>3,099,193</u>
	<u>\$ 5,851,054</u>	<u>\$ 4,785,608</u>
Amortization expense		
Glass sales and installation	\$ 71,322	\$ 63,928
Other	<u>27,463</u>	<u>57,139</u>
	<u>\$ 98,785</u>	<u>\$ 121,067</u>