

CONSOLIDATED FINANCIAL STATEMENTS OF
NORTHFIELD CAPITAL
CORPORATION
YEARS ENDED DECEMBER 31, 1998 AND 1997

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

We have audited the consolidated balance sheets of Northfield Capital Corporation as at December 31, 1998 and 1997 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, 1998 and 1997 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

TORONTO, April 1, 1999

**(signed) Smith, Nixon & Co. LLP
CHARTERED ACCOUNTANTS**

NORTHFIELD CAPITAL CORPORATION
CONSOLIDATED BALANCE SHEETS AS AT DECEMBER 31, 1998 AND 1997

	1998	1997
ASSETS		
CURRENT ASSETS		
Cash	\$ 79,620	\$ 1,004,206
Receivables	621,854	233,761
Marketable securities (market value \$620,204;1997 - \$605,966)	430,674	500,735
Inventories	503,997	343,659
Prepaid expenses	22,234	29,612
Income taxes receivable	<u>54,078</u>	<u>39,900</u>
	1,712,457	2,151,873
INVESTMENTS (Note 3)	2,220,865	1,514,609
NOTE RECEIVABLE (Note 4)	150,000	-
CAPITAL ASSETS (Notes 5, 7 and 8)	242,865	185,052
OTHER ASSETS (Note 6)	<u>459,421</u>	<u>199,032</u>
	<u>\$ 4,785,608</u>	<u>\$ 4,050,566</u>
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness (Note 7)	\$ 188,606	\$ 205,000
Due to brokers	171,621	-
Accounts payable and accrued liabilities	760,288	279,391
Current portion of long-term debt (Note 8)	<u>90,240</u>	<u>71,051</u>
	1,210,755	555,442
LONG-TERM DEBT (Note 8)	556,615	210,233
MINORITY INTEREST	10,893	32,506
FUTURE INCOME TAXES	<u>7,875</u>	<u>137,823</u>
	<u>1,786,138</u>	<u>936,004</u>
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 9)	2,396,086	2,113,586
CONTRIBUTED SURPLUS	42,831	42,831
RETAINED EARNINGS	560,553	958,145
	<u>2,999,470</u>	<u>3,114,562</u>
	<u>\$ 4,785,608</u>	<u>\$ 4,050,566</u>

SIGNED ON BEHALF OF THE BOARD

(signed) Thomas J. Pladsen

(signed) Frank C. Smeenk

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, 1998 AND 1997

	1998	1997
RETAINED EARNINGS - BEGINNING OF YEAR	\$ 958,145	\$ 773,905
Add:		
Net earnings (loss) for the year	<u>(397,592)</u>	<u>184,240</u>
RETAINED EARNINGS - END OF YEAR	<u>\$ 560,553</u>	<u>\$ 958,145</u>

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

NORTHFIELD CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF EARNINGS
YEARS ENDED DECEMBER 31, 1998 AND 1997

	1998	1997
SALES	\$ 3,037,806	\$ 1,572,888
OTHER (EXPENSE) INCOME (Note 10)	<u>(95,582)</u>	<u>660,632</u>
	<u>2,942,224</u>	<u>2,233,520</u>
OPERATING EXPENSES		
Cost of sales	2,071,290	973,277
Selling and administrative	1,269,595	989,418
Amortization	121,067	85,386
Interest on long-term debt	<u>23,356</u>	<u>37,633</u>
	<u>3,485,308</u>	<u>2,085,714</u>
EARNINGS (LOSS) BEFORE INCOME TAXES	(543,084)	147,806
INCOME TAXES (Note 11)	<u>(151,775)</u>	<u>(18,275)</u>
EARNINGS (LOSS) BEFORE MINORITY INTEREST	(391,309)	166,081
MINORITY INTEREST	<u>(6,283)</u>	<u>18,159</u>
NET EARNINGS (LOSS) FOR THE YEAR	<u>\$ (397,592)</u>	<u>\$ 184,240</u>
EARNINGS (LOSS) PER SHARE (Note 12)	<u>\$ (0.18)</u>	<u>\$ 0.09</u>

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, 1998 AND 1997

	1998	1997
CASH FROM OPERATIONS		
Earnings (loss) before minority interest	\$ (391,309)	\$ 166,081
Items not affecting cash -		
Loss (gain) on sale of long-term investments	304,556	(892,789)
Amortization	121,067	85,386
Future income taxes	(129,948)	21,625
Other	(1,235)	(1,303)
Share in earnings of equity investments	44,812	(13,406)
Loss on disposal of capital assets	<u>-</u>	<u>30,990</u>
	(52,057)	(603,416)
Net change in non-cash working capital (Note 13)	<u>177,653</u>	<u>(570,285)</u>
	<u>125,596</u>	<u>(1,173,701)</u>
INVESTING ACTIVITIES		
Business acquisitions	(168,954)	-
Purchase of capital assets	(34,284)	(9,502)
Purchase of long-term investments	(1,560,144)	(248,307)
Note receivable (Note 3)	-	(320,000)
Proceeds on disposal of long-term investments	452,084	2,524,453
Notes payable	100,000	-
Proceeds on disposal of capital assets	-	129,834
Advances, unsecured	-	155,000
Minority interest in shares issued by subsidiary	-	11,204
Note receivable (Note 4)	<u>(150,000)</u>	<u>-</u>
	<u>(1,361,298)</u>	<u>2,242,682</u>
FINANCING ACTIVITIES		
Repayment of long-term debt	(82,490)	(193,546)
Proceeds of long-term debt	40,000	-
Proceeds from shares issued	170,000	-
Proceeds from convertible debenture	<u>200,000</u>	<u>-</u>
	<u>327,510</u>	<u>(193,546)</u>
CHANGE IN CASH DURING THE YEAR	(908,192)	875,435
CASH (BANK INDEBTEDNESS) - BEGINNING OF YEAR	<u>799,206</u>	<u>(76,229)</u>
CASH (BANK INDEBTEDNESS) - END OF YEAR	<u>\$ (108,986)</u>	<u>\$ 799,206</u>
CASH (BANK INDEBTEDNESS) CONSISTS OF:		
Cash	\$ 79,620	\$ 1,004,206
Bank indebtedness	<u>(188,606)</u>	<u>(205,000)</u>
	<u>\$ (108,986)</u>	<u>\$ 799,206</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, 1998 AND 1997

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.

Accounting Estimates

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 of the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could 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 stated 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.

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 and expensed in the period when, in management's estimate, they provide no future benefit to the respective business.

NORTHFIELD CAPITAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1998 AND 1997

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The following are the acquisitions during the period. These acquisitions were accounted for by the purchase method and consolidated from the respective date of acquisition.

1998 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.

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>\$ 232,500</u>
Consideration	
Cash	\$ 80,000
Promissory notes	40,000
Class A shares issued	<u>112,500</u>
	<u>\$ 232,500</u>

1997 Acquisitions:

During 1997, the Company increased its ownership in Henry J. Thomas & Son Limited from 69% to 73% by acquiring 134 newly issued treasury shares for \$ 50,000.

NORTHFIELD CAPITAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1998 AND 1997

3. INVESTMENTS

	1998		1997	
	Quoted Market Value	Cost	Quoted Market Value	Cost
Accounted for on the cost basis -				
Cimitec Environmental Inc.	\$ 475,483	\$ 453,521	\$ 288,143	\$ 354,844
E-Dispatch.com Wireless Data (formerly Instep Mobile Communications Inc.)	374,430	306,211	22,548	8,363
Fort Knox Resources	440,449	448,200	-	-
Guyana Goldfields	226,954	247,931	-	-
i5ive communications inc. - advances, unsecured	-	124,982	-	-
MDSI Mobile Data Solutions Inc.	-	-	792,396	363,860
NFX Gold	84,319	160,549	-	-
Suite 101.com, Inc.	10,940,163	415,018	-	-
Tyranax Gold Inc.	22,548	22,548	211,739	318,899
Other	-	41,905	-	51,355
Accounted for on the equity basis -				
Sunserve Glass Products Limited (40%)	-	-	-	97,248
i5ive communications inc. - Common shares (40%)	-	-	-	40
6.5% demand promissory note, secured, no fixed repayment terms	-	-	-	<u>320,000</u>
		<u>\$ 2,220,865</u>		<u>\$ 1,514,609</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

	1998			1997
	Cost	Accumulated Amortization	Net	Net
Leasehold land	\$ 8,326	\$ -	\$ 8,326	\$ 7,121
Buildings	286,216	229,845	56,371	62,131
Equipment and furnishings	472,416	331,534	140,882	87,838
Vehicles	191,554	166,112	25,442	27,962
Leasehold improvements	<u>18,597</u>	<u>6,753</u>	<u>11,844</u>	<u>-</u>
	<u>\$ 977,109</u>	<u>\$ 734,244</u>	<u>\$ 242,865</u>	<u>\$ 185,052</u>

NORTHFIELD CAPITAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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6. OTHER ASSETS

	1998	1997
Goodwill	\$ 488,195	\$ 172,555
Trademarks and patents	-	30,000
Other	<u>14,968</u>	<u>13,733</u>
	503,163	216,288
Accumulated amortization	<u>43,742</u>	<u>17,256</u>
	<u>\$ 459,421</u>	<u>\$ 199,032</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, 1998 was 8.75% (1997 - 8%).

8. LONG-TERM DEBT

	1998	1997
Term loans repayable in monthly instalments of \$2,065 plus interest, secured by land, building and equipment, maturing at various dates to October 2000, bearing interest at 11.85% to 13.50%.	\$ 106,590	\$ 140,240
Non-interest bearing promissory notes payable, no set repayment terms.	93,990	45,000
15% note payable, no set repayment terms.	28,045	28,045
8% notes payable, interest payable quarterly in arrears, due on or before June 2, 2000.	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	-
Non-interest bearing notes payable, repayable in annual instalments of \$20,000, due January 31, 2000.	40,000	-
Other	<u>78,230</u>	<u>67,999</u>
	646,855	281,284
Deduct: Current portion	90,240	71,051
	<u>\$ 556,615</u>	<u>\$ 210,233</u>

NORTHFIELD CAPITAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1998 AND 1997

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:

1999	\$ 90,240
2000	165,850
2001	228,135
2002	19,358
2003	18,239
Thereafter	<u>125,033</u>
	<u>\$ 646,855</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, 1996 and 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
Class B Common Shares		
Balance - December 31, 1996, 1997 and 1998	<u>3,720</u>	<u>7,680</u>
	<u>2,323,244</u>	<u>\$ 2,396,086</u>

NORTHFIELD CAPITAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1998 AND 1997

9. SHARE CAPITAL (continued)

(c) Options

(i) All options outstanding on March 25, 1998 were repriced to \$2.00 per share. During 1998, 10,000 options to purchase Class A restricted voting shares were exercised for cash consideration of \$20,000.

(ii) As at December 31, 1998, 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

(iii) In January 1999, the Company granted 85,500 options to certain officers, directors and key employees of the Company to acquire Class A restricted voting shares of the Company at \$2.50 per share. These options expire January 21, 2004.

10. OTHER (EXPENSE) INCOME

	1998	1997
Gain (loss) on sale of long-term investments	\$ (8,195)	\$ 892,789
Gain (loss) on sale of marketable securities	299,769	(272,649)
Investment and other	34,004	27,086
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	<u>(44,812)</u>	<u>13,406</u>
	<u>\$ (95,582)</u>	<u>\$ 660,632</u>

NORTHFIELD CAPITAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1998 AND 1997

11. INCOME TAXES

The major factors that cause variations from the Company's combined federal and provincial statutory Canadian income tax rates of 44.6 % (1997 - 44.6%) were the following:

	1998	1997
Expected income tax at statutory tax rates	\$ (228,835)	\$ 65,921
Effect of:		
Non-taxable portion of capital gains	(32,510)	(72,812)
Flow-through share deductions	(2,230)	(54,858)
Other	64,912	(8,640)
Losses of other years	-	7,359
Losses of subsidiaries	8,985	23,130
Loss on write-down of investments	<u>167,851</u>	<u>-</u>
Income tax expense (recovery)	(21,827)	(39,900)
Future income taxes	<u>(129,948)</u>	<u>21,625</u>
	<u>\$ (151,775)</u>	<u>\$ (18,275)</u>

At December 31, 1998, 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 1999 and 2005	\$ 348,408
Excess of undepreciated capital cost over net book value of capital assets	<u>139,780</u>
	<u>\$ 488,188</u>

12. 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 2,222,090 (1997 - 2,118,294).

NORTHFIELD CAPITAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1998 AND 1997

13. OTHER INFORMATION

(a) Details of net change in non-cash working capital:

	1998	1997
Receivables	\$ (186,676)	\$ 588,216
Marketable securities	70,061	163,963
Inventories	(36,388)	(6,873)
Prepaid expenses	9,862	(12,000)
Income taxes receivable	(14,178)	(398,655)
Due to brokers	171,621	(704,863)
Accounts payable and accrued liabilities	163,351	(148,917)
Due to related parties	<u>-</u>	<u>(51,156)</u>
	<u>\$ 177,653</u>	<u>\$ (570,285)</u>

(b) Other

Interest paid -		
Short-term	\$ 50,400	\$ 29,216
Long-term	\$ 23,356	\$ 37,633

14. RELATED PARTY TRANSACTIONS

During the year the Company paid consulting fees of \$120,000 (1997 - \$120,000) to a company controlled by a director.

15. 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.

	1998	1997
Revenues		
Glass sales and installation	\$ 2,970,154	\$ 1,475,053
Food wholesaling	<u>67,652</u>	<u>97,835</u>
	<u>\$ 3,037,806</u>	<u>\$ 1,572,888</u>

NORTHFIELD CAPITAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1998 AND 1997

15. SEGMENTED INFORMATION (continued)

Operating loss		
Glass sales and installation	\$ (10,144)	\$ (57,896)
Food wholesaling	<u>(10,001)</u>	<u>(910)</u>
	<u>\$ (20,145)</u>	<u>\$ (58,806)</u>
 Additions to capital assets		
Glass sales and installation	\$ 30,216	\$ 6,702
Food wholesaling	1,150	-
Other	<u>2,918</u>	<u>2,800</u>
	<u>\$ 34,284</u>	<u>\$ 9,502</u>
 Total assets		
Glass sales and installation	\$ 1,604,961	\$ 852,384
Food wholesaling	81,454	67,036
Other	<u>3,099,193</u>	<u>3,131,146</u>
	<u>\$ 4,785,608</u>	<u>\$ 4,050,566</u>
 Amortization expense		
Glass sales and installation	\$ 63,928	\$ 38,730
Other	<u>57,139</u>	<u>46,656</u>
	<u>\$ 121,067</u>	<u>\$ 85,386</u>

16. 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 erroneous processing. The effects of the Year 2000 Issue may be experienced on before or after January 1, 2000, and if not addressed, may have an impact on the financial reporting and operations of the Company. The effect could range from minor errors to complete failures, which could adversely affect the normal business operations of the Company. It is not possible to ascertain all the potential effects of all aspects of the Year 2000 Issue, including its effect on customers, suppliers and other third parties. There exists the possibility that all of these issues may not be resolved before the Year 2000.