

## FORM 2A

### QUOTATION STATEMENT

This Quotation Statement must be used for all initial applications for quotation and for Issuers resulting from a fundamental change. CNQ requires prospectus level disclosure in the Quotation Statement (other than certain financial disclosure and interim Management's Discussion and Analysis) and can require that the Issuer include additional disclosure.

#### General Instructions

- (a) Please prepare this Quotation Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.
- (b) The term "Issuer" includes the applicant Issuer and any of its subsidiaries.
- (c) In determining the degree of detail required, a standard of materiality should be applied. Materiality is a matter of judgment in a particular circumstance, and should generally be determined in relation to an item's significance to investors, analysts and other users of the information. An item of information, or an aggregate of items, is considered material if it is probable that its omission or misstatement would influence or change an investment decision with respect to the issuer's securities. In determining whether information is material, take into account both quantitative and qualitative factors. The potential significance of items should be considered individually rather than on a net basis, if the items have an offsetting effect. This concept of materiality is consistent with the financial reporting notion of materiality contained in the Handbook.
- (d) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation.
- (e) For Issuers that are re-qualifying for quotation following a fundamental change, provide historic and current details on
  - (i) the Issuer
  - (ii) all other companies or businesses that are involved in the fundamental change (the "target"); and
  - (iii) the entity that will result from the fundamental change (the "New Issuer").

Information concerning the Issuer that was contained in the most recent Quotation Statement may be incorporated by reference, but this statement must indicate if any of the information in the prior statement has changed (e.g. describing a business that will no longer be undertaken by the New Issuer). Information concerning assets or lines of business of the target that will not be part of the New Issuer's business should not be included.

- (f) This quotation statement provides prospectus-level disclosure. It will be amended from time to time to reflect any changes to the prospectus disclosure requirements. If changed, the new form is to be used for the next quotation statement the Issuer is required to file. The Issuer does not have to amend a quotation statement currently on file to reflect any new disclosure requirements.

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## **2. Corporate Structure**

### **2.1 State the full corporate name of the Issuer or, if the Issuer is an unincorporated entity, the full name under which the entity exists and carries on business and the address(es) of the Issuer's head and registered office.**

Armada Mercantile Ltd. ("the "Issuer") has its head office and registered and records office at Suite 2300, 1066 West Hastings Street, Vancouver, BC V6E 3X2.

### **2.2 State the statute under which the Issuer is incorporated or continued or organized or, if the Issuer is an unincorporated entity, the laws of the jurisdiction or foreign jurisdiction under which the Issuer is established and exists. If material, state whether the articles or other constating or establishing documents of the Issuer have been amended and describe the substance of the material amendments.**

The Issuer was incorporated pursuant to the laws of the British Columbia *Company Act* on June 24, 1987 under the name Armada Gold and Minerals Ltd. On March 4, 1992 the Issuer changed its name to Armada Mercantile Ltd. and the authorized capital was increased from 20,000,000 common shares out par value to 200,000,000 common shares without par value.

### **2.3 Describe, by way of a diagram or otherwise, the intercorporate relationships among the Issuer and the Issuer's subsidiaries. For each subsidiary state**

The Issuer has one wholly owned subsidiary, Armada Group USA Inc. ("*ArmadaUSA*") that was incorporated pursuant to the laws of Delaware on July 19, 2002.

**(a) the percentage of votes attaching to all voting securities of the subsidiary represented by voting securities beneficially owned, or over which control or direction is exercised, by the Issuer;**

The Issuer holds 100% of the voting securities of *ArmadaUSA*.

**(b) the place of incorporation or continuance; and**

*ArmadaUSA* was incorporated in the State of Delaware.

- (c) the percentage of each class of restricted shares beneficially owned, or over which control or direction is exercised, by the Issuer.

All securities of *ArmadaUSA* are restricted and the Issuer holds 100% of these securities.

- 2.4** If the issuer is requalifying following a fundamental change or is proposing an acquisition, amalgamation, merger, reorganization or arrangement, describe by way of diagram or otherwise these intercorporate relationships both before and after the completion of the proposed transaction.

The Issuer is not proposing any acquisition, amalgamation, merger, reorganization or arrangement.

- 2.5** Non-corporate Issuers and Issuers incorporated outside of Canada must describe how their governing legislation or constating documents differ materially from Canadian corporate legislation with respect to the corporate governance principles set out in Policy 4.

This section is not applicable as the Issuer was incorporated in British Columbia.

### **3. General Development of the Business**

- 3.1** Describe the general development of the Issuer's business over its three most recently completed financial years and any subsequent period. Include only major events or conditions that have influenced the general development of the Issuer's business. If the business consists of the production or distribution of more than one product or the rendering of more than one kind of service, describe the principal products or services. Also discuss changes in the business of the Issuer that are expected to occur during the current financial year of the Issuer.

The Issuer's shares have been listed on the TSX Venture Exchange ("TSXV") and its predecessor exchanges since 1987. Armada had been engaged in the Travel and Aviation industries until late 1999, through its wholly owned subsidiary, Skybridge Holidays Inc., a Canadian chartered airline. Due to fierce competition in the North American airline industry, the Issuer divested itself of its travel business and since then management has been seeking other business opportunities. Skybridge Holidays was entered into bankruptcy proceedings in 1998. The Trustee in Bankruptcy and the British Columbia Bankruptcy Court have now closed their files.

*ArmadaUSA* has developed a business plan to enter into the field of venture-leasing and asset-based financing ("Venture Lending") and has applied for and received business licenses for the States of California, Texas, South Carolina and Colorado. The Issuer intends to apply for a California Finance Lenders Licence to increase growth and expansion of overall product line. The Issuer

plans to launch *ArmadaUSA*'s business in the early fall of 2003, following receipt of shareholder approval. There have been no acquisitions or dispositions made by the Issuer in the most recently completed financial year.

### **3.2 Disclose:**

- (1) (a) **any significant acquisition completed by the Issuer or any significant probable acquisition proposed by the Issuer, for which financial statements would be required under Part 6 or 7 of OSC Rule 41-501 if this Quotation Statement were a prospectus; and**

The Issuer has not completed any significant acquisition during the last completed financial year. The Issuer does not propose any significant acquisition.

- (b) **any significant disposition completed by the Issuer during the most recently completed financial year or the current financial year for which *pro forma* financial statements would be required under Part 8 of OSC Rule 41-501 if this Quotation Statement were a prospectus.**

The Issuer has not completed any significant disposition during the last completed financial year. The Issuer does not propose any significant disposition.

- (2) **Under paragraph (1) include particulars of**

- (a) **the nature of the assets acquired or disposed of or to be acquired or disposed of;**

This section is not applicable for the reasons outlined in section 3.2(1) above.

- (b) **the actual or proposed date of each significant acquisition or significant disposition;**

This section is not applicable for the reasons outlined in section 3.2(1) above.

- (c) **the consideration, both monetary and non-monetary paid, or to be paid, to or by the Issuer;**

This section is not applicable for the reasons outlined in section 3.2(1) above.

- (d) **any material obligations that must be complied with to keep any significant acquisition or significant disposition agreement in good standing;**

This section is not applicable for the reasons outlined in section 3.2(1) above.

- (e) **the effect of the significant acquisition or significant disposition on the operating results and financial position of the Issuer;**

This section is not applicable for the reasons outlined in section 3.2(1) above.

- (f) **any valuation opinion obtained within the last 12 months required under Canadian securities legislation or Canadian securities directives of a Canadian securities regulatory authority or a requirement of a Canadian stock exchange or other Canadian market to support the value of the consideration received or paid by the Issuer or any of its subsidiaries for the assets, including the name of the author, the date of the opinion, the assets to which the opinion relates and the value attributed to the assets; and**

This section is not applicable as the Issuer was not required and has not obtained a valuation opinion in the last 12 months.

- (g) **whether the transaction is with a Related Party of the Issuer and if so, disclose the identity of the other parties and the relationship of the other parties to the Issuer.**

This section is not applicable for the reasons outlined in section 3.2(1) above.

**3.3 Discuss any trend, commitment, event or uncertainty that is both presently known to management and reasonably expected to have a material effect on the Issuer's business, financial condition or results of operations, providing forward-looking information based on the Issuer's expectations as of the date of the Quotation Statement.**

At present, there are no trends or commitments known to management that will have a material effect on the Issuer. As discussed in Section 3.1 above, management reasonably expects to launch its business plans for Venture Lending, which would create a future event that would have a material effect on the Issuer's business. The Issuer's financial condition and results of operations are projected to improve should the Venture Lending business reach its full potential. However, the Issuer is not certain that it can receive regulatory approvals or that result from operations will materialize as planned

**Instruction: Issuers are encouraged, but not required, to supply other forward-looking information. Optional forward-looking disclosure involves anticipating a future trend or event or anticipating a less predictable effect of a known event, trend or uncertainty. This other forward-looking information is to be distinguished from presently known information that is reasonably expected to**

have a material effect on future operating results, such as known future increases in costs of labour or materials, which information is required to be disclosed.

## **4 Narrative Description of the Business**

### **4.1 General**

- (1) Describe the business of the Issuer with reference to the reportable operating segments as defined in the Handbook and the Issuer's business in general. Include the following for each reportable operating segment of the Issuer:**

*ArmadaUSA* is entering into the field of venture-leasing and asset-backed financing ("Venture Lending"). Venture Lending consists of two components:

1. Venture-leasing is a form of non-traditional lending that takes its early roots from the traditional "Merchant Bankers" of the 1800's and is a hybrid of traditional leasing and venture capital. The credit procedure and qualified target market are designed to address emerging-growth companies. These companies have already received their first rounds of venture capital financing and/or have already reached the IPO (Initial Public Offering) stage.

2. Asset-backed financing is a means by which providers of finance fund a specific block of assets rather than the general business of a company. The list of possible asset types includes real estate, accounts receivables, equipment and other types of property. It is another type of secured debt, which is a hybrid of venture capital and traditional institutional lending for emerging-growth public companies.

Additionally, Venture Lending provides key benefits for the emerging-growth company. The lessor, *ArmadaUSA*, provides financing in return for equipment lease payments, the equipment's residual value, and equity warrants in the company. Venture Lending combines the risk awareness of venture capital, the income reward of traditional leasing, and the flexibility to enhance overall income through the combination of the two.

*ArmadaUSA* plans to build a fully integrated company specializing in Venture Lending primarily based in California. The essence of *ArmadaUSA*'s opportunity includes a team of seasoned management, the ability to generate monthly loan volume, access to capital, and a securitization vehicle. Furthermore, the economic events-of-the-day such as a stagnant stock market, falling interest rates, disinflation, effects of the 2003 Tax Act, and the lack of traditional financing, all lend themselves to perfect timing. *ArmadaUSA*, for the most part, will focus its Venture



Lending business on existing publicly-traded emerging-growth companies and, where merit warrants consideration, on private companies.

As future growth dictates, *ArmadaUSA* plans to offer additional financial consulting services and advisory services to its client companies. Those services may include:

- Advice on mergers and acquisitions
- Financial advisory services and consulting, including business plan development
- Bridge loan funding, asset based secured only
- Corporate restructuring services, client companies and outside lenders, such as banks
- Chapter 11 Debtor-in-possession financing to businesses with qualified business plans
- Acquisition funding and debt funding based on secured assets only
- Accounts receivable funding and factoring, referred basis for a fee only
- Traditional leasing of equipment.

*ArmadaUSA* will advise client companies on alternative sources of lending, which are generally non-bank financial organizations and will maintain a hands-on approach with its client companies. *ArmadaUSA* anticipates its client companies will no longer fit a traditional credit profile, nor will they find appropriate traditional financing. *ArmadaUSA* will identify internal controls and weaknesses, improve cash flow and develop a credible long-term business plan that addresses the issues that have caused a higher credit risk for its client companies. When a client company starts to perform below expectations, *ArmadaUSA* will assist in the development of plans for cost reductions and setting strategies to increase revenues.

Venture Lending is a non-regulated industry within most of the United States. California, as an example, only regulates lessors if they are qualified banks, credit unions, industrial banks, and thrift and loans. A venture-leasing company under Title 10 of the California Code of Regulations, California's Financial Law, is a non-regulated corporation, as it is in some other States; Therefore, *ArmadaUSA* is qualified to conduct business in four major metropolitan areas of the United States-California, South Carolina, Texas, and Colorado.

According to McKinsey and Company, the prospect for Venture Lending in 2003 continues to look bright despite the recession of 2001 and slower growth of 2002. This is due to the consistent amount of venture capital monies invested into business enterprises annually. This venture-capital market segment has evolved into a significant profit center for the venture-leasing and asset-backed financing industry. In the three largest market regions for venture capital backed companies, Silicon Valley, Los Angeles, and Boston, the competition to finance these companies on every level is fierce. In other parts of the country, the story is quite different. The smaller upcoming regions like Research Triangle in North Carolina, and areas of Phoenix, Atlanta, Texas, Colorado, Virginia, San Diego, Silicon Alley and New York are more fragmented and underserved. *ArmadaUSA* believes there are numerous opportunities for loan origination in these regions nationwide. New data by PriceWaterhouseCoopers released in July 2003 shows that more venture capital was disbursed into United States-based companies between April and June than between January and March. This represents the first quarter-over-quarter increase in three years. Overall, 669 United States-based companies raised a total of \$4.28 billion during the second quarter of 2003, according to preliminary data from PriceWaterhouseCoopers, Thomson Venture Economics, and the National Venture Capital Association. The last time that quarterly venture capital activity rose was during Q1 2000, when \$28.61 billion was raised compared to the previous quarter's \$23.72 billion take. Additionally, the recent instability in the credit markets, stock markets, and IPO markets should not affect Venture Lending. Although, the securitization market has tightened and a few large banks have reacted with caution to the recent downturn of interest rates, there continues to be a great need for Venture Lending and the funding of this market especially, with smaller capitalized public companies. *ArmadaUSA* has found that with the low yields from short-term interest rates and the lack of available public and venture capital, emerging-growth companies are turning to alternative financing methods to accelerate growth and re-capitalize their balance sheets. These companies who are already public, show a steady cash stream, but cannot qualify for traditional financing. The most attractive industries where Venture Lending opportunities seem to abound include software, telecommunications, information services, medical services and devices, biotechnology, and Internet services. These sectors are staging a financial comeback due to consolidation.

*ArmadaUSA* will develop an online presence through a corporate website that will serve as both a marketing tool and as a portal for communication within *ArmadaUSA* for the generation of Venture Lending leads.

The *ArmadaUSA* portal will allow management to securely monitor all aspects of their stream of business. A Venture Lending site will be made available through the portal to monitor important and timely information including the daily rate sheet, loan-processing information, and

downloadable documentation forms. *ArmadaUSA* management will use the portal as part of their daily communication to track Venture Lending transaction status and other aspects of the daily business.

*ArmadaUSA*'s corporate marketing website will provide information to the general public about *ArmadaUSA* and constantly direct potential clients to management. Management can control the flow of leads from the site and manage the process of handing out leads to the management team, or the system can automatically do so. *ArmadaUSA*'s corporate website will also contain important information and links related to its parent Company, its directors and officers, press releases, stock market prices and required investor relations information. All required investor relations information will be posted to this site including public filings and reports. The corporate website may also be used as a home base for massive online marketing campaigns meant to generate leads and interest that will be directed to the management sales team.

*ArmadaUSA* will maintain a consistent growth pattern as initial Venture Lending is funded, amortized, and as *ArmadaUSA* expands into its selected markets. *ArmadaUSA*'s goal is to attain mainstream market brand acceptance within two to three years. The recognition of gross lease revenue is based on the following criteria:

#### Assumptions

1. Initial start-up capital provided by the Issuer is US\$250,000, which provides for working capital and other credit issuances for the first 24 month;
2. Office rent for the Sacramento location is currently provided by the Issuer.
3. Payroll expenses are for one part-time bookkeeper/secretary at \$10.00 per hour and averaging 100 hours per month,
4. All other employees consist only of management,
5. Management has agreed to accept 20% of unearned Equity Portfolio upon issuance, as remuneration,
6. The Equity Portfolio consists of restricted stock or warrants of the publicly-traded company clients,
7. Client Equity Portfolio payments are the number of shares equivalent to 200% of loan amount at the time of the loan,
8. Thirteen loans are generated during the first 24 months of operations,
9. Loan terms vary in duration from twelve months to thirty-six months,
10. Interest Income has been calculated at 12% per annum.

11. Loan Deposits will be payable on delivery of signed contract,
  - a. One Year Loan Deposits are equal to first and last month payments,
  - b. Two Year Loan Deposits are equal to first and last month payments plus one additional monthly payment,
  - c. Three Year Loan Deposits are equal to first and last month payments, plus one additional monthly payment.
12. The Company will retain a residual value for equipment which was collateralized for loan purposes at the end of each loan term,
  - a. The end of term asset recovery is equal to the first month's payment,
  - b. The end of term asset sale is equal to the first month's payment,
  - c. The collateralized equipment which the Company retains is offered to the borrower for purchase at the end of each loan term,
  - d. The borrower may purchase the equipment for an amount equal to the end of term asset recovery and end of term asset sale. It is assumed that all borrowers will purchase all equipment attributable to each loan.

#### Presentation

1. The Financial Statements are good faith estimates only and are not presented in conformity with generally accepted accounting principles (GAAP).
2. Actual loans or actual loan volume cannot be predicted, therefore, all accompanying financial statements are presented as possible outcomes only.
3. Earned Income consists of loan deposits, which are recognized as revenues at the time of loan issuance.
4. The Equity Portfolio is recorded at its market value at the time of issue and all securities are assumed to be issued.
5. Income from the Equity Portfolio has been spread over ten months based on the value of the Portfolio and beginning in the 13<sup>th</sup> month following the receipt of the securities,
6. Concentrations of credit risk:
  - a. Credit evaluation, approval, and monitoring processes will substantially mitigate potential credit risks.
  - b. Securitization of loan portfolio through full recourse debt, will further reduce credit risk,

7. Securitization of Loan Portfolio, via Private Placement Memorandum,

- a. Full recourse and backed by specific loans,
- b. Term: 24 months,
- c. Sales commission of 3% amortized over the term of the Private Placement Memorandum,
- d. Securitization is calculated at 8% per annum.,
- e. Total yield 100 basis points below yield of loan portfolio.

The following table assumes that capital contribution from the Company into its wholly owned Subsidiary *ArmadaUSA*, cannot be increased beyond its initial US\$250,000 investment.

1. *ArmadaUSA* obtains an EBTIA of US\$30,561.86 in its first full year of operations, and US\$465,474.00 in year two.

2. Assumptions:

1. Average loan amount of US\$60,000, consisting of thirteen loans, with a maturity of 12 to 36 months, averaging 24 months,
2. All loans yield 12% interest,
3. Average monthly interest payment is US\$2,615.95.

US \$250,000 Financial Projection Chart	YEAR ONE	YEAR TWO	CUMULATIVE
Principal Invested	\$250,000.00	N/A	\$250,000.00
Total Loan Volume	\$315,000.00	\$465,000.00	\$780,000.00
Loan Amortization	\$106,359.73	\$256,135.81	\$362,495.54
Securitization Expense	\$64,272.76	\$208,942.16	\$273,214.92
Cash and Cash Equivalents	\$217,370.74	\$792,941.96	N/A
Equity Portfolio Net of Management's 20% Portion	\$504,000.00	\$743,000.00	N/A
Total Income before Taxes	\$30,561.86	\$465,474.00	\$496,035.86

The following table assumes that capital contribution from the Company into its wholly owned Subsidiary *ArmadaUSA*, can be increased beyond its initial US\$250,000 investment, by completing a Private Placement of US\$1,500,000, and investing the proceeds into *ArmadaUSA*.

3. *ArmadaUSA* obtains an EBTIA of US\$106,944.54 in Year One of operations, and US\$1,420,544.41 in Year Two.

4. Assumptions:

1. Average loan amount of US\$37,307.69, consisting of twenty-two loans, with a maturity of 12 to 36 months, averaging 24 months,
2. All loans yield 12% interest,
3. Average monthly interest payment is US\$2,615.95,
4. Working capital is US\$250,000.00 for the first six months of operations,
5. Underwriting is completed in month 7.

Assuming US\$1.5 Million Additional Capital Investment	YEAR ONE	YEAR TWO	CUMULATIVE
Principal Invested	\$1,750,000.00	\$1,750,000.00	\$1,750,000.00
Total Loan Volume	\$685,000.00	\$3,920,000.00	\$4,605,000.00
Loan Amortization	\$138,364.50	\$1,569,059.75	\$1,707,424.25
Securitization Expense	\$64,272.76	\$208,942.16	\$273,214.92
Cash and Cash Equivalents	\$1,480,758.20	\$920,723.78	N/A
Equity Portfolio Net of Management's 20% Portion	\$1,096,000.00	\$6,758,400.00	N/A
Total Revenue before Taxes	\$106,944.54	1,420,544.41	\$1,527,488.95

**(a) State the business objectives that the Issuer expects to accomplish in the forthcoming 12-month period.**

This section has been answered in section 4.1(1) above.

**(b) Describe each significant event or milestone that must occur for the business objectives in (a) to be accomplished and state the specific time period in which each event is expected to occur and the costs related to each event.**

This section has been answered in section 4.1(1) above.

**(c) Disclose the total funds available to the Issuer and the following breakdown of those funds:**

**(i) the estimated consolidated working capital (deficiency) as of the most recent month end prior to filing the Quotation Statement; and**

The estimated consolidated working capital (deficiency) as of August 31, 2003 was \$225,820.00.

**(ii) the total other funds, and the sources of such funds, available to be used to achieve the objectives and milestones set out in paragraphs (a) and (b).**

Initial working capital for *ArmadaUSA* is US\$250,000 and hopes to raise additional US\$1,500,000 within the next 6 months.

**(d) Describe in reasonable detail and, if appropriate, using tabular form, each of the principal purposes, with approximate amounts, for which the funds available described under the preceding paragraph will be used by the Issuer.**

As at August 31, 2003, the Issuer has approximately \$370,000 in working capital, of which \$US\$200,000 will be used by *ArmadaUSA* for venture lease funding and the remaining \$US50,000 will be used for the Issuer's general working capital needs. The Issuer's goals for the next 12 months include:

**Year One**

- Raise US\$1.5 million in additional investment funding on a best-efforts basis
- Develop a securitization vehicle and additional sources of funds for lending purposes such as a proprietary line of credit
- Develop a relationship with a securities retailer to sell an ongoing collateralized private-placements package
- Increase ROI by 10.39% with equity-based income enhancements on initial US\$250,000

**Year Two**

- Establish a nationally-recognized market brand
- Diversify Portfolio to include traditional product lines
- Develop additional traditional funding vehicles to syndicate and fund larger leases
- Increase ROI by 192.61% with equity-based income enhancement on initial US\$250,000
- Develop a retained relationship with the venture capital community and other project sources.



Since the beginning of the Issuer's most recently completed financial year, the Issuer has raised US\$270,050. via promissory notes due to a related party and an outside investor (the "Lenders"). The Promissory Notes carry interest at the rate of prime plus 5% per annum. The Issuer plans to issue bonus shares to the Lenders equal to 20% of the total dollar amount of the loan once listing on the CNQ ("Canadian Quotation System") is complete.

On August 19, 2003 the Issuer announced that it had arranged a private placement of Cdn\$51,942.16 by way of the issuance of 259,710, Units at \$0.20 per Unit. Each Unit consists of one common share and one share purchase warrant, exercisable for an additional common share in the capital of the Issuer at a price of \$0.20 per share during the first year and at a price of \$0.25 per share during the second year. The shares, and any shares issued on exercise of the warrants, are subject to a one year hold from the date of issuance. The NEX has now approved, but only a one year warrant at \$0.20?

The Issuer also plans to solicit private placement funds immediately following receipt of shareholder approval for the intended business of *ArmadaUSA* for a total of US\$1.5 million.

**(e) For principal products or services,**

The Issuer does not currently have a principal product or service.

**(i) the methods of their distribution and their principal markets;**

The Issuer does not currently have a principal product or service.

**(ii) as dollar amounts or as percentages, for each of the two most recently completed financial years, the revenues for each category of principal products or services that accounted for 15 per cent or more of total consolidated revenues for the applicable financial year derived from**

**(A) sales to customers, other than investees, outside the consolidated entity,**

The Issuer has no sales to customers, other than investees, outside the consolidated entity.

**(B) sales or transfers to investees; and**

The Issuer has no sales or transfers to investees.



**(C) sales or transfers to controlling shareholders; and**

The Issuer has no sales or transfers to controlling shareholders.

**(iii) if not fully developed, the stage of development of the principal products or services and, if the products are not at the commercial production stage,**

Principal products and services of the Issuer have been fully developed and described in the Issuer's business plan. However, such products and services are not presently at the commercial production stage.

**(A) the timing and stage of research and development programs,**

The Issuer's research and development has been completed. The Issuer's timing of total implementation and execution of such products and services will depend on the Issuer's ability to receive regulatory approval, which is uncertain at the present time.

**(B) the major components of the proposed programs, including an estimate of anticipated costs,**

The major components of the Issuer's products and services are based on a Venture Lending product such as equipment leasing and asset-backed lending. Anticipated costs are estimated to be US\$50,000 for start-up expenses and US\$200,000 for funding loans to client companies.

**(C) whether the Issuer is conducting its own research and development, is subcontracting out the research and development or is using a combination of those methods, and**

The Issuer has conducted its own research and development utilizing current management for such items as product development, pro-forma financial statements, contacts related to securitization, credit lines and working capital funding.

**(D) the additional steps required to reach commercial production and an estimate of costs and timing.**

There are no additional steps required to reach commercial production.

**(f) Concerning production and sales**

- (i) the actual or proposed method of production of products and if the Issuer provides services, the actual or proposed method of providing services;**

The lessor, *ArmadaUSA*, provides financing in return for equipment lease payments, the equipment's residual value, and equity warrants in the company. *ArmadaUSA* plans to offer additional financial consulting services and advisory services to its client companies. *ArmadaUSA* will initiate introductions to emerging-growth companies, through networking with local Broker/Dealers, venture capitalists, bankers, certified public accountants, attorneys and the Chambers of Commerce. Additionally, many active regions for emerging-growth companies have associations that promote capital formation and networking. Conferences, seminars, and luncheons dealing with emerging technologies, securing venture financing, and going public, all typify endeavors of supportive venture organizations in regions active with opportunities.

- (ii) the payment terms, expiration dates and terms of any renewal options of any material leases or mortgages, whether they are in good standing and, if applicable, that the landlord or mortgagee is a Related Person of the Issuer;**

The Issuer has not entered into any leases or mortgages at this time.

- (iii) specialized skill and knowledge requirements and the extent that the skill and knowledge are available to the Issuer;**

The Issuer's management possesses the specialized skill and knowledge requirements to execute the *ArmadaUSA* business plan. The *ArmadaUSA* business plan was written in its entirety by current management and/or individuals who are part of the Issuer's board of advisors. The Issuer's management has prior skill and knowledge that pertains to venture lending, venture capital, due diligence, financial services and other skills related to the Issuer's business plan.

- (iv) the sources, pricing and availability of raw materials, component parts or finished products;**

There are no raw materials, component parts or finished products.

- (v) **the importance, duration and effect on the segment of identifiable intangible properties such as brand names, circulation lists, copyrights, franchises, licences, patents, software, subscription lists and trademarks;**

The Issuer will strive to within two years of initiating operations establish strong and recognizable brand name. Additional licenses such as state finance lending licenses will be applied for as well as trademarks and patents that relate to Venture Lending software.

- (vi) **the extent to which the business of the segment is cyclical or seasonal;**

Venture Lending like traditional banking is cyclical due to seasonal demands for lending. Hypothetically, client companies may be in need of Venture Lending to fulfil the equipment needs of an imminent corporate contract. Venture Lending borrowings can be seasonal to finance inventories and goods in process or in transit. Seasonal patterns of equipment leasing, inventory build up, production and shipment all differ among industries and trades.

- (vii) **a description of any aspect of the Issuer's business that may be affected in the 12 months following the date of the Quotation Statement by renegotiation or termination of contracts or sub-contracts and the likely effect;**

The Issuer may engage in management contracts with its executives of the subsidiary ArmadaUSA. Such contracts have not been negotiated at this time and are dependant upon the Issuer receiving its approvals for its Venture Lending business.

- (viii) **the financial and operational effects of environmental protection requirements on the capital expenditures, earnings and competitive position of the Issuer in the current financial year and the expected effect, on future years;**

There are no financial and operational effects of environmental protection requirements on the capital expenditures, earnings and competitive position of the Issuer.

- (ix) **the number of employees, as at the most recent financial year end or as an average over that year, whichever is more relevant; and**

As at the most recently completed financial year the Issuer had no employees.

- (x) **any risks associated with foreign operations of the Issuer and any dependence of the segments upon the foreign operations.**

There are no foreign operations of the Issuer.

- (g) **The competitive conditions in the principal markets and geographic areas in which the Issuer operates, including, if reasonably possible, an assessment of the Issuer's competitive position.**

Initially, *ArmadaUSA* will begin its operations in Sacramento, California licensed under a State of California business license. *ArmadaUSA* will enter each state as markets dictate, beginning immediately with California, followed by Colorado, Texas, and South Carolina. As the need for growth arises, *ArmadaUSA* will have applications pending approval in other states. As a fully-licensed venture lessor, *ArmadaUSA* will arrange and fund Venture Lending transactions utilizing its own funds, and as desired, securitization and credit lines.

- (h) **With respect to lending operations of an Issuer's business, the investment policies and lending and investment restrictions.**

The Issuer, for the most part, will focus its Venture Lending business on existing publicly-traded emerging-growth companies and, where merit warrants consideration, on private companies. Interest Income will be charge to client companies calculated at 12% per annum. Loan Deposits will be payable on delivery of signed contract or will be capitalized over the term of the loan. One Year Loan Deposits are equal to first and last month payments. Two Year and Year Three Loan Deposits are equal to first and last month payments plus one additional monthly payment. Client Equity Portfolio payments are the number of shares equivalent to 200% of loan amount at the time of the loan.

- (2) **Disclose the nature and results of any bankruptcy, or any receivership or similar proceedings against the Issuer or any of its subsidiaries or any voluntary bankruptcy, receivership or similar proceedings by the Issuer or any of its subsidiaries, within the three most recently completed financial years or the current financial year.**

The Issuer's wholly-owned subsidiary Skybridge Holidays Inc. was entered into bankruptcy proceedings in the Province of British Columbia. The Trustee of Bankruptcy, BDO Dunwoody has now concluded the bankruptcy proceeding and received a final notice and closed the matter.

- (3) Disclose the nature and results of any material reorganization of the Issuer or any of its subsidiaries within the three most recently completed financial years or the current financial year.**

The Issuer has resolved all issues related to its former business operations in the travel industry. The Trustee of Bankruptcy BDO Dunwoody has finalized Skybridge Holidays Inc., which was entered into bankruptcy. The Issuer, for the most part, is debt free and is in the process of resolving any outstanding debts. The Issuer has raised the necessary capital and written a business plan to establish a change of business.

- 4.2 For issuers with asset backed securities outstanding provide the disclosure required by items 6.2 and 10.3 of OSC Form 41-501F1 as if the securities were or were being distributed under a prospectus.**

The Issuer does not have any outstanding asset backed securities that were distributed under a prospectus.

- 4.3 For Issuers with a mineral project, disclose the following information for each property material to the Issuer:**

The Issuer does not have, nor is planning to have, any mineral projects.

- (1) Property Description and Location**

This section is not applicable. The Issuer is not a mining company.

- (a) The area (in hectares or other appropriate units) and location of the property.**

This section is not applicable. The Issuer is not a mining company.

- (b) The nature and extent of the Issuer's title to or interest in the property, including surface rights, obligations that must be met to retain the property and the expiration date of claims, licences and other property tenure rights.**

This section is not applicable. The Issuer is not a mining company.

- (c) The terms of any royalties, overrides, back-in rights, payments or other agreements and encumbrances to which the property is subject.**

This section is not applicable. The Issuer is not a mining company.

- (d) All environmental liabilities to which the property is subject.**

This section is not applicable. The Issuer is not a mining company.

- (e) The location of all known mineralized zones, mineral resources, mineral reserves and mine workings, existing tailings ponds,**

**waste deposits and important natural features and improvements.**

This section is not applicable. The Issuer is not a mining company.

- (f) To the extent known, the permits that must be acquired to conduct the work proposed for the property and whether permits have been obtained.**

This section is not applicable. The Issuer is not a mining company.

**(2) Accessibility, Climate, Local Resources, Infrastructure and Physiography**

The questions in this section are not applicable.

- (a) The means of access to the property.**

This section is not applicable. The Issuer is not a mining company.

- (b) The proximity of the property to a population centre and the nature of transport.**

This section is not applicable. The Issuer is not a mining company.

- (c) To the extent relevant to the mining project, the climate and length of the operating season.**

This section is not applicable. The Issuer is not a mining company.

- (d) The sufficiency of surface rights for mining operations, the availability and sources of power, water, mining personnel, potential tailings storage areas, potential waste disposal areas, heap leach pads areas and potential processing plant sites.**

This section is not applicable. The Issuer is not a mining company.

- (e) The topography, elevation and vegetation.**

This section is not applicable. The Issuer is not a mining company.

**(3) History**

The questions in this section are not applicable.

- (a) The prior ownership of the property and ownership changes and the type, amount, quantity and results of the exploration work undertaken by previous owners, and any previous production on the property, to the extent known.**

This section is not applicable. The Issuer is not a mining company.

- (b) If a property was acquired within the three most recently completed financial years of the Issuer or during its current financial year from, or is intended to be acquired by the Issuer from, an insider or promoter of the Issuer or an associate or**

**affiliate of an insider or promoter, the name and address of the vendor, the relationship of the vendor to the Issuer, and the consideration paid or intended to be paid to the vendor.**

This section is not applicable. The Issuer is not a mining company.

- (c) To the extent known, the name of every person or company that has received or is expected to receive a greater than five per cent interest in the consideration received or to be received by the vendor referred to in subparagraph (b).**

This section is not applicable. The Issuer is not a mining company.

- (4) Geological Setting — The regional, local and property geology.**

This section is not applicable. The Issuer is not a mining company.

- (5) Exploration Information — The nature and extent of all exploration work conducted by, or on behalf of, the Issuer on the property, including**

The questions in this section are not applicable.

- (a) the results of all surveys and investigations and the procedures and parameters relating to surveys and investigations;**

This section is not applicable. The Issuer is not a mining company.

- (b) an interpretation of the exploration information;**

This section is not applicable. The Issuer is not a mining company.

- (c) whether the surveys and investigations have been carried out by the Issuer or a contractor and if by a contractor, identifying the contractor; and**

This section is not applicable. The Issuer is not a mining company.

- (d) a discussion of the reliability or uncertainty of the data obtained in the program.**

This section is not applicable. The Issuer is not a mining company.

- (6) Mineralization — The mineralization encountered on the property, the surrounding rock types and relevant geological controls, detailing length, width, depth and continuity together with a description of the type, character and distribution of the mineralization.**

This section is not applicable. The Issuer is not a mining company.

- (7) Drilling — The type and extent of drilling including the procedures followed and an interpretation of all results.**

This section is not applicable. The Issuer is not a mining company.



**(8) Sampling and Analysis — The sampling and assaying including**

This section is not applicable. The Issuer is not a mining company.

- (a) a description of sampling methods and the location, number, type, nature, spacing and density of samples collected;**

This section is not applicable. The Issuer is not a mining company.

- (b) identification of any drilling, sampling or recovery factors that could materially impact the accuracy or reliability of the results;**

This section is not applicable. The Issuer is not a mining company.

- (c) a discussion of sample quality and whether the samples are representative of any factors that may have resulted in sample biases;**

This section is not applicable. The Issuer is not a mining company.

- (d) rock types, geological controls, widths of mineralized zones, cut-off grades and other parameters used to establish the sampling interval; and**

This section is not applicable. The Issuer is not a mining company.

- (e) quality control measures and data verification procedures.**

This section is not applicable. The Issuer is not a mining company.

**(9) Security of Samples — The measures taken to ensure the validity and integrity of samples taken.**

This section is not applicable. The Issuer is not a mining company.

**(10) Mineral Resources and Mineral Reserves — The mineral resources and mineral reserves, if any, including**

The questions in this section are not applicable.

- (a) the quantity and grade or quality of each category of mineral resources and mineral reserves;**

This section is not applicable. The Issuer is not a mining company.

- (b) the key assumptions, parameters and methods used to estimate the mineral resources and mineral reserves; and**

This section is not applicable. The Issuer is not a mining company.

- (c) the extent to which the estimate of mineral resources and mineral reserves may be materially affected by metallurgical, environmental, permitting, legal, title, taxation, socio-economic, marketing, political and other relevant issues.**



This section is not applicable. The Issuer is not a mining company.

- (11) Mining Operations — For development properties and production properties, the mining method, metallurgical process, production forecast, markets, contracts for sale of products, environmental conditions, taxes, mine life and expected payback period of capital.**

This section is not applicable. The Issuer is not a mining company.

- (12) Exploration and Development — A description of the Issuer's current and contemplated exploration or development activities, to the extent they are material.**

This section is not applicable. The Issuer is not a mining company.

**4.4 Issuers with Oil and Gas Operations — For Issuers with oil and gas operations, disclose the following (in tabular form, if appropriate):**

The Issuer does not have, nor is planning to have, any oil and gas operations.

- (a) Drilling Activity — The number of wells the Issuer has drilled or has participated in drilling, the number of these wells that were completed as oil wells and gas wells that are capable of production, each stated separately, and the number of dry holes, expressed in each case as gross and net wells, during each of the two most recently completed financial years of the Issuer.**

This section is not applicable. The Issuer is not an oil and gas company.

- (b) Location of Production — The geographical areas of the Issuer's production, the groups of oil and gas properties, the individual oil and gas properties and the plants, facilities and installations that, in each case, are owned or leased by the Issuer and are material to the Issuer's operations or exploratory activities.**

This section is not applicable. The Issuer is not an oil and gas company.

- (c) Location of Wells — The location, stated separately for oil wells and gas wells, by jurisdiction, if in Canada, by state, if in the United States, and by country otherwise, of producing wells and wells capable of producing, in which the Issuer has an interest and which are material, with the interest expressed in terms of gross and net wells.**

This section is not applicable. The Issuer is not an oil and gas company.

- (d) Interest in Material Properties — For interests in material properties to which no proved reserves have been attributed, the gross acreage in which the Issuer has an interest and the net interest of the Issuer, and the location of acreage by geographical area.**

This section is not applicable. The Issuer is not an oil and gas company.

- (e) **Reserve Estimates — To the extent material, estimated reserve volumes and discounted cash flow from such reserves, stated separately by country and by categories and types that conform to the classifications, definitions and disclosure requirements of National Policy Statement No. 2-B Guide for Engineers and Geologists Submitting Oil and Gas Reports to Canadian Provincial Securities Administrators or any successor instrument, on both a gross and net basis as at the most recent financial year end, including information on royalties.**

This section is not applicable. The Issuer is not an oil and gas company.

- (f) **Source of Reserve Estimates — The source of the reserve estimates and whether the reserve estimates have been prepared by the Issuer or by independent engineers or other qualified independent persons and any other information relating to reserve estimates required to be disclosed in a prospectus by any successor instrument to National Policy Statement No. 2-B.**

This section is not applicable. The Issuer is not an oil and gas company.

- (g) **Reconciliation of Reserves — A reconciliation of the reserve volumes by categories and types that conform to the classifications, definitions and disclosure requirements of National Policy Statement No. 2-B or any successor instrument, as at the financial year end immediately preceding the most recently completed financial year to the reserve volume information furnished under paragraph 5, with the effects of production, acquisitions, dispositions, discoveries and revision of estimates shown separately, if material.**

This section is not applicable. The Issuer is not an oil and gas company.

- (h) **History — For each quarter of the most recently completed financial year of the Issuer, with comparative data for the same periods in the preceding financial year,**

The questions in this section are not applicable/

- (i) **the average daily production volume, before deduction of royalties, of**

(A) **conventional crude oil,**

(B) **natural gas liquids, and**

(C) **natural gas;**

This section is not applicable. The Issuer is not an oil and gas company.

**(ii) the following on a per barrel basis for conventional crude oil and natural gas liquids and on a per thousand cubic feet basis for natural gas**

**(A) the average net product prices received,**

**(B) royalties,**

**(C) operating expenses, specifying the particular items included, and**

**(D) netback received;**

This section is not applicable. The Issuer is not an oil and gas company.

**(iii) the average net product price received for the following, if the Issuer's production of the following is material to the Issuer's overall production,**

**(A) light and medium conventional crude oil,**

**(B) heavy conventional crude oil, and**

**(C) synthetic crude oil; and**

This section is not applicable. The Issuer is not an oil and gas company.

**(iv) the dollar amounts expended on**

**(A) exploration, including drilling, and**

**(B) development, including facilities.**

This section is not applicable. The Issuer is not an oil and gas company.

**(i) Future Commitments — A description of the Issuer's future material commitments to buy, sell, exchange or transport oil or gas, stating for each commitment separately**

**(i) the aggregate price;**

(ii) the price per unit;

(iii) the volume to be purchased, sold, exchanged or transported;  
and

(iv) the term of the commitment.

This section is not applicable. The Issuer is not an oil and gas company.

(j) **Exploration and Development — A description of the Issuer's current and contemplated exploration or development activities, to the extent they are material.**

This section is not applicable. The Issuer is not an oil and gas company.

## 5. Selected Consolidated Financial Information

**5.1 Annual Information — Provide the following financial data for the Issuer in summary form for each of the last three completed financial years and any period subsequent to the most recent financial year end for which financial statements have been prepared, accompanied by a discussion of the factors affecting the comparability of the data, including discontinued operations, changes in accounting policies, significant acquisitions or significant dispositions and major changes in the direction of the Issuer's business:**

The following table presents selected financial data for the Issuer's last three fiscal years and should be read in conjunction with the audited financial statements of the Issuer for the years ended February 28, 2002, 2001 and 2000:

	2003	2002	2001
Revenue	NIL	NIL	NIL
Direct Costs	NIL	NIL	NIL
Operating Expenses	NIL	NIL	NIL
Income (Loss) From Operations	NIL	NIL	NIL
Amortisation and Asset Work-down	\$118	\$164	\$229
Administrative Expenses	\$163,737	\$98,172	\$280,215
Net Income (Loss)	\$(163,737)	\$(98,172)	\$(280,215)
Income (Loss) per Common Share	\$(0.01)	\$(0.01)	\$(0.05)
Total Assets	\$373,979	\$1,711	\$3,728
Long-Term Debt	NIL	NIL	NIL
Cash Dividends per Common Share	NIL	NIL	NIL

(a) **Net sales or total revenues.**

The Issuers net sales or total revenue was nil.

- (b) **Income from continuing operations, in total and on a per share basis and fully diluted per share basis, calculated in accordance with the Handbook.**

The Issuers has no income from continuing operations.

- (c) **Net income or loss, in total and on a per share and fully diluted per share basis, calculated in accordance with the Handbook.**

The table above provides this information.

- (d). **Total assets.**

The table above provides this information.

- (e) **Total long-term financial liabilities as defined in the Handbook.**

The table above provides this information.

- (f) **Cash dividends declared per share for each class of share.**

The Issuer has not declared any cash dividends.

- (g) **Such other information as the Issuer believes would enhance an understanding of and would highlight other trends in financial condition and results of operations.**

The Issuer has not other information to add at this time.

**5.2 Quarterly Information — For each of the eight most recently completed quarters ending at the end of the most recently completed financial year, provide the information required in paragraphs (a), (b) and (c) of Section 5.1**

Selected consolidation quarterly information for the last eight quarters is as follows:

	2003 2 <sup>nd</sup> Qtr.	2003 1 <sup>st</sup> Qtr.	2002 4 <sup>th</sup> Qtr.	2002 3 <sup>rd</sup> Qtr.	2002 2 <sup>nd</sup> Qtr.	2002 1 <sup>st</sup> Qtr.	2001 4 <sup>th</sup> Qtr.	2001 3 <sup>rd</sup> Qtr.
(a) Total Revenues	\$664	\$744	NIL	NIL	NIL	NIL	NIL	NIL
(b) Income (Loss) Before Other Income (Loss) (\$)	\$(51,361)	\$(65,190)	\$(56,979)	\$(54,397)	\$(25,260)	\$(27,101)	\$(592,138)	\$(21,260)
Income (Loss) Before Other Income (Loss) Per Share - Fully Diluted (\$)	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.04)	\$(0.00)
(c) Net Income (Loss) (\$)	\$(51,361)	\$(65,190)	\$(56,979)	\$(54,397)	\$(25,260)	\$(27,101)	\$(592,138)	\$(0.00)
Net Income (Loss) Per Share (\$)	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.05)	\$(0.00)
Net Income (Loss) Per Share - Fully Diluted (\$)	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.04)	\$(0.00)

### 5.3 Dividends

- (a) **Describe any restriction that could prevent the Issuer from paying dividends.**

There are no restrictions which could prevent the Issuer from paying dividends other than the general company law requirements.

- (b) **Disclose the Issuer's dividend policy and if a decision has been made to change the dividend policy, disclose the intended change in dividend policy.**

The Directors have not declared any cash or stock dividends. The Issuer has no present intention of paying dividends on its common stock as it anticipates that all available funds will be invested to finance the growth of business.

### 5.4 Foreign GAAP — An Issuer may present the selected consolidated financial information required in this section on the basis of foreign GAAP if

- (a) the Issuer's primary financial statements have been prepared using foreign GAAP; and
- (b) if the Issuer is required under applicable securities legislation to have reconciled its financial statements to Canadian GAAP at the time of filing its financial statements or the Issuer has otherwise done so, a cross reference to the notes to the financial statements containing the reconciliation of the financial statements to Canadian GAAP is included.

The Issuer prepares its financial statements in accordance with Canadian generally accepted principles.

## 6. Management's Discussion and Analysis

### Contents of MD&A

#### *General*

- 6.1 **Provide an analysis of the Issuer's financial condition, cash flows and results of operations for each year for which financial statements are included in this Quotation Statement, including a comparison against the previously completed financial year. Provide all information necessary to understand the analysis and comparison. Include:**

The Issuer is in an early stage of its development and has not had any revenues for the past three years. For the past two years the Issuer has been reorganizing

itself from past businesses related to the travel and internet industries. The Issuer's wholly owned subsidiary, Skybridge Holidays Inc. has completed its bankruptcy court proceedings and the Trustee of Bankruptcy and the British Columbia Bankruptcy Court has closed their files. In the current fiscal year the Issuer expects to commence its business objectives through its wholly owned subsidiary, ArmadaGroup USA Inc.

As at February 28, 2003 the Issuer has no source of revenue, has recognized an accumulated deficit in the development stage of \$6,905,896 since its inception and has a working capital deficiency of \$123,745 (2002 - \$173,089), including liabilities at February 28, 2003 of \$411,852 (2002 - \$93,406) which are due on demand to related parties. The continuation of the Issuer is dependent upon the continuing financial support of related party lenders, shareholders and creditors and attaining and maintaining profitable operations.

During the fiscal year ended February 28, 2003 total expenses increased by \$81,435 over those of the year ended February 28, 2002. The increases generally for 2002 are largely due to increases in the cost of formulating a business plan and management team, costs associated with the incorporation of a United States corporation and licenses to conduct business in the financial services area. Major increases were attributable to:

Administration	\$11,726
Bank Charges and Interest	2,734
Consulting	7,838
Listing & Transfer Agent	5,364
Office & Miscellaneous	5,908
Professional Fees	6,585
Promotion	1,129
Telephone	3,654
Travel & Automotive	24,308

The Issuer has non-capital losses of approximately \$995,561 (2002 - \$957,005) expiring in various amounts from 2004 to 2010 and allowable capital losses of approximately \$3,984,866 (2002 - \$9,984,886) which are available to offset against future capital gains.

The annual operating losses are a reflection of the Issuer not generating revenues. As long as the Issuer possesses no principal source of income, losses are expected to continue.

- (a) **an analysis and comparison over a period longer than two financial years if necessary to describe a trend;**  
The Issuer has established no trend for comparison.
- (b) **an analysis and comparison on the basis of each reportable operating segment or other part of the business, as well as on the**

**Issuer as a whole, if necessary to understand the analysis and comparison;**

The Issuer's loss for the year ended February 28, 2002 was \$98,172 compared to a loss of \$647,342 for the year ended February 28, 2001. During the year ended February, 2002 total administrative expenses decreased by \$182,043 over the same period last year. Major decreases resulted from a decrease in activity by the Issuer and were attributable to:

Administration	\$ 11,256
Bonus Shares Issued	19,248
Consulting	6,871
Interest & Bank Charges	18,479
Listing & Transfer Agent	2,885
Office & Miscellaneous	6,089
Professional Fees	31,515
Shareholder Information	2,056
Telephone	7,302
Travel	37,193
Finders Fee	18,382
Sponsor Fees	25,945

In accordance with Policy 2.6 of the Canadian Venture Exchange, effective October 31, 2001, trading in the Issuer's securities were continued under the Inactive designation.

Management continued to meet the Issuer's ongoing financial obligations as they become due.

The annual operating losses are a reflection of the Issuer not generating revenues. As long as the Issuer possesses no principal source of income, losses are expected to continue.

**(c) factors internal to the Issuer as well as external economic and industry factors affecting the Issuer;**

Same as outlined above.

**(d) an explanation of why changes have or have not occurred in the financial condition and results of operations of the Issuer;**

The Issuer's loss for the year ended February 28, 2001 was \$647,342 compared to a loss of \$98,746 for the year ended February 28, 2000.

On July 6, 2000, the Issuer announced that it had entered into a Letter of Intent (the "Agreement") for the acquisition of a control position in AVO Media Corp. ("AVO Media"). Application was made to the Canadian Venture Exchange to formally change the Issuer's business. As part of the change of business, the Issuer completed a non-brokered private



placement of 289,702 Units at \$1.00 per Unit. Proceeds from the financing were advanced to AVO Media pursuant to the terms of the Agreement.

On December 6, 2000, the change of business transaction was abandoned due to problems encountered in conjunction with AVO Media's business plan, individuals' Personal Information Forms, formal documentation and sales representations. During the due diligence period, the Issuer had advanced to AVO Media, US\$50,000.00 as a refundable deposit and US\$350,000.00 in the form of a bridge loan which was secured by a promissory note with interest of 12% per annum. The promissory note became due and payable on June 30, 2001. To date repayment of the promissory note has not been received. Armada has received legal counsel and made demand for the recovery of the funds although there has been no resolution of the matter to date.

During the fiscal year ended February 28, 2001 the Issuer incurred increased expenses as follows, Administrative of \$17,040 compared with \$5,160 for the same period in the previous year; Bank charges and interest of 30,159 compared with \$2,751 for the same period in the previous year; Consulting of \$10,883 compared with \$2,700 for the same period in the previous year; Financing fee of \$19,248 compared with \$0 for the same period in the previous year; Finders fee of \$18,382 compared with \$0 for the same period in the previous year; listing and transfer agent fees of \$9,982 compared with \$5,889 for the same period in the previous year; Office supplies of \$8,150 compared with \$4,858 for the same period in the previous year; Promotion fees of \$1,346 compared with \$488 for the same period in the previous year; Professional (legal and accounting) fees of \$44,395 compared with \$7,931 for the same period in the previous year; Sponsorship fees of \$25,945 compared with \$0 for the same period in the previous year; Telephone charges of \$8,976 compared with \$5,820 for the same period in the previous year; Travel expenses of \$45,805 compared with \$21,138 for the same period in the previous year. All of these increased expenses relate directly to the Issuer's proposed change of business discussed above.

The annual operating losses are a reflection of the Issuer not generating revenues. As long as the Issuer possesses no principal source of income, losses are expected to continue.

Management continued to meet the Issuer's ongoing financial obligations as they become due.

(e) **the effect of discontinued operations;**

The effect of the Issuers discontinued operations related to the travel industry and Internet industry has caused cash flow and earnings problems that have weakened the Issuers income statement and balance sheet. The Issuers share value has decreased and dilution has occurred

due to ongoing working capital needs. The Issuer has been listed on a lower tier level and shareholder equity has decreased.

(f) **major changes in the direction of the business.**

The Issuer is entering the Venture Lending business as describe in Section 2.

**6.2 Describe and quantify any event or items that have had a material impact on the Issuer's financial condition, cash flows or results of operations during the Issuer's fourth quarter of its most recently completed financial year, including extraordinary or infrequently occurring items, year-end and other adjustments and disposals of business segments.**

On February 28, 2003 the Issuer's working capital deficiency was \$225,820, however the Issuer pursuant to the promissory notes entered into on February 10, 2003 has available working capital totalling US\$252,550.

On April 23, 2002 the Issuer issued 159,206 Units at \$0.15 per unit. Each unit consists of one common share and one share purchase warrant, exercisable at \$0.20 per share until April 23, 2004.

On October 1, 2002 the Issuer issued 330,500 Units at \$0.15 per Unit. Each unit consists of one common share and one share purchase warrant, exercisable at \$0.15 in the first year and at \$0.20 during the second year, until October 1, 2004.

On October 31, 2002 the Issuer issued 201,728 Units at \$0.20 per Unit. Each unit consists of one common share and one share purchase warrant, exercisable at \$0.20 until October 31, 2003.

On September 9, 2002 the Issuer issued 826,336 shares at \$0.12 per share to settle \$99,161 of debt owing to a director of the Issuer.

Pursuant to promissory notes entered into on February 10, 2003 the Issuer issued promissory notes totaling US\$252,550 to persons related to directors of the Issuer. The promissory notes are unsecured, payable on demand and bear interest at prime rate plus 5% per annum. At the Issuer's discretion and upon regulatory approval the Issuer is obligated to, on a one-time basis, issue common shares on a discounted basis to the noteholders as a financing fee from the Issuer, equal to 20% of the total dollar amount of the loans. The note holders will not make any repayment demands for 12 months, or cause the Issuer to make a payment within 12 months. The Issuer may elect to make payments if, at the time of repayment, the Issuer will have sufficient working capital on hand to meet its financial obligations both for the Issuer and for its wholly owned subsidiary *ArmadaUSA*.

*Year ended February 28, 2002 compared to the Year ended February 28, 2001*

On February 28, 2002 the Issuer's working capital deficiency was \$173,000.

On April 23, 2002 the Issuer issued 159,206 Units at \$0.15 per unit. Each unit consists of one common share and one share purchase warrant, exercisable at \$0.20 per share until April 23, 2004.

On October 1, 2002 the Issuer issued 330,500 Units at \$0.15 per Unit. Each unit consists of one common share and one share purchase warrant, exercisable at \$0.15 in the first year and at \$0.20 during the second year, until October 1, 2004.

On October 31, 2002 the Issuer issued 201,728 Units at \$0.20 per Unit. Each unit consists of one common share and one share purchase warrant, exercisable at \$0.20 per share until October 31, 2003.

On September 9, 2002 the Issuer issued 826,336 shares at \$0.12 per share to settle \$99,161 of debt owing to a director of the Issuer.

Year ended February 28, 2001 compared to the Year ended February 28, 2000

On February 28, 2001 the Issuer's working capital deficiency was approximately \$450,000.

On September 27, 2000 the Issuer completed a non-brokered private placement of 289,702 Units at \$1.00 per Unit. Each unit consisted of one common share and one share purchase warrant, exercisable for a two year period at \$1.15 per share. Proceeds from the financing were advanced to AVO Media pursuant to the terms of the Agreement.

On July 10, 2001 the Issuer completed a shares for debt transaction, issuing 1,434,574 shares at \$0.11 per share to settle \$157,913 of debt owing to a director of the Issuer.

Describe and quantify any event or items that have had a material impact on the Issuer's financial condition, cash flows or results of operations during the Issuer's fourth quarter of its most recently completed financial year, including extraordinary or infrequently occurring items, year-end and other adjustments and disposals of business segments.

On March, June & July, 2000 the Issuer entered into promissory notes totalling US\$252,550. The notes are unsecured, payable on demand and bear interest at prime rate plus 5% per annum and are due to a director of the Issuer. The Issuer issued 40,100 common bonus shares in its capital at a deemed price of \$0.48 per share.

**6.3 Disclose information on risks and uncertainties facing the Issuer necessary to understand the Issuer's financial condition, changes in financial condition and results of operations.**

Same as above.

**6.4 Provide an analysis of the risks, events and uncertainties that could cause reported financial information to not necessarily be indicative of future operating results or of future financial position. Include both qualitative and quantitative descriptions of factors that:**

- (a) could have an effect on future operations or financial position and have not had an effect in the past; and**

The Issuer is entering the Venture Lending industry as described in Section 2. Should the Venture Lending financial projections become a reality, the Issuer will become profitable in the first year of operations.

- (b) have had an effect on reported operations or financial position, and are not expected to have an effect in the future.**

Same as above.

**6.5 Describe any changes in the accounting policies of the Issuer adopted subsequent to its most recent financial year end or any changes in its accounting policies that are expected to be adopted by the Issuer, including those resulting from a change in an accounting standard, or the issuance of a new accounting standard, that does not require adoption until some future date. Disclose the estimated effect on the financial statements of the implementation of any changes in the accounting policies described.**

The Issuer has not adopted any changes in its accounting policies and does not anticipate adopting any changes in its accounting policies or accounting standard in the future.

**6.6 If not already disclosed in the Issuer's financial statements, provide:**

- (a) a discussion of the nature and extent of the Issuer's use of financial instruments and the business purposes that they serve;**

The Issuer's financial instruments consist of cash, cheques issued in excess of cash on hand, accounts payable, accrued liabilities, promissory notes payable and amounts due to related parties. The Issuer currently uses financial instruments such as promissory notes from insiders and investors close to the Issuer. These notes have been provided to launch the Issuer's venture lending business plan and are projected to be sufficient to fund the venture to profitability. The notes carry interest charges of prime plus 5% and have a bonus share provision attached to the terms of the notes. The Issuer will seek to raise additional funding through private placements and work to develop a source of further funding in the form of a credit line. The credit line would be used to create additional lending capability in conjunction with the *ArmadaUSA*'s venture lending business plan. At the moment, there is no guarantee such a credit

line can be ascertained. Furthermore, such a credit line can only be ascertained at the start of business operations.

**(b) an analysis of the risks associated with the Issuer's financial instruments;**

It is management's opinion that the Issuer is not exposed to significant interest, currency or credit risks arising from its financial instruments. The Issuer currently has financial instruments in the form of promissory notes due to insiders and investors close to the Issuer that must be re-paid on demand. This may cause financial risk to the Issuer due to issues related to the Issuer's venture lending business plan. The funding requirements of the venture lending business plan are predicated on the current capital present and should such funding not be present due to the notes being demanded, then the Issuer must seek an alternate source of funding. This may delay the launch of business operations and the subsequent projected profitability of the Issuer. However, the probability of the insiders and investors calling the notes is not of high concern due to the friendly nature and motivated cooperation of the insiders and investors. Furthermore, the insiders and investors have not created a timeline or repayment plan that would otherwise have an effect positive or negative on the Issuer.

**(c) an analysis of management's policies for controlling the risks associated with the Issuer's financial instruments, including an analysis of, if applicable, the Issuer's policies for the hedging of risk exposures, the avoidance of undue concentrations of risk and any requirements for collateral to mitigate credit risks, and, if the Issuer has no policies for controlling the risks associated with the Issuer's financial instruments, a statement indicating that the Issuer does not have any such policies;**

The Issuer does not have any such policies for controlling the risks associated with the Issuer's financial instruments.

**(d) a discussion of the relationships between financial instruments and the components of individual financial instruments that may affect the amount, timing or certainty of cash flows;**

The Issuer and its venture lending business plan, the financial profitability projected in the business plan, are based on the current amount of capital currently raised through promissory notes. Should the insiders and investors seek to demand repayment of such notes, it would alter the financial projections of the venture lending business plan should the Issuer fail to raise the required capital needed to launch the business.

- (e) **disclosure of significant accounting policies for financial instruments, including a description of how each class of financial instrument is reported in the financial statements, the policies for recognition and measurement of financial instruments, and the financial statement classification of gains and losses; and**

The promissory notes totalling US\$252,550 are unsecured, payable on demand and bear interest at prime rate plus 5% per annum and are due to persons related to directors of the Issuer. In connection with the issuance of the promissory notes, with the Issuer's discretion and upon regulatory approval, the Issuer is obligated to, on a one-time basis, issue common shares on a discounted basis to the note holders as a financing fee from the Issuer, equal to 20% of the total dollar amount of the loan. The financing fee will be recognized in the Statement of Operations and Deficit upon receipt of the regulatory approval and issuance.

- (f) **significant assumptions made in determining the fair value of financial instruments, the total amount of the change in fair value of financial instruments recognized in income for the period, and the total amount of deferred or unrecognized gains and losses on financial instruments.**

Fair market value is the face value of the each note plus interest. Interest that is not paid on the each note will be added to the amount of the note outstanding.

- 6.7 If a decision to proceed with a transaction has been made by an Issuer's board of directors, or by senior management with the expectation of concurrence from the board of directors, and the transaction involves a business acquisition or disposition, or an asset acquisition or disposition, discuss the transaction and its anticipated effect as part of MD&A. Disclosure is not required if the Issuer has made a confidential filing under the continuous disclosure provisions of securities legislation.**

The Issuer has no transaction that involves a business acquisition or disposition, or an asset acquisition or disposition. However, disclosure is not required if the Issuer has made a confidential filing under the continuous disclosure provisions of securities legislation.

### ***Quarterly Information***

- 6.8 Subject to the sections 6.9 and 6.10, for each of the eight most recently-completed quarters ending at the end of the most recently completed financial year, provide the following information:**

- (a) **net sales or total revenues;**



The Issuer had no net sales or total revenues.

- (b) **income from continuing operations, in total and on a per share and fully diluted per share basis, calculated in accordance with the Handbook; and**

The Issuer had no income from continuing operations.

- (c) **Net income or loss, in total and on a per share and fully diluted per share basis, calculated in accordance with the Handbook.**  
0.01 per share

- 6.9 **For an issuer that has not been a reporting issuer for the eight most recently completed quarters ending at the end of the most recently completed financial year, provide the information required in section 6.8 for the period that the issuer was not a reporting issuer only if the issuer has prepared quarterly financial statements for that period.**

The section is not applicable. The Issuer is a fully reporting issuer.

- 6.10 **If the issuer is only required to file six month interim financial statements, the information required under section 6.8 may instead be provided for each of the four most recently completed six month periods ended at the end of the most recently completed financial year.**

The section is not applicable. The Issuer is a fully reporting issuer.

### ***Liquidity and Capital Resources***

- 6.11 **With respect to the Issuer's liquidity,**

- (a) **discuss the ability of the Issuer to generate adequate amounts of cash and cash equivalents, in the short term and the long term, when needed and to maintain capacity to provide for planned growth;**

The Issuer will rely on financial instruments such as private placements, notes and convertible debentures to generate adequate amounts of cash and cash equivalents. Additional private placements and a securitization vehicle to create liquidity as outlined in the Issuers Venture Lending business plan augment planned growth.

- (b) **identify any known trends or expected fluctuations in the Issuer's liquidity, taking into account known demands, commitments, events or uncertainties; if a deficiency is identified, indicate the course of action that has been taken or is proposed to be taken to remedy the deficiency;**

The Issuers liquidity trends have primarily been private placements and notes from insiders or investors. There are no expected fluctuations in the Issuers liquidity. The Issuers liquidity demands, commitments and events are relatively the same from year to year. The Issuer has demonstrated the ability to raise sufficient capital to meet such demands. The Issuer has currently raise sufficient funds to carry forward its Venture Lending concept.

**(c) describe those balance sheet conditions or income or cash flow items that the Issuer believes may be indicators of its liquidity;**

Current cash on hand and the ability to raise needed working capital on demand.

**(d) describe generally the requirements relating to working capital items;**

The Issuers current working capital items are related to a monthly management fee, accounting services, filing fees for public company issues, corporate secretary invoices and transfer agent. There are no working capital needs related to inventory, research and development, and credit facilities.

**(e) disclose the nature and extent of legal or practical restrictions on the ability of subsidiaries to transfer funds to the Issuer and the effect that these restrictions have had or are expected to have on the ability of the Issuer to meet its obligations; and**

The Issuer does not believe there are any issues related to legal or practical restrictions on the ability of subsidiaries to transfer funds. Nor is there any positive or negative effect on the Issuer to meet its obligations.

**(f) if the Issuer is in arrears in the payment of dividends, interest or principal payment on borrowings, disclose this fact and provide details; if the Issuer is in default on any debt covenants or was in default during the most recently completed financial year, disclose information concerning the default and the method or anticipated method of curing the default; if the Issuer is unable to make required redemptions or retractions or sinking fund payments, disclose this information and provide details, and if the Issuer anticipates being, in the current financial year, in any of the circumstances described in this paragraph, disclose this information and provide details.**

The Issuer is currently in arrears on its notes payable to insiders and investors of the Issuer. The Issuer has not paid interest due to the Issuer not receiving regulatory approvals and filing for bonus shares.



**6.12 With respect to the Issuer's capital resources,**

- (a) **describe and quantify commitments for capital expenditures as of the end of the most recently completed financial year, indicate the general purpose of these commitments and the anticipated source of funds needed to fulfil these commitments, and quantify expenditures that are necessary but not yet committed to meet plans discussed under MD&A or elsewhere in the Quotation Statement;**

The Issuer has no commitments for capital expenditures. The Issuer expects to commence its intended business in the last half of the fiscal 2003 year as discussed elsewhere in this Quotation Statement and will raise the necessary equity capital at that time.

- (b) **describe any known trends, favourable or unfavourable, in the Issuer's capital resources, indicating any expected changes in the mix and relative cost of these resources; and**

There is no trend, favourable or unfavourable, in the Issuer's capital resources.

- (c) **briefly discuss sources of financing that have been arranged but not yet utilized.**

The Issuer is planning to raise an additional US\$1.5 million for growth funding for its venture lending business plan.

***Results of Operations***

- 6.13 Describe any unusual or infrequent events or transactions and any significant economic changes that in each case materially affect income or loss from continuing operations and the extent to which income or loss from continuing operations is affected. Also disclose any other significant components of revenue or expense necessary to understand the results of operations.**

The Issuer had no unusual or infrequent events or transactions.

- 6.14 Describe any known trends or uncertainties that have had or that the Issuer reasonably expects will have a favourable or unfavourable effect on net sales or revenues or income or loss from continuing operations. If the Issuer knows of factors that are expected to cause a change in the relationship between costs and revenues, disclose the expected change in the relationship and the cause.**

The Issuer recognizes the obvious cost advantages in today's low-income interest rate environment that debt financing has over traditional venture capital,

or equity financing, to potential emerging growth companies clients. The Issuer reasonably expects a favourable effect on net sales or revenues or income or from continuing operations from its venture lending business. Revenues of the Issuer will change due to expanding revenues from interest payments, however costs will not dramatically rise due to management's compensation being incentive based.

**6.15 Provide a discussion of the extent to which any changes in net sales or revenues are attributable to changes in selling prices, to changes in the volume or quantity of goods or services being sold, or to the introduction of new products or services.**

Net sales increase and revenues decrease as interest rates decline. Additionally, as the business climate for emerging growth companies increase, such as during the internet frenzy of 1998-2000, it would be harder to find companies willing to pay 200% equity in addition to a high financing rate for collateralized loans.

**6.16 Discuss briefly any effect of inflation and specific price changes on the Issuer's net sales and revenues and on income or loss from continuing operations. For purposes of the discussion, no specific numerical financial data need be presented**

Inflation would have a negative effect on the retained portion of the loan portfolio, and the realized sales from the equity portfolio. In an inflationary economy the yield curve is negative, short term and mid term yields are higher than long term yields. Since the Issuer is lending only on a short-term basis 12 to 36 months, exiting portfolio yields would be lower than comparable yields available in the new origination market. Moreover, inflation causes commodities to rise and in value, therefore intangibles such as equities diminish in value; therefore the unrealized portion of the equity portfolio will also diminish in value.

**6.17 If the Issuer's business is still in the development stage, include in the analysis of the Issuer's results of operation a discussion of the Issuer's material expenditures.**

The Issuer has no results from operations or material expenditures.

**7.0 Market for Securities**

**7.1 Identify the exchange(s) and quotation system(s) on which the Issuer's securities are listed and posted for trading or quoted.**

The Issuer's shares are currently traded on the NEX board under the symbol AAR-H.

## 8.0 Consolidated Capitalization

### 8.1 Describe any material change in, and the effect of the material change on, the share and loan capital of the Issuer, on a consolidated basis, since the date of the comparative financial statements for the Issuer's most recently completed financial year contained in the Quotation Statement.

There has been no material change of the share and loan capital of the Issuer since the date of the most recently completed financial statements.

## 9.0 Options to Purchase Securities

### 9.1 State, in tabular form, as at a specified date not more than 30 days before the date of the Quotation Statement, information as to options to purchase securities of the Issuer or a subsidiary of the Issuer that are held by

- (a) all executive officers and past executive officers of the Issuer as a group and all directors and past directors of the Issuer who are not also executive officers as a group, indicating the aggregate number of executive officers and the aggregate number of directors to whom the information applies, without naming them;

The following table provides information (October 3, 2003) as to options to purchase securities of the Issuer or a subsidiary of the Issuer that are held by all executive officers and past executive officers of the Issuer as a group and all directors and past directors of the Issuer who are not also executive officers as a group:

Optionees	Number of Shares Under Option	Exercise Price	Expiry Date	Market Value Date of Grant	Market Value as at Oct. 3, 2003
Executive Officers (1)	640,000	\$0.15 \$0.15	Feb 28, 2006; Mar 13, 2006		\$153,600
Directors (3), who were not Executive Officers	50,000 50,000 400,000 100,000	\$0.15 \$0.15 \$0.16 \$0.16	Mar 6, 2005 Feb. 28/06 Aug 18, 2008 Aug 21, 2008		\$144,000

- (b) all executive officers and past executive officers of all subsidiaries of the Issuer as a group and all directors and past directors of those subsidiaries who are not also executive officers of the subsidiary as a group, in each case, without naming them and excluding individuals referred to in paragraph (a), indicating the aggregate number of executive officers and the aggregate number of directors to whom the information applies;

No executive officers or past executive officers of the Issuer's subsidiary have been granted stock options to purchase securities of the Issuer.

- (c) **all other employees and past employees of the Issuer as a group, without naming them;**

None

- (d) **all other employees and past employees of subsidiaries of the Issuer as a group, without naming them;**

An advisory board member for the Issuer's subsidiary is in the process of being granted 320,000 incentive stock options to purchase shares at \$0.18 per share for a 2-year period.

- (e) **all consultants of the Issuer as a group, without naming them; and**

There are no other consultants, employees, past employees, persons or companies of the Issuer or its subsidiary.

- (g) **any other person or company, including the underwriter, naming each person or company.**

This section is not applicable.

## **10. Prior Sales**

### **10.1 State the description or the designation each class of equity or debt securities of the Issuer and describe all material attributes and characteristics, including**

The Issuer is authorized to issue 200,000,000 common shares without par value. In addition to common shares the Issuer has issued stock options and warrants which are both exercisable at various prices to obtain shares of common stock of the Issuer. No voting or other rights are attached to the stock options or warrants issued.

Pursuant to loan agreements, the Issuer issued promissory notes totaling US\$252,550 to persons related to directors of the Issuer. The promissory notes are unsecured, payable on demand and bear interest at prime rate plus 5% per annum. At the Issuer's discretion and upon regulatory approval the Issuer is obligated to, on a one-time basis, issue common shares on a discounted basis to the noteholders as a financing fee from the Issuer, equal to 20% of the total dollar amount of the loans.

- (a) **dividend rights;**

The Board of Directors may declare and authorize the payment of dividends, as they deem advisable. No dividend shall be paid otherwise

than out of funds and/or assets properly available for the payment of dividends.

**(b) voting rights;**

Members are entitled to one vote for each common share held. Members holding common shares of the Issuer are entitled to notice of all shareholder meetings, and to attend and vote at meetings of the shareholders of the Issuer.

**(c) rights upon dissolution or winding-up;**

Each common share is entitled, on liquidation or winding-up, to participate equally in the assets of the Issuer after the payment of creditors.

**(d) pre-emptive rights;**

The common shares have no pre-emptive rights.

**(e) conversion or exchange rights;**

The common shares have no exchange or conversion privileges.

**(f) redemption, retraction, purchase for cancellation or surrender provisions;**

The common shares have no redemption, retraction, purchase for cancellation or surrender privileges.

**(g) sinking or purchase fund provisions;**

The common shares have no sinking or purchase fund privileges.

**(h) provisions permitting or restricting the issuance of additional securities and any other material restrictions;**

There are no restrictions on issuance of additional securities.

**(i) provisions requiring a securityholder to contribute additional capital;**

There is no requirement for any securityholder to contribute additional capital to the Issuer other than to forward the monies associated with the exercise price of certain stock options and warrants on exercise.

**(j) provisions for interest rate, maturity, and premium, if any of debt securities;**

See the description of promissory notes provided above.

**(k) the nature and priority of any security for debt securities, briefly identifying the principal properties subject to lien or charge;**

The promissory notes are unsecured.

**(l) any material negative covenants, including restrictions against payment of dividends and restrictions against giving security on the**

**assets of the Issuer or its subsidiaries, and provisions as to the release or substitution of assets securing debt securities;**

There are no negative covenants or restrictions associated with the promissory notes.

- (m) the name of the trustee under any indenture relating to debt securities and the nature of any material relationship between the trustee or any of its affiliates and the issuer or any of its affiliates; and**

There is no trustee related to the promissory notes.

- (n) any financial arrangements between the Issuer and any of its affiliates or among its affiliates that could affect the security for the indebtedness.**

The promissory note are non-secured.

**10.2 State the prices at which securities of the same class as the securities to be quoted have been sold within the 12 months before the date of the Quotation Statement, or are to be sold, by the Issuer or any Related Person and the number of securities of the class sold or to be sold at each price.**

During the last completed financial year, the Issuer issued the following securities:

1. 159,206 Units at \$0.15 per unit. Each unit consists of one common share and one share purchase warrant, exercisable at \$0.20 per share until April 23, 2004.
2. 330,500 Units at \$0.15 per Unit. Each unit consists of one common share and one share purchase warrant, exercisable at \$0.15 in the first year and at \$0.20 during the second year, until October 1, 2004.
3. 201,728 Units at \$0.20 per Unit. Each unit consists of one common share and one share purchase warrant, exercisable at \$0.20 until October 31, 2003; and
4. 826,336 shares at \$0.12 in settlement of debt owing to a director of the Issuer

**10.3 Stock Exchange Price**

- (1) If shares of the same class as the shares to be quoted were or are listed on a Canadian stock exchange or traded on a Canadian market, provide the price ranges and volume traded on the Canadian stock exchange or market on which the greatest volume of trading generally occurs.**

The following table shows the monthly volume and range of closing prices of the Issuer's shares on the TSX Venture Exchange and NEX board for the past year

Month, Year	Volume	Low	High
September, 2002	109,800	\$0.15	\$0.24
October, 2002	116,100	\$0.14	\$0.18
November, 2002	79,000	\$0.14	\$0.19
December, 2002	117,600	\$0.08	\$0.17
January, 2003	284,000	\$0.08	\$0.14
February, 2003	360,890	\$0.10	\$0.21
March, 2003	206,600	\$0.12	\$0.20
April, 2003	60,000	\$0.16	\$0.20
May, 2003	31,000	\$0.17	\$0.20
June, 2003	29,000	\$0.15	\$0.20
July, 2003	222,500	\$0.15	\$0.28
August, 2003	32,000	\$0.21	\$0.30
September, 2003	80,100	\$0.14	\$0.32

- (2) If shares of the same class as the shares to be quoted were or are not listed on a Canadian stock exchange or traded on a Canadian market, provide the price ranges and volume traded on the foreign stock exchange or market on which the greatest volume of trading generally occurs.

The Issuer's shares are listed on the NEX. Board.

- (3) Information is to be provided on a monthly basis for each month or, if applicable, part month, of the current quarter and the immediately preceding quarter and on a quarterly basis for the next preceding seven quarters.

## 11.0 Escrowed Securities

There are no shares of the Issuer that are held in escrow.

## 11.1 State as of a specified date within 30 days before the date of the Quotation Statement, in substantially the following tabular form, the

number of securities of each class of securities of the Issuer held, to the knowledge of the Issuer, in escrow (which, for the purposes of this Form includes any securities subject to a pooling agreement) and the percentage that number represents of the outstanding securities of that class. In a note to the table, disclose the name of the depository, if any, and the date of and conditions governing the release of the securities from escrow.

There are no shares of the Issuer that are held in escrow.

### ESCROWED SECURITIES

Designation of class held in escrow	Number of securities held in escrow	Percentage of class

## 12. Principal Shareholders

### 12.1 (1) Provide the following information for each principal shareholder of the Issuer as of a specified date not more than 30 days before the date of the Quotation Statement:

To the best of the knowledge of the directors and senior officers of the Issuer, the only persons who, or corporations which, beneficially own, directly or indirectly, or exercise control or direction over, Common shares carrying more than 10% of the voting rights attached to all outstanding Common shares of the Issuer are:

(a) **Name.**

Patrick Cole

(b) **The number or amount of securities owned of the class to be quoted**

Mr. Cole owns 7,133,574 shares of the Issuer and has stock options to acquire 640,000 additional shares of common stock of the Issuer.

(c) **Whether the securities referred to in subsection 12(1)(b) are owned both of record and beneficially, of record only, or beneficially only.**

Part in record and beneficially.

(d) **The percentages of each class of securities known by the Issuer to be owned.**



Mr. Cole owns approximately 43% of the common shares of the Issuer.

- (2) **If the Issuer is requalifying following a fundamental change or has proposed an acquisition, amalgamation, merger, reorganization or arrangement, indicate, to the extent known, the holding of each person of company described in paragraph (1) that will exist after giving effect to the transaction.**

This section is not applicable as the Issuer is not re-qualifying after a fundamental change.

- (3) **If, to the knowledge of the Issuer, more than 10 per cent of any class of voting securities of the Issuer is held, or is to be held, subject to any voting trust or other similar agreement, disclose, to the extent known, the designation of the securities, the number or amount of the securities held or to be held subject to the agreement and the duration of the agreement. State the names and addresses of the voting trustees and outline briefly their voting rights and other powers under the agreement.**

The Issuer is not aware of the existence of a voting trust.

- (4) **If, to the knowledge of the Issuer, any principal shareholder is an associate or affiliate of another person or company named as a principal shareholder, disclose, to the extent known, the material facts of the relationship, including any basis for influence over the Issuer held by the person or company other than the holding of voting securities of the Issuer.**

To the best of the Issuer's knowledge, no principal shareholder is an associate or an affiliate of another person or company named as a principal shareholder.

- (5) **In addition to the above, include in a footnote to the table, the required calculation(s) on a fully-diluted basis.**

**[Quotation Statement Continued on Next Page]**

### 13.0 Directors and Officers

#### 13.1 List the name and municipality of residence of each director and executive officer of the Issuer and indicate their respective positions and offices held with the Issuer and their respective principal occupations within the five preceding years.

Name, Municipality of Residence and current position with the Issuer	Position(s) with the Issuer	Principal Occupation and Employer during the previous five years	Number of Shares Held
Patrick Cole * Sacramento, CA President and Director	President since July, 1991 and Director since April, 1991	President and Director of the Issuer	7,133,574
Dianne Szigety New Westminster, BC Corporate Secretary and Director	Corporate Secretary since July, 1997 and Director since January, 2000	President of PubliCo Services Ltd. since 1994; director and/or officer of several TSXV listed issuers.	Nil
Jack BesMargian * Vancouver, BC Director	Director since June, 2001	Self Employed Accountant, providing accounting services to TSXV listed companies.	30,000
Mark Varley * Richmond, BC Director	Executive Vice-President from January 2002 to August, 2003 Director since August, 2003	Instructor, British Columbia Institute of Technology from 2000 to present; Self-employed consultant providing technical inspection (metallurgical materials testing and processing) and loss management services for clients with industrial sites and conveyances in industries including Petroleum (manufacturing and distribution), Forestry (pulp and paper), Chemical Production, Transportation (road, rail, air, and marine), Heavy Manufacturing, Industrial Construction, Public Utilities and Health Care Facilities.	Nil

#### 13.2 State the period or periods during which each director has served as a director and when his or her term of office will expire.

The term of office of each of the present directors expires at the annual general meeting, or until a successor is elected or appointed. Currently, the board of directors consists of four persons.

- 13.3 State the number and percentage of securities of each class of voting securities of the Issuer or any of its subsidiaries beneficially owned, directly or indirectly, or over which control or direction is exercised by all directors and executive officers of the Issuer as a group.**  
43%
- 13.4 Disclose the board committees of the Issuer and identify the members of each committee.**  
The Issuer has an Audit Committee composed of: Patrick Cole, Dianne Szigety and Jack Besmargian.
- 13.5 If the principal occupation of a director or officer of the Issuer is acting as an officer of a person or company other than the Issuer, disclose the fact and state the principal business of the person or company.**  
The principal business and association of each officer and director is stated in the chart in 13.1 above and in 13.10(b) below.
- 13.6 If a director or officer of the Issuer or a shareholder holding a sufficient number of securities of the Issuer to affect materially the control of the Issuer, is, or within 10 years before the date of the Quotation Statement has been, a director or officer of any other Issuer that, while that person was acting in that capacity,**
- (a) was the subject of a cease trade or similar order, or an order that denied the other Issuer access to any exemptions under Ontario securities law, for a period of more than 30 consecutive days, state the fact and describe the basis on which the order was made and whether the order is still in effect; or**  
None
  - (b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, state the fact.**  
None
- 13.7 Describe the penalties or sanctions imposed and the grounds on which they were imposed or the terms of the settlement agreement and the circumstances that gave rise to the settlement agreement, if a director or officer of the Issuer, or a shareholder holding sufficient securities of the Issuer to affect materially the control of the Issuer, has**
- (a) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian**

securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or  
None

- (b) **been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.**

Patrick Cole entered into a settlement agreement with the State of Florida related to securities. Mr. Cole has provided information regarding this settlement agreement in his current Personal Information Form.

- 13.8 If a director or officer of the Issuer, or a shareholder holding sufficient securities of the Issuer to affect materially the control of the Issuer, or a personal holding company of any such persons has, within the 10 years before the date of the Quotation Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or officer, state the fact.**

Not to the Issuers knowledge.

- 13.9 Disclose particulars of existing or potential material conflicts of interest between the Issuer or a subsidiary of the Issuer and a director or officer of the Issuer or a subsidiary of the Issuer.**

There are no existing or potential material conflicts of interest between the Issuer or a subsidiary of the Issuer and a director or officer of the Issuer or a subsidiary of the Issuer. Conflicts of interest may arise as a result of the directors or officers or management of the Issuer also holding positions of directors and/or officers of other companies. Some of the directors and officers have been and will continue to be engaged in similar business to the Issuer, and situations may arise where the directors and officers will be in direct competition with the Issuer. Conflicts, if any, will be subject to the procedures and remedies under the *Company Act* (British Columbia).

- 13.10 Management — In addition to the above provide the following information for each member of management:**

- (a) **state the individual's name, age, position and responsibilities with the Issuer and relevant educational background,**

Patrick Cole, 40, President overseeing all aspects of company business. High School Diploma. Stock brokers series 7 License.

Dianne Szigety, 49, Corporate Secretary overseeing books, records, filings and corporate governance, legal and securities issues.

Jack Besmargian, 60, Director overseeing financial issues related to all financial statements and banking issues. Certified General Accountant.

Mark Varley 47, Director overseeing all aspects of due diligence, assessment reports, business plans, IP, business development and strategy. Bachelor of Science and Masters of Science degrees from the University of British Columbia.

**(b) state whether the individual works full time for the Issuer or what proportion of the individual's time will be devoted to the Issuer,**

Patrick Cole, Full time

Dianne Szigety, Full and part time

Jack Besmargian, Part time and part time

Mark Varley, Part time and part time

**(c) state whether the individual is an employee or independent contractor of the Issuer,**

Patrick Cole, Employee

Dianne Szigety, Independent contractor

Jack Besmargian, Independent contractor

Mark Varley, Independent contractor

**(d) state the individual's principal occupations or employment during the five years prior to the date of the Quotation Statement, disclosing with respect to each organization as of the time such occupation or employment was carried on:**

- (i) its name and principal business;**
- (ii) if applicable, that the organization was an affiliate of the Issuer;**
- (iii) positions held by the individual; and**
- (iv) whether it is still carrying on business, if known to the individual;**

Patrick Cole

(i) Armada Mercantile Ltd.

(i) N/A

(iii) President and still present

(iv) Still carrying on business

(v) There is no non-competition or non-disclosure agreement with the Company

(vi) Mr. Cole was appointed a director of Armada Mercantile Ltd. on April 19, 1991 and has served as President of the Company since July 2, 1991. Mr. Cole is a seasoned venture capitalist and financier who has raised millions of dollars from private investor clients and international banking contacts. Mr. Cole has cultivated relationships over the past 15 years with European banks such as Credit Swiss, Union Bank, Overland Bank, Hypo Bank, Bank General Luxembourg, Rabo Bank (AAA rated), Bank Lips, Bank Hoffman and others. Mr. Cole co-founded Air Club International, a Canadian airline, which conducted trans-Atlantic flights from Canada to Europe. Mr. Cole and a group of investors raised \$8 million to form Air Club International and within four years, achieved annual sales of CA\$140 million. Armada Mercantile Ltd., with Mr. Cole as President, has raised over \$7 million of venture funding for its related businesses.

Mr. Cole has an extensive and successful background in structuring transactions and negotiating letters of intent. Mr. Cole invests a substantial amount of time in shareholder contacts, which Mr. Cole feels is key to the Company's future success.

Prior to acquiring Armada Mercantile Ltd., Mr. Cole served as controlling shareholder and President of Quattro Resources Ltd., which was acquired in August 1998. From August 1985 to August 1987, Mr. Cole held a Series 7 license with the stock brokerage firm of C.L. McKinney in Los Angeles. At the age of 19, Mr. Cole was one of the youngest stockbrokers in America.

Dianne Szigety

(i) PubliCo Services Ltd.

(ii) Affiliate to the Company

(iii) President and still present

(iv) Still carrying on business

(v) There is no non-competition or non-disclosure agreement with the Company

(vi) Ms. Szigety is the President of PubliCo Services Ltd., a private company offering management, regulatory and paralegal services to Canadian public companies since 1994. Previously, Ms. Szigety was a senior legal assistant in the corporate securities department of Campney & Murphy, Barristers & Solicitors, Vancouver, BC. Ms. Szigety currently is a director and/or an officer of several publicly-traded companies.

Jack Besmargian

(i) Accountant

(ii) Affiliate to the Company

(iii) President and still present

(iv) There is no non-competition or non-disclosure agreement with the Company

(v) Mr. Besmargian received his Certified General Accountant designation in 1973 while employed as Senior Cost Accountant and Computer System co-coordinator for the forest industry in British Columbia, Canada. From 1984 to 1992, Mr. Besmargian was employed as a Controller for a mid-size food wholesaler in the Vancouver, Canada area. Since 1993, Mr. Besmargian has been providing accounting services to the Company and a number of other TSXV listed companies. During the 1980's, Mr. Besmargian served as a member of the Board of Governors of the Certified General Accountant Association in British Columbia, Canada.

**Mark Varley**

(i) British Columbia Institute of Technology

(ii) Not an Affiliate

(iii) Teacher

(iv) There is no non-competition or non-disclosure agreement with the Company

(v) Prior to founding The Axios Consulting Group ("Axios") in 1994, Mr. Varley worked throughout North America providing technical inspection (e.g., for metallurgical materials testing and processing) and loss management services for clients with industrial sites and for property conveyances in industries including Petroleum (manufacturing and distribution), Forestry (pulp and paper), Chemical Production, Transportation (road, rail, air, and marine), Heavy Manufacturing, Industrial Construction, Public Utilities, and Health Care Facilities.

In founding Axios, Mr. Varley broadened his professional scope to include project management, training, and financial consulting services for firms in technology and financial services. Since 1998, Mr. Varley has provided services including the preparation of Business Plans and Confidential Information Memoranda. With heavy emphasis on current and emerging technologies, the Due Diligence Assessment Reports and Business Valuation Reports researched and written by Mr. Varley are typically used by investors, sponsoring brokerage firms, candidate companies, and ultimately, by securities regulators. Mr. Varley has extensive experience with a variety of businesses and industries in thoroughly investigating target corporations holdings including: products, services, technologies, intellectual properties, markets, strategies, assumptions, financial statements, contracts and contingent liabilities, operations, management and staff, suppliers and clients.



Mr. Varley obtained a Bachelor of Science and Masters of Science degrees from the University of British Columbia, as well as numerous technical and professional qualifications from organizations including the Canadian General Standards Board (Ottawa), Atomic Energy Canada (Ottawa), and the Board of Canadian Registered Safety Professionals. Mr. Varley is a journeyman member of the Quality Control Council of Canada, an executive member of the BC branch of the Editors' Association of Canada, and is pursuing professional accreditation with the Canadian Institute of Chartered Business Valuators. Mr. Varley currently holds a faculty position in Health Sciences at the British Columbia Institute of Technology where he teaches and develops curriculum for the occupational health and safety program.

(e) **describe the individual's experience in the Issuer's industry; and**  
Details about each individual's experience is outlined in full above.

(f) **state whether the individual has entered into a non-competition or non-disclosure agreement with the Issuer.**

None of the directors or officers have entered into a non-competition or non-disclosure agreement with the Issuer.

## 14.0 Capitalization

### 14.1 Prepare and file the following chart for each class of securities to be quoted:

The following table presents the Issuer's issued capital to be quoted on a non-diluted and fully-diluted basis:

#### Issued Capital

Issued Capital	Number of Securities (non-diluted)	Number of Securities (fully-diluted)	% of Issued (non-diluted)	% of Issued (fully diluted)
<u>Public Float</u>	8,100,000	8,100,000	50%	50%
Total outstanding (A)	16,112,215 common shares	17,541,215	95%	5%
Held by Related Persons or employees of the Issuer or Related Person of the Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position	7,133,574	7,863,574	40%	5%



in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) (B)				
	7,133,574	7,863,574	40%	5%
Total Public Float (A-B)	16,112,215	17,541,215	95%	5%
<i>Freely-Tradable Float</i>	15,420,781	15,420,781	95%	
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)	Outstanding warrants			
	691,434	1,431,434		
Total Tradable Float (A-C)	15,420,781	15,420,781		

### Public Security holders (Registered)

Please see attached list from ComputerShare. This list includes the shares held by Messrs. Cole and BesMargian, directors of the Issuer, who may be considered non-public securityholders of the Issuer,

#### Class of Security

<u>Size of Holding</u>	<u>Number of holders</u>	<u>Total number of securities</u>
1 – 99 securities	1	1
100 – 499 securities	2	400
500 – 999 securities	9	4,500
1,000 – 1,999 securities	6	6,500
2,000 – 2,999 securities	8	19,100
3,000 – 3,999 securities	8	24,000
4,000 – 4,999 securities	2	9,000
5,000 or more securities	28	16,048,714

### **Public Securityholders (Beneficial)**

The Issuer has sent letters to the brokerage firms holding shares on behalf of their clients and are waiting their reply.

#### **Class of Security**

<b><u>Size of Holding</u></b>	<b><u>Number of holders</u></b>	<b><u>Total number of securities</u></b>
1 – 99 securities		
100 – 499 securities		
500 – 999 securities		
1,000 – 1,999 securities		
2,000 – 2,999 securities		
3,000 – 3,999 securities		
4,000 – 4,999 securities		
5,000 or more securities		
Unable to confirm		

### **Non-Public Securityholders (Registered)**

Messrs. Cole and BesMargian are the only non-public securityholders of the Issuer.

#### **Class of Security**

<b><u>Size of Holding</u></b>	<b><u>Number of holders</u></b>	<b><u>Total number of securities</u></b>
1 – 99 securities		
100 – 499 securities		
500 – 999 securities		
1,000 – 1,999 securities		
2,000 – 2,999 securities		
3,000 – 3,999 securities		
4,000 – 4,999 securities		
5,000 or more securities	2	7,163,574

**14.2 Provide the following details for any securities convertible or exchangeable into any class of quoted securities.**

The following table provides the details for securities of the Issuer that are convertible or exchangeable into common shares of the Issuer:

Description of Security (include conversion / exercise terms, including conversion / exercise price)	Number of convertible / exchangeable securities outstanding	Number of quoted Common securities issuable upon conversion / exercise
Share Purchase Warrants exercisable until April 23, 2004	159,205	159,205
Common Share Purchase Warrants exercisable until October 1, 2004	330,500	330,500
Common Share Purchase Warrants exercisable until October 30, 2003	201,728	201,728
Stock Options with various expiry dates	1,240,000	1,240,000

**14.3 Provide details of any quoted securities reserved for issuance that are not included in section 14.2.**

There are no quoted securities reserved for issuance which are not included in section 14.2.

**15.0 Executive Compensation**

**15.1 Attach a Statement of Executive Compensation from Form 40 of Regulation 1015 of the Revised Regulations of Ontario, 1990 or any successor instrument and describe any intention to make any material changes to that compensation.**

**15.2 Exception — Despite Item 15.1, the disclosure required under Items V, VIII, IX and X of Form 40 may be omitted.**

<u>Annual Compensation</u>					<u>Long Term Compensation</u>			
Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	<u>Awards</u>	<u>Payouts</u>		
					Securities Under Options/ SARs (2) Granted (#)	Restricted Shares or Restricted Share Units (\$)	Long-term Incentive Plan Payouts (\$ (3))	All Other Compensation (\$)
Patrick Cole President	2003	\$30,000	Nil	Nil	Nil	Nil	Nil	Nil
	2002	\$32,826	Nil	Nil	Nil			
	2001	\$31,586	Nil	Nil	640,000			

**Long-Term Incentive Plans - Awards in Most Recently Completed Fiscal Year**

The Company has no long-term incentive plans in place and therefore there were no awards made under any long-term incentive plan to the Named Executive Officers during the Company's most recently completed fiscal year. A "Long-Term Incentive Plan" is a plan under which awards are made based on performance over a period longer than one fiscal year, other than a plan for options, SARs (stock appreciation rights) or restricted share compensation.

**Options/SARs Granted During the Most Recently Completed Financial Year**

During the most recently completed fiscal year, no stock options were granted to the named Executive Officer.

**Options/SARs Repriced During the Most Recently Completed Financial Year**

During the most recently completed fiscal year, no stock options granted to the named Executive Officer were repriced.

**Aggregated Option/SAR Exercises During the Most Recently Completed Financial Year and Financial Year-End Option Values**

No incentive stock options were exercised by the named Executive Officer during the most recently completed financial year.

**Termination of Employment, Change in Responsibilities and Employment Contracts**

There are no compensatory plans or arrangements with respect to the Named Executive Officer resulting from the resignation, retirement or other termination of employment or from a change of control of the Company.

**Defined Benefit or Actuarial Plan Disclosure**

The Company does not provide retirement benefits for its directors or officers or the Named Executive Officer.

**16.0 Indebtedness of Directors and Executive Officers**

- 16.1 (1) Disclose in substantially the following tabular form all indebtedness (other than routine indebtedness), and the other details prescribed in paragraph (2), for each individual who is, or at any time during the most recently completed financial year of the Issuer was, a director or executive officer of the Issuer, and each associate of such an individual,**
- (a) who is indebted to the Issuer or a subsidiary of the Issuer; or**  
No directors or executive officers are indebted to the Issuer.
  - (b) whose indebtedness to another entity is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Issuer or a subsidiary of the Issuer.**  
No directors or executive officers are indebted to the Issuer.

## INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

Name and Principal Position (a)	Involvement of Issuer or Subsidiary (b)	Largest Amount Outstanding During [Last Completed Financial Year] (\$) (c)	Amount Outstanding as at [current date] (\$) (d)	Financially Assisted Securities Purchases During [Last Completed Financial Year] (#) (e)	Security for Indebtedness (f)
N/A	N/A	N/A	N/A	N/A	N/A

### 16.2 Include the following in the table required under paragraph 16.1:

This section is not applicable as no directors or executive officers are indebted to the Issuer.

- (a) The name of the borrower (column (a)).
- (b) If the borrower is a director or executive officer, the principal position of the borrower; if the borrower was, during the year, but no longer is a director or executive officer, include a statement to that effect; if the borrower is included as an associate of a director or executive officer, describe briefly the relationship of the borrower to any individual who is or, during the year, was a director or executive officer, name that individual and provide the information that would be required under this subparagraph for that individual if he or she was the borrower (column (a)).
- (c) Whether the Issuer or a subsidiary of the Issuer is the lender or the provider of a guarantee, support agreement, letter of credit or similar arrangement or understanding (column (b)).
- (d) The largest aggregate amount of the indebtedness outstanding at any time during the last completed financial year (column (c)).
- (e) The aggregate amount of the indebtedness outstanding as at a specified date not more than 30 days before the date of Quotation Statement (column (d)).
- (f) If the indebtedness was incurred to purchase securities of the Issuer or of a subsidiary of the Issuer, separately for each class of securities the aggregate number of securities purchased during the last completed financial year with the financial assistance (column (e)).

- (g) The security, if any, provided to the Issuer, a subsidiary of the Issuer or the other entity for the indebtedness (column (f)).

**16.3 Disclose in the introduction to the table required under paragraph (1) the aggregate indebtedness of all officers, directors, employees, and former officers, directors and employees of the Issuer or a subsidiary of the Issuer outstanding as at a specified date not more than 30 days before the date of the Quotation Statement, that is owed to**

This section is not applicable as no directors or executive officers are indebted to the Issuer.

(a) the Issuer or a subsidiary of the Issuer; or

(b) another entity if the indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Issuer or any of its subsidiaries.

**16.4 Disclose in a footnote to, or a narrative accompanying, the table required under paragraph (1)**

This section is not applicable as no directors or executive officers are indebted to the Issuer.

(a) the material terms of the indebtedness and, if applicable, of each guarantee, support agreement, letter of credit or other similar arrangement or understanding, including the term to maturity, rate of interest and any understanding, agreement or intention to limit recourse, and the nature of the transaction in which the indebtedness was incurred;

(b) any material adjustment or amendment made to the terms of the indebtedness and, if applicable, the guarantee, support agreement, letter of credit or similar arrangement or understanding; and

(c) the class of the securities purchased with financial assistance from the Issuer or held as security for the indebtedness and, if the class of securities is not publicly traded, all material terms of the securities.

**17.0 Risk Factors**

**17.1 Describe the risk factors material to the Issuer that a reasonable investor would consider relevant to an investment in the Issuer, such as cash flow and liquidity problems, if any, experience of management, the general risks inherent in the business carried on by the Issuer, environmental and health risks, reliance on key personnel, the arbitrary establishment of the**

**offering price, regulatory constraints, economic or political conditions and financial history and any other matter that in the opinion of the Issuer would be most likely to influence the investor's decision to purchase, hold or sell the Issuer's securities. Risks should be disclosed in the order of their seriousness in the opinion of the Issuer.**

The continuation of the Issuer is dependent upon the continuing financial support of related party lenders, shareholders and creditors and attaining and maintaining profitable operations. While the Issuer had \$373,248 in cash on hand at February 28, 2003 it is the Issuers intention to continue seeking new opportunities and to obtain debt and equity financing as required. While the Issuer is using its best efforts to achieve the above plans, there is, however, no such assurance that any such activity will generate sufficient funds for planned operations.

There are a number of risk factors associated with our new business strategy.

The Issuer's new business strategy may be adversely affected by:

- (i) its inability to cultivate quality client company leads;
- (ii) its inability to successfully analyze the credit risk associated with the user of its lending products so as to appropriately apply its risk-adjusted pricing to such products; and
- (iii) its inexperience in general the venture lending business.

The Issuer cannot assure you that its proposed business strategy will prove successful, or that the Issuer will ever be able to operate profitably.

The credit characteristics of the Issuer's anticipated client base correspond to a high incidence of delinquencies which in turn may lead to significant levels of defaults. Defaults by its customers could adversely affect its business by decreasing revenues and increasing collection and recovery expenses.

The Issuer's ability to successfully execute its new business strategy and to sustain its operations is dependent on its ability to raise debt and equity capital. The Issuer's failure to obtain required financing on favourable terms and on a timely basis would limit its ability to add new venture lending clients, which would have a material adverse effect on the Issuer's business, financial condition and results of operations.

The Issuer's anticipated portfolio will be represented by leases, contracts and loans with lessees and other obligors operating in California, Colorado, Texas and South Carolina economic conditions in these States may affect the level of collections from, as well as delinquencies and defaults by, these obligors.



The venture lending industry is highly competitive. The Issuer will compete for clients with a number of national, regional and local banks and finance companies. The Issuer's competitors will also include equipment manufacturers that lease or finance the sale of their own products. The Issuer's competitors include larger, more established companies, some of which may possess substantially greater financial, marketing and operational resources than the Issuer, including lower cost of funds and access to capital markets and to other funding sources which may be unavailable to the Issuer.

## **18. Promoters**

### **18.1 For a person or company that is, or has been within the two years immediately preceding the date of the Quotation Statement, a promoter of the Issuer or of a subsidiary of the Issuer state**

This section is not applicable as there are no promoters related to the Issuer.

- (a) the person or company's name;**
- (b) the number and percentage of each class of voting securities and equity securities of the Issuer or any of its subsidiaries beneficially owned, directly or indirectly, or over which control is exercised;**
- (c) the nature and amount of anything of value, including money, property, contracts, options or rights of any kind received or to be received by the promoter directly or indirectly from the Issuer or from a subsidiary of the Issuer, and the nature and amount of any assets, services or other consideration therefor received or to be received by the Issuer or a subsidiary of the Issuer; and**
- (d) for an asset acquired within the two years before the date of the Quotation Statement or thereafter, or to be acquired, by the Issuer or by a subsidiary of the Issuer from a promoter**
  - (i) the consideration paid or to be paid for the asset and the method by which the consideration has been or will be determined,**
  - (ii) the person or company making the determination referred to in subparagraph (i) and the person or company's relationship with the Issuer, the promoter, or an associate or affiliate of the Issuer or of the promoter, and**
  - (iii) the date that the asset was acquired by the promoter and the cost of the asset to the promoter.**

### **18.2 If a promoter or past promoter referred to in paragraph (1) has been a director, officer or promoter of any person or company during the 10 years ending on the date of Quotation Statement, that**

This section is not applicable as there are no promoters related to the Issuer.

- (a) was the subject of a cease trade or similar order, or an order that denied the person or company access to any exemptions under Ontario securities law, for a period of more than 30 consecutive days, state the fact and describe the basis on which the order was made and whether the order is still in effect; or
- (b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, state the fact.

**18.3 Describe the penalties or sanctions imposed and the grounds on which they were imposed or the terms of the settlement agreement and the circumstances that gave rise to the settlement agreement, if a promoter or past promoter referred to in paragraph (1) has**

This section is not applicable as there are no promoters related to the Issuer.

- (a) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or
- (b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor in making an investment decision.

**18.4 If a promoter or past promoter referred to in paragraph (1), or a personal holding company of such promoter, has, within the 10 years before the date of the Quotation Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or officer, state the fact.**

This section is not applicable as there are no promoters related to the Issuer.

**19.0 Legal Proceedings**

**19.1 Describe any legal proceedings material to the Issuer to which the Issuer or a subsidiary of the Issuer is a party or of which any of their respective property is the subject matter and any such proceedings known to the Issuer to be contemplated, including the name of the court or agency, the date instituted, the principal parties to the proceedings, the nature of the**

**claim, the amount claimed, if any, if the proceedings are being contested, and the present status of the proceedings.**

There are no legal proceedings material to the Issuer to which the Issuer or a subsidiary of the Issuer is a party or of which any of their respective property is the subject matter. A former subsidiary of the Issuer, Skybridge Holidays Inc. filed for bankruptcy in 1998. The Trustee of Bankruptcy is DBO Dunwoody in Vancouver, B.C. The Trustee has completed the bankruptcy proceeding.

## **20.0 Interest of Management and Others in Material Transactions**

### **20.1 Describe, and state the approximate amount of, any material interest, direct or indirect, of any of the following persons or companies in any transaction within the three years before the date of the Quotation Statement, or in any proposed transaction, that has materially affected or will materially affect the Issuer or a subsidiary of the Issuer:**

**(a) any director or executive officer of the Issuer.**

Patrick Cole, President, has entered into loan agreements with the Issuer that are on demand notes and carry interest charges and has bonus share provisions attached to the note.

**(b) a security holder disclosed in the Quotation Statement as a principal shareholder.**

Please see the disclosure under section 20.1(a) above.

**(c) an associate or affiliate of any of the persons or companies referred to in paragraphs 1 or 2.**

Please see the disclosure under section 20.1(a) above.

## **21.0 Auditors, Transfer Agents and Registrars**

### **21.1 State the name and address of the auditor of the Issuer.**

The Issuer's auditors are BDO Dunwoody, having a place of business at 600 Park Place, 666 Burrard Street, Vancouver, BC V6C 2X8 Canada

### **21.2 State the names of the Issuer's transfer agent(s) and registrar(s) and the location (by municipalities) of the register(s) of transfers of that class of shares.**

The transfer agent for the Issuer's common shares is Computershare Trust Company of Canada, having a place of business at 4<sup>th</sup> Floor 510 Burrard Street, Vancouver, B.C. V6C 3B9.

## **22.0 Material Contracts**

### **22.1 Give particulars of every material contract, other than contracts entered into in the ordinary course of business, that was entered into within the**

**two years before the date of Quotation Statement by the Issuer or a subsidiary of the Issuer.**

The Issuer has not entered into any material contracts within the two years before the date of Quotation Statement other than stock options, promissory notes and shares for debt.

**22.2 If applicable, attach a copy of any co-tenancy, unitholders' or limited partnership agreement.**

The Issuer has not entered into any co-tenancy, unitholders' or limited partnership agreement.

**23.0 Interest of Experts**

**23.1 Disclose all direct or indirect interests in the property of the Issuer or of a Related Person of the Issuer received or to be received by a person or company whose profession or business gives authority to a statement made by the person or company and who is named as having prepared or certified a part of the Quotation Statement or prepared or certified a report or valuation described or included in the Quotation Statement.**

No person or company who has prepared or certified a part of this Quotation Statement or prepared or certified a report or valuation described in this Quotation Statement has any direct or indirect interests in the property of the Issuer or of a Related Person of the Issuer.

**23.2 Disclose the beneficial ownership, direct or indirect, by a person or company referred to in Item 23.1 of any securities of the issuer or any Related Person of the issuer.**

There is no beneficial ownership, direct or indirect, by a person or company referred to in Item 23.1 of any securities of the issuer or any Related Person of the issuer.

**23.3 For the purpose of Item 23.2, if the ownership is less than one per cent, a general statement to that effect shall be sufficient.**

This section is not applicable to the Issuer.

**23.4 If a person, or a director, officer or employee of a person or company referred to in Item 23.1 is or is expected to be elected, appointed or employed as a director, officer or employee of the issuer or of any associate or affiliate of the issuer, disclose the fact or expectation.**

No person, or a director, officer or employee of a person or company referred to in Item 23.1 is or is expected to be elected, appointed or employed as a director, officer or employee of the Issuer or of any associate or affiliate of the issuer.

## **24.0 Other Material Facts**

### **24.1 Give particulars of any material facts about the Issuer and its securities that are not disclosed under the preceding items and are necessary in order for the Quotation Statement to contain full, true and plain disclosure of all material facts relating to the Issuer and its securities.**

There are no other material facts which have not been disclosed under the preceding items.

## **25.0 Financial Statements**

### **25.1 Provide the following audited financial statement for the Issuer:**

- (a) **Copies of all financial statements including the auditor's reports required to be prepared and filed with the Commission under Ontario securities law for the preceding three years; and**

The Issuer is not currently a reporting issuer in Ontario but is a reporting issuer in British Columbia. The Issuer's audited financial statements for the years ended 2003, 2002 and 2001 are attached to this Quotation Statement.

- (b) **a copy of financial statements for any completed interim period of the current fiscal year.**

Quarterly Reports for the periods ended May 31, 2003 and August 31, 2003 are attached.

### **25.2 For Issuers re-qualifying for quotation following a fundamental change provide**

This section is not applicable. The Issuer is not re-qualifying for quotation following a fundamental change.

- (a) **the information required in Items 5.1 to 5.3 for the target;**
- (b) **financial statement for the target prepared in accordance with the requirements of Parts 4,5,6,7 8 and 9 of OSC Rule 41-501 as if the target were the Issuer;**
- (c) **pro-forma consolidated financial statements for the New Issuer giving effect to the transaction for:**

(i) **the last full fiscal year of the Issuer and**

(ii) **any completed interim period of the current fiscal year.**

The first certificate below must be signed by the CEO, CFO, any person or company who is a promoter of the Issuer and two directors of the Issuer. In the case of an Issuer re-qualifying following a fundamental change, the second certificate must also be signed by the CEO, CFO, any person or company who is a promoter of the target and two directors of the target.

## CERTIFICATE OF THE ISSUER

Pursuant to a resolution duly passed by its Board of Directors, (full legal name of the Issuer), hereby applies for the quotation of the above mentioned securities on CNQ. The foregoing contains full, true and plain disclosure of all material information relating to (full legal name of the Issuer). It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Sacramento, California and Vancouver, British Columbia

this 3<sup>rd</sup> day of October, 2003.

/s/ Patrick Cole

Patrick Cole, President

\_\_\_\_\_

\_\_\_\_\_  
Promoter (if applicable)

\_\_\_\_\_

\_\_\_\_\_  
Director

\_\_\_\_\_

/s/ Dianne Szigety

Dianne Szigety, Secretary & Director

\_\_\_\_\_

\_\_\_\_\_  
Director

\_\_\_\_\_

## CERTIFICATE OF THE TARGET

The foregoing contains full, true and plain disclosure of all material information relating to (full legal name of the target). It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at \_\_\_\_\_

this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

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President

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Director

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Promoter (if applicable)

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Director

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Director

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