

# DRAFT

**Overlord Financial Inc.  
Consolidated Financial Statements  
For the nine month period ended September 30, 2004  
(Unaudited – prepared by management)**

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**NOTIFICATION OF UNAUDITED  
INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited consolidated financial statements for the period ended September 30, 2004.

**Overlord Financial Inc.**  
**Consolidated Balance Sheets**

	September 30, 2004 (Unaudited)	December 31, 2003 (Audited)
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 2,055,904	\$ 3,192,794
Accounts receivable	18,305	60,645
Prepaid rent	<u>18,855</u>	<u>-</u>
	2,093,064	3,253,439
Prepaid expenses	52,231	52,231
Long-term investments, at cost (Note 5)	2,243,069	1,627,499
Office assets	<u>106,965</u>	<u>123,952</u>
	\$ 4,495,329	\$ 5,057,121
<b>Liabilities and Shareholders' Equity</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 61,852	\$ 40,833
Debentures (Note 3)	250,000	-
<b>Shareholders' equity</b>		
Share capital (Note 4)	9,963,248	9,963,248
Contributed surplus	187,787	183,396
Deficit	<u>(5,967,558)</u>	<u>(5,130,356)</u>
	\$ 4,183,477	5,016,288
	\$ 4,495,329	\$ 5,057,121

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

**Overlord Financial Inc.**  
**Consolidated Statements of Operations and Deficit**  
**(Unaudited – prepared by management)**

For the periods ended September 30	Three Months 2004	Three Months 2003	Nine Months 2004	Nine Months 2003
<b>Revenue</b>				
Advisory fees	\$ -	\$ -	\$ -	\$ 45,052
Gain on sale of investments	-	-	61,064	-
Interest and other income	<u>19,444</u>	<u>26,119</u>	<u>52,167</u>	<u>98,978</u>
	<u>19,444</u>	<u>26,119</u>	<u>113,231</u>	<u>144,030</u>
<b>Expense</b>				
Amortization	8,635	8,296	25,782	24,888
Stock option expense (Note 4(c))	4,391	-	4,391	-
Debenture interest	9,353	-	9,353	-
Salaries and benefits	72,403	145,333	274,316	509,161
Professional fees	50,000	107,492	184,293	224,330
Rent	54,807	55,189	164,411	168,789
Travel	50,167	65,001	107,782	157,100
Office	11,879	32,305	46,363	72,739
Consulting	56,450	-	75,313	-
Business promotion	3,818	3,777	20,585	16,493
Shareholder expenses	182	2,271	25,030	13,475
Business taxes	-	492	12,814	12,894
	<u>322,085</u>	<u>420,156</u>	<u>950,433</u>	<u>1,199,869</u>
<b>Net loss from continuing operations</b>	<b>( 302,641)</b>	<b>( 394,037)</b>	<b>(837,202)</b>	<b>(1,055,839)</b>
<b>Loss from discontinued operations</b>	<b>-</b>	<b>( 266)</b>	<b>-</b>	<b>(3,058)</b>
<b>Net loss for the period</b>	<b>(302,641)</b>	<b>(394,303)</b>	<b>(837,202)</b>	<b>(1,058,897)</b>
<b>Deficit, beginning of period</b>	<b>(5,664,917)</b>	<b>(4,380,700)</b>	<b>(5,130,356)</b>	<b>(3,716,106)</b>
<b>Deficit, end of period</b>	<b>\$ (5,967,558)</b>	<b>\$ (4,775,003)</b>	<b>\$ (5,967,558)</b>	<b>\$ (4,775,003)</b>
<b>Loss per share</b>				
	<b>\$ (0.008)</b>	<b>\$ (0.010)</b>	<b>\$ (0.021)</b>	<b>\$ (0.027)</b>
<b>Weighted average number of shares</b>	<b>39,029,459</b>	<b>39,029,459</b>	<b>39,029,459</b>	<b>38,606,382</b>

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

**Overlord Financial Inc.**  
**Consolidated Statements of Cash Flows**  
**(Unaudited – prepared by management)**

For the periods ended September 30	Three Months 2004	Three Months 2003	Nine Months 2004	Nine Months 2003
<b>Cash flows from operating activities</b>				
Loss from operations	\$ (302,641)	\$ (394,037)	\$ (837,202)	\$ (1,055,839)
Adjustments for:				
Amortization	8,635	8,296	25,782	24,888
Stock option expense	4,391	-	4,391	-
Cash flows from continuing operations	<u>(289,615)</u>	<u>(385,741)</u>	<u>(807,029)</u>	<u>(1,030,951)</u>
Net loss from discontinued operations	-	(266)	-	(3,058)
Cash flow from operations	<u>(289,615)</u>	<u>(386,007)</u>	<u>(807,029)</u>	<u>(1,034,009)</u>
Changes in non-cash working capital				
Accounts receivable	(4,683)	(24,827)	42,340	124,044
Prepaid Rent	(18,855)	-	(18,855)	-
Accounts payable	51,288	(29,303)	21,019	10,096
	<u>(261,865)</u>	<u>(440,137)</u>	<u>(762,525)</u>	<u>(899,869)</u>
<b>Cash flows from investing activities</b>				
Prepaid expenses	-	17,564	-	305
Acquisition of office assets	(543)	-	(8,795)	(18,791)
Long-term investments, net	(251,520)	(399,999)	(615,570)	(899,999)
Recovery of short-term investment	-	-	-	600,000
	<u>(252,063)</u>	<u>(382,435)</u>	<u>(624,365)</u>	<u>(318,485)</u>
<b>Cash flows from financing activities</b>				
Proceeds from debenture issuance	250,000	-	250,000	-
Proceeds from exercise of stock options	-	-	-	210,000
	<u>250,000</u>	<u>-</u>	<u>250,000</u>	<u>210,000</u>
<b>Decrease in cash and cash equivalents</b>	<b>(263,928)</b>	<b>(822,572)</b>	<b>(1,136,890)</b>	<b>(1,008,354)</b>
Cash and cash equivalents, beginning of period	<u>2,319,832</u>	<u>4,598,668</u>	<u>3,192,794</u>	<u>4,784,450</u>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 2,055,904</b>	<b>\$ 3,776,096</b>	<b>\$ 2,055,904</b>	<b>\$ 3,776,096</b>

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

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**Overlord Financial Inc.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited – prepared by management)**

September 30, 2004

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**1. Nature of Operations**

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Overlord Financial Inc. (the "Company") is a public company incorporated under the Business Corporations Act (Alberta) that was engaged in production, development and exploration of oil and natural gas in Canada. During 2001 the Company discontinued its oil and gas activities and implemented a new business plan. The Company's future business focuses on managing energy-related investment funds.

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**2. Basis of Presentation**

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The interim consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. The interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the fiscal year ended December 31, 2003. These interim consolidated financial statements should be read in conjunction with the consolidated financial statement and the notes thereto in the Company's annual report for the year ended December 31, 2003.

Basic earnings per common share is computed by dividing earnings by the weighted average number of common shares outstanding for the period. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. The treasury stock method is used to determine the dilutive instruments, in accordance with standards approved by Canadian Institute of Chartered Accountants.

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**3. Debentures**

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The Company's 100% owned subsidiary, Juno Canada Holdings Ltd. issued debentures for \$250,000 cash. The debentures have an 8 year term and are secured against Juno's investments in the Wisevest Income Fund units. The debentures pay an aggregate coupon rate of 9.6%.

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**4. Share Capital**

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(a) Authorized

Unlimited number of Common voting shares

(b) Issued

Common Shares	September 30, 2004		December 31, 2003	
	Number of Shares	Amount	Number of Shares	Amount
<b>Balance, beginning of year</b>	<b>39,029,459</b>	<b>\$9,963,248</b>	39,029,459	\$9,963,248
Shares issued	-	-	-	-
<b>Balance, end of year</b>	<b>39,029,459</b>	<b>\$9,963,248</b>	39,029,459	\$9,963,248

(c) Options

The Company granted stock options to directors, officers, consultants and employees of the Company as follows:

	Number of Shares	Option Prices per Share	Weighted Average Exercise Price
Options outstanding, December 31, 2003	-	-	-
Options granted, September 13, 2004	<u>3,600,000</u>	\$0.28	\$0.28
<b>Options outstanding, September 30, 2004</b>	<b><u>3,600,000</u></b>	\$0.28	\$0.28

Options granted on September 13, 2004, vest one third on September 13, 2005, one third on September 13, 2006 and one third on September 13, 2007. Stock option expense has been calculated at \$4,391 year to date using the Black-Scholes model assuming a risk free interest rate of 4.5% and an average exercise term of 4 years.

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**5. Long Term Investments**

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	September 30, 2004	December 31, 2003
1,196,833 Common shares of Sonomax Hearing Healthcare Inc. (quoted market value - \$538,575)	\$ 259,049	\$ 399,999
1,151,190 Common shares of ExAlta Energy Inc. (market value \$1,496,548 based on most recent transaction price)	1,227,500	1,227,500
250,000 Common shares of Contact Exploration Ltd. (quoted market value - \$90,000)	100,000	-
24,902 WiseVest Income Fund units (quoted market value \$267,307)	249,020	-
Sonomax promissory note	150,000	-
Other investments	<u>157,500</u>	-
	<b><u>\$2,243,069</u></b>	<b><u>\$1,627,499</u></b>

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