

ABLEAUCTIONS COM INC  
Form 10KSB/A  
April 21, 2004

**FORM 10-KSB**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**(Mark One)**

[ X ]

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003 *OR*

[ ]

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

Commission file number: 000-28179

**ABLEAUCTIONS.COM, INC.**

Edgar Filing: ABLEAUCTIONS COM INC - Form 10KSB/A

(Exact name of small business issuer in its charter)

Florida  
(State or other jurisdiction of incorporation or  
organization)

59-3404233  
(I.R.S. Employer Identification No.)

1963 Lougheed Highway  
  
Coquitlam, British Columbia Canada  
(Address of principal executive offices)

V3K 3T8  
(Zip Code)

Issuer's telephone number: (604) 521-3369

Securities Registered Under Section 12(b) of the Exchange Act:

None

Securities Registered Under Section 12(g) of the Exchange Act:

Common Stock, \$0.001 par value

(Title of class)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes

No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

State issuer's revenues for most recent fiscal year: \$778,102

The number of shares of the Registrant's common stock, par value \$0.001 per share, outstanding as of March 22, 2004 was 55,035,405. The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant on March 22, 2004, based on the average bid and ask price on the American Stock Exchange as of such date, was approximately \$50,289,989.

Documents Incorporated by Reference: None.

Transitional Small Business Format. Yes [ ] No [X]

**NOTE REGARDING FORWARD LOOKING STATEMENTS**

Certain information contained herein constitutes forward-looking statements, including without limitation statements containing the words believes, anticipates, intends, expects and words of similar import, as well as all projections of future results of operations or earnings. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results or achievements of the Registrant to be materially different from any future results or achievements expressed or implied by such forward-looking statements. Such factors include, but are not limited to, the following: risks related to political and economic uncertainties; risks related to the Registrant's acquisition strategy and its ability to integrate acquired businesses into its operations; risks involved in implementing a new business strategy; the Registrant's ability to obtain financing on acceptable terms; competition in the auction industry; market acceptance of live auction broadcasts on the Internet; the Registrant's ability to manage growth and integrate the operations of acquired auction houses; risks of technological change; the Registrant's dependence on key personnel; the Registrant's dependence on marketing relationships with auction houses and third party suppliers; the Registrant's ability to protect its intellectual property rights; government regulation of Internet commerce and the auction industry; economic factors affecting the sales of auction merchandise; dependence on continued growth in use of the Internet; risks of technological change; capacity and systems disruptions; uncertainty regarding infringing intellectual property rights of others and the other risks and uncertainties described in this report.

**PART I**

**Item 1.**

**Description of Business**

**Overview and Insight**

We were incorporated under the laws of the state of Florida as J. B. Financial Services, Inc. on September 30, 1996. We changed our name to Ableauctions.com, Inc. on July 19, 1999. From the date of our incorporation until August 24, 1999, we had no material business and no material revenues, expenses, assets or liabilities.

Our shares began trading on the OTC Bulletin Board under the symbol ABLC on July 21, 1999.

On August 24, 1999, in consideration of shares of our common stock and cash, we acquired all of the assets and the business operations of Able Auctions (1991) Ltd., a British Columbia corporation engaged in the business of auctioning used equipment, office furnishings and equipment, and other merchandise, by acquiring all of its issued

and outstanding common shares from Dexton Technologies Corporation, a British Columbia corporation.

We are an early stage company and have developed our business and technology through the acquisition of various auction houses in the United States and Canada. Our primary business activity is as an auction technology company and a liquidator. Our revenues, for the most part, stem from the following streams:

1.

**Auction Broadcast Services** - broadcast of live auctions over the Internet using our own technology ([www.ableauctions.com/technology](http://www.ableauctions.com/technology)) or eBay's Live Auction technology, and related products, development, catalogue production and auction services ([www.icollectorlive.com/services.aspx](http://www.icollectorlive.com/services.aspx)).

2.

**Point-of-Sale (POS) and Hardware Services** - the sale, installation and support of our Point-Of-Sale (POS) software, development, support and maintenance of auction websites, custom hardware and network configurations services provided through our newly acquired subsidiary Rapidfusion Technologies Inc. ([www.rapidfusion.com/technology](http://www.rapidfusion.com/technology)).

3.

**Liquidation Services** - the sale of merchandise through our liquidation stores or auctions, and the fees realized from inventory brokerage services through our [itrustee.com](http://itrustee.com) operations.

In 2003, Auction Broadcast Services accounted for approximately 38% of our total revenue and 51% of our gross profit. POS and Hardware Services accounted for 30% of our total revenue and 19% of our gross profit. Liquidation Services accounted for 32% of our total revenue and 30% of our gross profit.

Since inception in 1999, we have maintained multiple revenue streams while focusing on developing our technologies. Our objective is to become the leading provider of Auction Broadcast Services and we believe that our success is reliant on our ability to deploy our technologies and services to the estimated 12,000 auctioneers in North America. We believe that each of our revenue streams could serve as an independent and viable business.

#### **Auction Broadcast Services**

As part of our Auction Broadcast Services business, we have developed our own technology to broadcast auctions over the Internet ([www.ableauctions.com/technology](http://www.ableauctions.com/technology)) and provide the technology and related services to other auction houses, enabling them to broadcast auctions over the Internet.

Through our wholly-owned subsidiaries, iCollector.com Technologies Ltd. and iCollector International Ltd., collectively referred to as iCollector throughout this Annual Report, we facilitate approximately 17 auction sessions per month using eBay's live auction technology (eBay Live Auctions) and approximately 6 auction sessions per month using our own technology to broadcast auctions over the Internet. iCollector represents antique, fine art and premium collectible auction houses, as well as industrial auction houses. iCollector catalogues its client's inventory and hosts them on its site located at [www.icollector.com](http://www.icollector.com).

In June 2002, we announced that we renewed our agreement with eBay to facilitate live auctions between our global auction house client base and eBay Live Auctions. Under our strategic alliance with eBay Live Auctions, iCollector facilitated approximately 209 live auctions in 2002. In 2003, we began promoting and recording auction sessions where clients are able to run a large auction over the course of several days. In 2003, we facilitated 272 live auction sessions. Inventory included fine and decorative arts, modern and contemporary art, memorabilia, wine, fine furniture and collectibles that were obtained from countries worldwide, including Sweden, Italy, Spain, England, Canada and the United States.

We believe that our business relationship with eBay creates synergy for both companies, which share a common vision of setting the standards for live Internet auctions. eBay has set the standard for silent auctions with unparalleled acceptance levels, user base and transaction volume. We are committed to accomplishing similar goals in the hosting and broadcasting of live auctions over the Internet and have demonstrated a complementary commitment to this objective. We believe that our relationship with eBay will help us attain these goals and are currently in the process of negotiating a more extensive agreement with eBay.

We have developed technology to manage the back-end of auction operations and to broadcast live auctions over the Internet, applying our experience in managing and operating auction houses with Internet broadcasting capabilities. Ableauctions now deploys its technology, along with the services of eBay, beyond antique and collectible auctions house and into industrial and commercial auction houses throughout North America—a market we believe has significant opportunities.

The Company recently established a consortium consisting of some of the largest and most influential auction companies in the world with the objective of implementing its live auction technology and solidifying the Company's working relationship with eBay Live Auctions. The Company currently has multi-year standing agreements to exclusively broadcast auctions for some of the world's top auctions companies, including:

-

Heritage Coins: one of the world's largest dealer and auctioneer of collectibles including rare coins, currency, comics, movie posters and illustration art.

•

Indiana based Kruse International Inc., one of the largest collector car auction companies in the world.

•

United Kingdom based Euro Auctions UK Ltd., one of the top ranked industrial auctioneers in the world.

•

West Coast Estates Auctions, one of the most successful family operated auction houses on the North American West Coast.

•

Colorado based Best of the West Auctions, one of the premier auction houses in the American Midwest whose parent company is the oldest auction company in the state.

•

Delaware-based Joseph C. O Neal & Sons, specializing in antiques, machinery, real estate, and personal property.

•

North Dakota based Curt D. Johnson Auction Company, with 30 years of experience conducting farm auctions and estate sales.

•

Seahawk Auctions, one of the most prominent auction houses specializing in

Native Art and Artifacts.

### **Point-of-Sale (POS) and Hardware Services**

Through our POS and Hardware services, we have developed our own Windows based POS software that we sell and support to various industry sectors. We also provide computer hardware and custom software development services to our clients.

While our primary objective is to become the leading provider of Auction Broadcast Services, we believe our success depends on our ability to deploy our technologies and services to the estimated 12,000 auctioneers across North America. The integrating of POS technology with Internet broadcasting capabilities to develop an auction technology suite that specifically caters to auctioneers and liquidators may bring us one step closer to our objective. The technology suite under current development is designed to enable auctioneers and liquidators to:

- 

Broadcast live auctions over the Internet ([www.ableauctions.com/technology](http://www.ableauctions.com/technology))

- 

Manage the back-end of auction operations

- 

Schedule, upload and broadcast auctions seamlessly to run either on eBay Live Auctions or on our proprietary technology.

- 

Integrate auction operations with Point-of-Sale (POS) software that enables users to manage a bricks-and-mortar liquidation store as well as upload inventory to be sold on either eBay core or eBay Live Auctions, making it one of the first POS systems capable of such functions. The software manages and tracks inventory, assets and consigned products, for both a virtual and bricks-and-mortar store. We believe that the option for retail stores to upload surplus inventories seamlessly to eBay or Ableauctions broadcast technology will be met with a positive reaction. ([www.rapidfusion.com/technology](http://www.rapidfusion.com/technology))

## **Liquidation Services**

Through our Liquidation Services, we acquire merchandise through bankruptcies, insolvencies, defaults, or partnering liquidators, and broker or sell the merchandise to either the general public or other resellers. We sell, auction or broker merchandise and equipment from a variety of industries including antique, automotive, bakery, broadcasting, chemical, construction, dairy, electronics, energy, food processing, foundry, furniture, high-technology, machine tool, metal fabrication, office, paper, pharmaceutical, plastic, printing, restaurant, textile, and others. The auctions we conduct are open to the public and draw approximately 300 to 500 bidders in person and offer on average approximately 1,200 items or lots of merchandise and equipment for auction. We receive revenues from auction fees charged to consignees who consign merchandise to be sold and from the buyer's premiums charged to purchasers of the merchandise. We also receive revenues from auctioning merchandise that we purchase and sell at our auctions.

We conduct the majority of our auctions on an unreserved basis with no minimum prices, resulting in each and every item being sold to the highest bidder on the day of the auction. Our policy is to prohibit consignees from bidding on the items that they consign to us for auction. We attempt to differentiate our auction services from our competitors



through our no minimum price policy and by selling merchandise without interference or competition from consignees.

After an auction, purchasers generally make their own arrangements to take possession of the auctioned property. If purchasers make arrangements with us, we can make available shipping services to forward the property to the buyer by mail, freight forwarder, truck transport, or other delivery services for a cost. As agent of the consignor, we normally collect payment from the buyer for property purchased and remit to the consignor, on the settlement date, the consignor's portion of the buyer's payment, less consignor cash advances, if any, and commissions payable to us. We sometimes release property sold at auction to qualified buyers (primarily dealers) on credit before we receive payment. These qualified buyers generally have an account or line of credit (within established credit limits) with us and agree to make payment within 30 days. We extend credit only to buyers who have done business with us in the past and have an established credit standing with us.

During the year 2000, we began to expand our bricks and mortar business by acquiring existing brick-and-mortar auction companies. In February 2000 we acquired the assets of Falcon Trading, a small regional auction company located in Redmond, Washington. In March 2000, we acquired the assets of Mesler's Auction House, an auction house located in Scottsdale, Arizona, along with related real estate and a 50,000 square foot building. In May 2000, we acquired the assets of Auctions West Sales Corporation, a liquidator of the assets of bankrupt persons or businesses located in Vancouver, British Columbia, Canada. Also in May 2000 we acquired Ehli's Commercial/Industrial Auctions, Inc., an auction house located in Tacoma, Washington. In July 2000, we acquired Johnston's Surplus Office Supplies Ltd., located in Vancouver, British Columbia.

In 2001, in order to develop and expand our on-line auction business, we acquired iCollector PLC, which was located in England.

Many of our acquisitions were structured as stock transactions.

In addition to acquiring regional auction houses, our strategy was to increase the gross revenues and profitability of our existing auction operations and to expand the scope of our auction audience through the capabilities of the Internet. We believed that the growth of the Internet facilitated the development of solutions to some of the traditional problems we face in operating our auction business, including reaching potential buyers of merchandise and equipment in other geographic locations, increasing the size of bidding audiences for our auctions, reaching more potential consignees of merchandise, and automating our auction preview process. Our goal is to expand our operations by linking regional auction houses together through our web site. We believe that this would allow us to generate a greater volume of traffic and interest to our web site and sales through our auctions.

In light of abrupt shifts in market conditions in early 2001, we were not able to obtain the financing required to complete our most significant acquisition or deploy our business strategy as previously planned. Despite the lack of working capital and shortfall in financing, we redefined our business objectives and continued forward. We

developed technology for broadcasting live auctions over the Internet, applying our experience from the auction houses we owned and the services we provided for our antique and collectible auction houses on eBay.

**In 2002, our objectives were to:**

- develop a live auction technology;
- enhance our relationship with eBay and our iCollector partners;
- bring iCollector to profitability;
- reduce our debt;
- bring the parent company to profitability;
- eliminate non-performing subsidiaries.

We have made significant progress in the development of our live auction technology and were able to use the same infrastructure to turn iCollector profitable. Also in 2002, we were able to negotiate a contract with eBay to further our relationship. In the course of the year, we began an intensive restructuring program in order to meet our objectives.

We closed our San Mateo and Arizona operations and sold the 50,000 square foot building we owned in Arizona, thereby reducing our debt by over \$1 million. We eliminated an additional \$3 million in debt by settling the deferred consideration related to the iCollector acquisition by issuing 2,090,134 shares of our common stock at \$1.43 per share.

We eliminated another \$500,000 in debt through the sub-license of both our name, Ableauctions, and our operations in British Columbia, Canada. We raised an additional \$154,000 by selling our subsidiary Ehli Commercial Industrial Auctions Inc. We also obtained a \$1million line of credit from our President and Chief Executive Officer.

**In 2003, our objectives were to:**

- 

Deploy our live auction technology and services into prominent auction houses, and enhancing our relationship with eBay and our iCollector partners;

- 

Secure financing, eliminate debt and increase Shareholder's Equity;

- 

Further expanding our liquidation and auction technology operations by way of organic growth as well as strategic alliances, through acquisitions or partnerships with companies that could add considerable breadth to our core competencies and enhance our business model;

- 

Deliver profitable results for the parent company;

As in the previous year, we made significant progress in fulfilling our objectives. In 2003, we established a consortium consisting of some of the largest and most influential auction companies in the world with the objective of implementing our live auction technology and solidifying the Company's working relationship with eBay Live Auctions. In July 2003, we announced that Heritage Galleries & Auctioneers, one of the world's largest dealer and auctioneer of collectibles including rare coins, currency, comics, movie posters and illustration art, and Kruse International Inc., an auctioneer specializing in collector automobiles, agreed to allow us to broadcast their auctions, either by implementing our live-auction technology or by having iCollector, through e-Bay Live Auctions, conduct the auctions. To date, we have been successful in negotiating over ten such long-term exclusive contracts. In December 2003, we also expanded our iCollector operations to better serve the East Coast with the addition of a satellite office in Toronto, Ontario to complement our presence in Buffalo, New York.

In September 2003, we completed the sale of 2.4 million shares of our common stock to select institutional investors, raising a total of \$1.05 million. The per share offering price was \$0.4375. The investors and the placement agent will also receive warrants to purchase an aggregate of 720,000 shares of common stock at an exercise price of \$.54 per share. The proceeds from the offering increased the Company's cash and cash equivalents to \$3.2 million and Shareholder's Equity to over \$4 million for that period.

In December 2003 we entered into an agreement to sell 4,615,385 shares of our common stock to select institutional investors, raising a total of \$3 million. The transaction subsequently closed in January 2004. The per share offering price was \$0.65. The investors also received warrants to purchase an aggregate of 1,384,616 of common stock at an exercise price of \$.80 per share. Proceeds from the offering increased the Company's cash and cash equivalents to \$6.2 million and Shareholder's Equity to over \$7 million.

In early 2003, we began to identify prominent auction and technology based companies that we believe would add considerable breadth to our core competencies and enhance our business model. We entered into negotiations with the candidates with the objective of either acquiring them or partnering with them. Our objective was to further expand the Company by way of organic growth as well as strategic alliances and acquisitions. The proposed targets were expected to leverage Ableauctions' scalable infrastructure and web based technical expertise to realize economies of scale, enabling the Company in taking a leading position in the auction and electronic commerce market.

Acquisition candidates were required to contribute to earnings and revenue in the first year, offer proprietary technology, reach a diverse customer base in an adjacent or complementary markets, and enhance the Company's management team. In negotiating the terms of acquisition, the Company was promoting long-term profitability and cash flow gains rather than simply revenue growth. Payments, whether cash or stock, were proposed to be vested over several years and are released as a function of earnings or performance.

On September 1, 2003 we acquired Rapidfusion Technologies Inc. ( RTI ). RTI creates and maintains websites, builds and supports custom hardware and network configurations and has developed a point of sale software that allows purchase orders, invoices and shipping notices to be sent by telephone overnight. We intend to continue the business of RTI, and to develop a Windows version of RTI's point of sale software, which we believe may be useful to our operations in the future.

As a subsequent event, in February 2004 we launched iTrustee.com, a reseller platform to expose bank and trustee inventories, as well as distressed merchandise, exclusively to resellers, auctioneers and liquidators. Simultaneously, in an effort to fuel transactions and introduce asset lending services, the Company incorporated a California based entity called Unlimited Closeouts Inc. and has engaged a prominent liquidator in the area to direct its operations.

Currently, we are still aggressively seeking to expand operations and believe that we can accomplish this in a reasonable time period.

## **Industry Background**

### *The Commercial Auction Industry*

Based on our discussions with operators of auction houses and our experience in the industry, we believe that most brick-and-mortar based auctions are regional, owner-operated businesses. Each auction house must make significant investments in real estate, personnel, inventory, and marketing for each location. Most traditional auction houses obtain their inventory locally and must contend with the logistical problems of matching supplies of available merchandise to unpredictable demand.

### *The Internet Auction Industry*

The Internet has become an increasingly significant global interactive medium for communications, information, and commerce. Use of the Internet for business purposes has continued to grow over the past several years.

There are five models of online auctions:

- 

**Event-based live auctions:** Bidders participate in live auctions transmitted over the Internet in real-time. Users register to qualify as bidders to participate before the time of the auction and bid for merchandise auctioned at physical auctions. Online bidders typically bid against bidders present at the physical auctions.

- 

**Business-to-consumer:** Businesses or consumers bid on products that are listed on an auction's web site within a set time limit. The auctioned merchandise is sold to the highest bidder.

- 

**Consumer-to-consumer auctions:** Sellers post merchandise on the web site in one of several categories. Hundreds of thousands of items, at all price ranges, are listed and bidders haggle directly with sellers to purchase the merchandise.

- 

**Specialty auctions:** Sellers offer specific types of merchandise for auction on specialty online auctions that serve eclectic collectors or consumers interested in a special product niche.

- 

**Business-to-business:** Businesses offer merchandise for auction to other businesses, including items for liquidation, salvaged merchandise, excess inventory, distressed inventory, and other items offered in large lots of several hundred items.

## Competition

We believe that the principal competitive factors in the auction market are:

-

reputation;

- 

customer service;

- 

the ability to provide a variety of merchandise at an exceptional value; and

- 

the ability to attract the bidders necessary to generate the best possible prices.

We compete with a number of companies with substantially greater financial, technical, and human resources than ours. Our competitors include large and small auction companies, dealers, and retailers, including discount retail stores, liquidation centers, and other retailers of new and previously owned merchandise.

The used equipment and the industrial equipment auction markets are highly fragmented. The major auctioneers in these markets include Michael Fox International, an international auctioneer of industrial equipment and real estate, Ritchie Bros. Auctioneers, an international auctioneer of industrial equipment and Maynard's Auctioneers, an auctioneer and liquidator of household items, antiques, and commercial goods. We also compete with a number of smaller independent auctioneers as well as with equipment manufacturers, distributors, new or used equipment dealers, and equipment rental companies seeking to sell unwanted merchandise.

The Internet auction industry is still new, rapidly evolving, and intensely competitive, and we expect competition to intensify in the future. A variety of auction web sites are presently available on the Internet that are dedicated to facilitating person-to-person and business-to-person transactions on a bid-based format. These auction services allow sellers to post merchandise on their web sites and buyers to locate items and submit bids online. These services generally organize merchandise by categories and provide descriptions, pictures, or video clips of merchandise offered for sale.

We believe that the market leaders in Auction Broadcast Services include BidSpotter, Inc., DoveBid, AMS Auction Management Solutions, Manheim Online, Copart Auto Auctions, Live Global Bid, ProxiBid, ABC Auction Broadcasting Company, and Bidder Central, and other web sites that broadcast live auctions. We will also compete with various online auction services.

We believe that the market leaders in Liquidation Services include GoIndustry, Bliquid, Liquidity Services Inc., Liquidation.com, Government Liquidation, UK Surplus, Bid 4 Assets Inc., Dovebid, Ebay Business, Excess Technologies, Overstock.com, American Merchandise Liquidators, Inc., Wholesale 411, Onsale.com, Surplus.net, and Surplex, and other companies and web sites that liquidate merchandise.

We believe that the market leaders in auction software services include Achrtype Auction Software, Auction Flex, Auction Pay Inc., Auction Services, Computer Management Enterprises, C-U-S Business Systems, Inc., Dormier Software Enterprises, LuJohn s Enterprises Inc. / BidderCentral Software, Proxibid, Inc., SoldII / Proven Software Inc., and other companies that provide software services.

We believe that the market leaders in Point-of-Sale (POS) software services include Retail Pro, Keystoke POS, Beringer Group, Microbiz, King Corp, Register5, Profitec, Quicken, and other companies that provide POS services.

Additionally, several auctioneers have launched web sites that allow buyers to search for and bid on merchandise contained within the seller s inventory. Buyers search for the merchandise by visiting the web site and purchase directly from the auctioneer.

We believe that the features listed on our website at [www.ableauctions.com/technology](http://www.ableauctions.com/technology) and the following features may allow us to differentiate our web site from the web sites of our competitors:

- 

Live Broadcast. We broadcast live auctions from physical auction sites over the Internet in real time, which allow visitors to our web site to compete against bidders attending the live auction.

- 

Commercial Goods. We broadcast some live auctions that feature merchandise and equipment targeted at business or commercial buyers.

- 

Consumer Goods. We also broadcast live auctions targeted at consumers featuring merchandise such as antiques, collectibles, furniture, household items, and other consumer goods.

- 

Silent and Charity Auction. Our web site features a silent auction and a charity auction that lists items for auction that will be sold to the highest bidder.

We believe that potential bidders will save time and effort by previewing merchandise in advance of an auction using video and sound clips posted on our web site.

We believe that our no minimum price policy coupled with broadcasting our auctions live on the Internet through our web site will result in a greater volume of consigned equipment and higher gross auction sales.

### **Our Auction and Liquidation Operations**

We are able to conduct physical auctions from our auction houses located in British Columbia and the states of Washington.

Our operations in the United States include:

#### Auction House or Other Business

##### Location

Unlimited Closeouts Inc.

Ojai, California

Icollector International, Ltd.

Buffalo, New York and Fife, Washington

Ableauctions.com (Washington) Inc.

Fife, Washington

iTrustee.com International, Ltd.

Fife, Washington

Our operations in Canada include:

Able Auctions (1991) Ltd.

Coquitlam, British Columbia

Jarvis Industries Ltd.



Coquitlam, British Columbia

Icollector.com Technologies, Ltd.

Ontario and Coquitlam, British Columbia

Rapidfusion Technologies Inc.

Coquitlam, British Columbia

652297 B.C. Ltd

Coquitlam, British Columbia

iTrustee.com Technologies Ltd.

Coquitlam, British Columbia

In the course of restructuring, most of our annual revenues were derived from our Canadian operations. Going forward, we expect 70% of our annual revenues to be derived from our US operations.

In the auctions we conduct, we auction up to approximately 1,200 items or lots at each auction. We receive revenues from auction fees charged to consignees who consign merchandise to be sold and from the buyer's premiums charged to purchasers of the merchandise. In auctions of consigned goods, we received gross revenues from commissions and fees of approximately 25% from a typical auction.

The costs involved in conducting a typical auction, which average approximately \$15,000, include, among other things, the costs of catalogues, insurance, transportation, auction advertising, auction site rental fees, security, temporary personnel and expenses of certain additional auction-related accounting and shipping functions. In general, we charge purchasers a buyer's premium on auction purchases equal to 10% to 15% of the hammer price of the property and sellers a commission ranging from 5% to 25% of the hammer price.

Like most auctioneers, we do not provide any guarantee or warranty with respect to the property offered for sale at auction except as noted in our terms and conditions of sale for particular auctions. We generally auction each lot as described in our auction catalogue or on an as is basis.

Under the standard terms and conditions of our auction sales, we are not obligated to pay the consignor of the property if the purchase price for the property has not been paid by the buyer. In these instances, we will hold auctioned property until we receive payment from the buyer. If the buyer defaults on payment, we may cancel the sale and return the property to the owner, re-offer the property at another auction, or contact other bidders to negotiate a private sale.

Frequently, an owner consigning property to us will request a cash advance when the property is delivered to us and before its ultimate sale at auction or otherwise. The cash advance is in the form of a self-liquidating secured loan, using the consigned property as collateral. We are a secured party with respect to the collateral, hold a security interest in the collateral, and maintain possession of the collateral until it is sold.

We sometimes offer potential consignors the option to sell their property to us for an amount determined by our appraisers. In an outright purchase, we establish a price that we are willing to pay for the property and, if the price is acceptable to the seller or if a price can be negotiated between us and the seller, we typically pay the purchase price in full and take possession of the property immediately. We will generally sell this property at auction with other property or, if the purchase is large, at an auction of the purchased property.

In auctions where we own the auction merchandise, we receive all of the proceeds from the sale of the merchandise and related commissions and fees. Our gross profit from sales of our own merchandise is between 16% and 40%. During 1999 we had revenues of \$829,755 from the sale of our merchandise, \$8,607,230 for the year ended December 31, 2000 and \$6,653,656 for the year ended December 31, 2001. In the course of restructuring, divesting from certain bricks and mortar operations, shifting to technology services and accounting for discontinued operations, revenues from the sale of our merchandise dropped in subsequent years. For the year ended December 31, 2002, we had revenues of \$1,084,756 from the sale of our own merchandise. For the year ended December 31, 2003, we had revenues of approximately \$453,586 from the sale of our own merchandise. We believe this figure will increase as a result of restructuring.

Unlike sales of consigned property at auction, when selling our own inventory we earn a profit or incur a loss on the sale of inventory to the extent the purchase price exceeds or is less than the purchase price we paid for the inventory. Generally, we provide for the sale of portions of our inventory at public auctions. Occasionally, we may sell inventory to a customer directly without placing the inventory for sale at auction. Our goal is to sell all of our inventory as quickly and as efficiently as possible in order to achieve a high level of inventory turnover and maintain maximum liquidity.

We also generate revenues by purchasing merchandise from a variety of sources and re-selling it at our auctions or through our liquidation centers. We purchase merchandise below normal wholesale prices as a result of liquidation, generally from bankruptcy or overproduction by manufacturers. In some cases, we purchase used equipment, such as office equipment from bankrupt companies, closing businesses, or merging companies. We normally average over 50% gross margin on sales, before fixed expenses, on the sale of liquidated merchandise.

In February 2004, we introduced a new platform of liquidation services (Liquidation Platform). We launched iTrustee.com, a reseller platform to expose bank and trustee inventories, as well as distressed and surplus merchandise, exclusively to resellers, auctioneers and liquidators. The Company also incorporated a California based entity called Unlimited Closeouts Inc. to further fuel liquidation sales.

With the formation of this platform we expect to more than double our revenues for the following year and significantly increase our gross profits. We expect to earn commissions ranging from 10% to 25% of the entire inventory sold through the platform, compared to 2.5% to 5% of only the product that sells on-line from our iCollector operations.

Products listed on iTrustee.com are available to the general public for limited viewing, however, at the discretion of the trustee, bidding on certain products are restricted to pre-qualified auctioneers and resellers.

Beyond presenting an innovative value proposition for this market, we believe the Liquidation Platform is addressing unfulfilled needs of industry players. For trustees, this platform provides a forum to reach auctioneers and resellers beyond their traditional geographic areas. For auctioneers, we have created a level playing field to present their services to trustees. For resellers, iTrustee.com is a venue to access a new channel of liquidation merchandise. For the Company, the addition of this tier (trustee to auctioneers transactions) is a natural progression from its first tier services (auctioneer to retail transactions) through iCollector.

The platform currently lists a wide range of deals from foreclosed properties, real estate and industrial goods to clothing and electronics.

## **Our Web Site**

We launched our web site, [www.ableauctions.com](http://www.ableauctions.com), in September 1999 and have refined our technology to broadcast live auctions over the Internet. Through our acquisitions, our first brick-and-mortar auction dates back almost a century to 1907. Our auction broadcast technology was originally developed by our CEO between 1989 in a DOS environment using modems and telephone based bidding, and was further refined since. Over the course of time, this ultimately evolved to the current format of our live online auction broadcasting technology. We broadcasted our first live auction with video on our revised technology in January 2000. We currently broadcast approximately 23 auction session per month over the Internet.

Our web site is designed to integrate the traditional physical brick-and-mortar auction with electronic commerce by offering bidders with Internet access the ability to bid on auctions. We believe our system will increase the size of our auction audiences, lower our overall transaction costs, and increase interest from brick-and-mortar auction houses and events.

We believe our web site will be attractive to business purchasers looking for equipment, collectibles, art, fixtures, office equipment, furniture and similar merchandise and to consumers looking for jewelry, consumer electronics,

tools, cameras and musical instruments. We believe that offering previews of our merchandise over the Internet saves our visitors time and increases the number of serious bidders participating in our auctions. We do not intend to offer or auction firearms, adult materials, or other potentially illegal merchandise on our web site.

### *Live Auctions*

Features of our live auction broadcasting technology are listed on our website at [www.ableauctions.com/technology](http://www.ableauctions.com/technology). The technology is designed to allow us to broadcast live auctions over the Internet, with certain variations allowing for video and audio. Due to bandwidth limitations, our users typically choose to broadcast static pictures and audio in the course of an auction. Viewers are able to conveniently preview items in advance from their homes or offices and bid on merchandise live as the auction is being conducted. Currently, we post auction previews that allow visitors to view pictures of certain merchandise prior to the auction. The users also have the option to submit a bid on an item before it goes to auction.

During live auctions, virtual viewers are able to see the auction in progress and follow the lots of merchandise as they are being sold. A picture of each item and the current bid is posted. Internet users are able to bid simultaneously with those attending in person and update bids at their convenience.

### *Charity Auctions*

Our charity auctions allow registered non-profit organizations to raise funds and awareness of their charities through auctions hosted on our web site. We charge commissions ranging from 10% for hosting an auction, to 25% for fully organized fundraisers. Charity auctions may offer merchandise such as automobiles, vacation packages, and event passes to the highest bidder.

### **Research and Development**

Our research and development program consists of developing technologies related to our web site and the systems required to broadcast live auctions over the Internet. During the 2002 and the 2003 fiscal years, we spent a total of approximately \$200,000 on expenses related to research and development, including consulting fees, technical fees, development of our data base management technologies, research and development of our graphic and video broadcasting technologies, systems design and testing, and other technological aspects of our web site.

## History of Our Acquisitions

Effective September 20, 1999, we hired all of the employees and acquired all of the business assets of Ross Auctioneers & Appraisers Ltd., a British Columbia based auction company, for 60,000 shares of our common stock with a fair market value of approximately \$175,000.

Effective February 29, 2000, we hired the founder, Harlan Moore, and acquired all of the business assets of Falcon Trading, Inc., a Washington based auction company, for 53,405 shares of our common stock with a fair market value of approximately \$360,804.

Effective March 20, 2000, we acquired the business assets of Mesler's Auction House of Scottsdale, L.L.C., and real estate and a building from C&C Capital Investment, Inc., an affiliate of Mesler's. Mesler's is an Arizona based company that auctions antiques and other furniture and equipment. We paid \$255,000 cash and issued 30,625 shares of our common stock with a fair market value of approximately \$245,000 for the Mesler's assets. We paid \$1,200,000 in cash, assumed a promissory note with an unpaid balance of \$1,056,110.53 and issued 155,486 shares of our common stock with a fair market value of approximately \$1,245,000 for the real property.

Effective May 5, 2000, we hired the founder, Robert Kavanagh, and acquired all of the business assets of Auctions West Sales Corporation, a British Columbia based auction company, for 10,000 shares of our common stock with a fair market value of approximately \$70,000.

Effective May 16, 2000, we acquired all of the issued shares of Ehli's Commercial/Industrial Auctions, Inc., a Tacoma, Washington based liquidator of automobiles and industrial equipment, from Randy Ehli, the sole shareholder, for \$900,000 cash and 50,000 shares of our common stock with a fair market value of approximately \$350,000.

We acquired Johnston's Surplus Office Supplies Ltd. on July 26, 2000 for \$338,300 in cash and issued 68,182 shares of common stock with a fair market value of approximately \$513,410.

We acquired Jarvis Industries Ltd. for \$286,263 on July 31, 2000. We also acquired Warex Supply Ltd. on July 31, 2000 for \$145,672 and 6,900 shares of common stock with a fair market value of approximately \$55,200.

On September 27, 2001, the Company acquired all of the issued shares of iCollector PLC (iCollector). The consideration for the acquisition was as follows:

•

The Company issued 4,150,357 shares of its common stock to the shareholders of iCollector.

•

The Company issued non-interest bearing and unsecured promissory notes ( deferred consideration notes ) in the face amount of \$2,988,258, which were due to be repaid on September 13, 2002. These deferred consideration notes were convertible into shares of the Company s common stock at \$1.43 per share at the sole option of the Company, subject to regulatory, listing, and shareholder approval. In August 2002, we paid the deferred consideration notes by issuing 2,090,134 shares of our common stock.

•

The Company issued non-interest bearing and unsecured promissory notes ( Earnout Consideration Notes ) in the amount of \$5,000,000, which were payable on September 30, 2002, only if iCollector satisfied certain revenue and transaction milestones during the month of July, 2002. These Earnout Consideration Notes were convertible into shares of common stock of the Company, at the fair market value of such shares at the date of conversion, at the sole option of the Company, subject to a minimum of 2,000,000 shares and a maximum of 3,500,000 shares in the aggregate, as well as regulatory, listing, and shareholder approval.

On August 31, 2002 we provided a notice to the holders of the Earnout Consideration Notes that, during the month ending July 31, 2002, iCollector PLC conducted 11 live auctions and generated auction revenue of approximately £22,981. The letter also terminated the rights represented by the Earnout Consideration Notes for failure of the Earnout Conditions that were set forth in Appendix B to the Earnout Consideration Notes.

The total recorded cost to the Company of the acquisition of iCollector PLC, including estimated transaction costs of \$342,797, was \$8,957,281. The excess of the cost to the Company over the fair value of the net assets acquired, in the amount of \$8,327,257, was recorded as goodwill.

In November 2001 it was determined that iCollector PLC could not sustain its operations based on its existing cash resources and infrastructure. iCollector PLC then ceased operations and a restructuring plan was adopted. In January 2002 iCollector PLC was placed into formal bankruptcy proceedings pursuant to the laws of the United Kingdom. In December 2001, the Company founded iCollector.com Technologies Ltd., a Canadian company, whose technology was completely rebuilt.

In November 2002, Julian Ellison, the Chief Executive Officer and Director of Auction Services for iCollector.com Technologies Ltd., and John Ralston, a Customer Service and Support Representative for iCollector.com Technologies Ltd., resigned their positions to form LiveAuctioneers, LLC.

The investment in iCollector PLC was written off on the Company's financial statements for the year ended December 31, 2001 as a failed acquisition.

#### **Our Divestiture of Johnston's Surplus Office Systems Ltd.**

Effective March 29, 2001, the Company agreed to dispose of all of its shares of Johnston's Surplus Office Systems Ltd. ( Surplus ). The Company also agreed to settle debt owed to the Company by Surplus in the amount of \$1,191,724. The debt was settled by the issuance by Surplus to the Company of 1,191,724 common shares of Surplus at a deemed price of \$1.00 per share. The Company agreed to then sell all of the issued shares of Surplus to an employee of Surplus, for consideration of Cdn\$600,000 (US\$ 380,500).

#### **Our Divestiture of Warex Supply Ltd.**

Effective August 31, 2001, the Company agreed to dispose of all of its shares of Warex Supply Ltd. to Murray Jarvis, the former owner of Warex Supply Ltd., as severance in conjunction with the termination of his employment with the Company.

#### **Sub-Licensing of the name Able Auctions in British Columbia**

On October 24, 2002, the Company announced that its subsidiary, Able Auctions (1991) Ltd., entered into an agreement with Able Solutions Inc. to sub-license the name Able Auctions for the purpose of conducting live auctions in British Columbia, Canada only. The consideration received for the license was:

- the assumption by Able Solutions Inc. of debt in the amount of \$518,777;
- the payment by Able Solutions Inc. of an additional \$192,162 in cash over 3 years;
- the assumption by Able Solutions Inc. of all leases, obligations, salaries, employment contracts and material contracts of Able Auctions (1991) Ltd.; and
-

the transfer to Able Solutions Inc. of receivables totaling \$41,744 and inventory and leasehold improvements totaling \$289,554.

We will continue to operate in British Columbia through Able Auctions (1991) Ltd., conducting auctions and running our liquidation store, but we intend to conduct our local bricks and mortar auctions through Able Solutions Inc. We will also continue to broadcast the British Columbia auctions on our servers, using our technology, for a fee per auction. In October, 2002, we announced that we also terminated our San Francisco operations and hope to adopt a similar licensing agreement for conducting business in that region.

### **Our Divestiture of Ehli's Commercial/Industrial Auctions, Inc.**

Effective Jan 1, 2003 we sold 100% of the issued and outstanding shares of our subsidiary Ehli's Commercial/Industrial Auctions, Inc. (Ehli) to our former Director, Randy Ehli, in consideration of \$154,000 cash and continued use of office space and business in the same premises for two years at no charge to Ableauctions.

The Company will continue to operate in Washington, acquiring and liquidating inventory, but intends on running its local bricks and mortar auctions through Ehli. The move to sell the shares of Ehli comes as a result of the Company's aggressive restructuring program to focus on its technology and profitable operations, and sell or license its non-performing units. It enables the Company to continue operations in those regional areas cost effectively and free of any long-term debt or obligations.

### **Our Acquisition of Rapidfusion Technologies Ltd.**

On September 25, 2003 we announced that we had acquired 100% of the shares of Rapidfusion Technologies and all the intellectual property rights to its Point-of-Sale (POS) software for \$10.00, with the Company committing to make available a \$150,000 operating line of credit to the newly acquired subsidiary, deploying the necessary resources to enable the cash strapped operation complete the development of its Windows version of the POS software within 90 days, and implementing a profit sharing and long term incentive plan.

### **Government Regulation**

Our brick-and-mortar auction houses are generally subject to extensive regulation, supervision, and licensing under various federal, state, and local statutes, ordinances, and regulations. Such laws and regulations may require us to obtain a license or registration, or post a surety or bond as a precondition of doing business within the jurisdiction. In addition, applicable laws may require us to transact business and sell merchandise in accordance with specific



guidelines, including the means by which we obtain our merchandise, advertise our auctions, conduct our bidding procedures, close transactions, hold client funds, and other restrictions that may vary from state to state. We cannot guarantee that we will not be subject to actions arising out of violations by our brick-and-mortar auction houses. Such actions may have a material adverse affect on our business and results of operations.

There are currently few laws or regulations that directly apply to access to, or commerce on, the Internet. It is possible that governing bodies may adopt a number of laws and regulations governing issues such as user privacy on the Internet and the pricing, characteristics, and quality of products and services offered over the Internet. It is also possible that government authorities will adopt sales or other taxes involving Internet business.

### **Intellectual Property**

We have developed the majority of our software internally. We have taken measures to protect our intellectual property, ranging from confidentiality and non-disclosure agreements for contractors and employees to deploying a trans-modular development schedule where individual modules of software developed or coded by employees or contractors have no stand-alone benefits whatsoever until they are integrated with at least three independent modules.

We have registered the Internet domain names:

-

ableauctions.com

-

icollector.com

-

icollectorlive.com

-

icollectorliveauctions.com

-

icollector.ca

-

icollectorlive.ca

-  
rapidfusion.com

-  
rapidfusion.ca

-  
anopc.com

-  
softwarealley.com

We use copyright, trademark, service mark, and trade secret laws and contractual restrictions to protect our proprietary rights. We cannot assure you that the measures we take to protect intellectual property will prevent misappropriation of our technology or deter independent third-party development of similar technologies.

## **Employees**

As of December 31, 2003 we had a total of 28 staff persons, including 14 full time staff, 9 consultants and 5 part-time and temporary employees. In addition to management, we employ auction staff, sales people, administrative staff, and development and technical personnel. From time to time, we may employ independent consultants or contractors to support our research and development, marketing, sales and support, and administrative organizations. No collective bargaining units represent our employees. We believe our relations with our employees are good. We expect to hire additional senior management, customer service management, a database administrator, several software developers, customer service representatives, technical support representatives and sales/marketing staff.

## **Short Term Investments**

As of March 22, 2004, our reserve capital of approximately \$5.3 million is invested in the following instruments or securities:

<b>Type</b>	<b>Description</b>	<b>Market Value</b>	
		<b>CDN</b>	<b>US</b>

Bond	Bond Government of Canada Bond	\$ 1,017,473.00	
Bond	Provincial Bond Nova Scotia	\$ 1,082,302.00	
Bond	Provincial Bond - Ontario	\$ 1,034,747.00	
Bond	Provincial Bond British Columbia	\$ 788,110.00	
Bond	Corporate Bond Royal Bank of Canada	\$ 1,028,517.00	
Bond	Bond - GMAC	\$ 500,592.00	
Bond	Bond Mid Term Notes Greater Toronto Airport	\$ 203,975.00	
Income Trust	Income Trust Livingston International	\$ 94,932.00	
Income Trust	Income Trust Volume Services American Holdings	\$ 112,900.00	
Index Fund	IUNITS S&P/TSX FNCL IDX FD	\$ 24,745.00	
Reit Trust Units	H&R REIT TR UT	\$ 39,836.00	
Reit Trust Units	IUNITS S&P/TSX REIT TR UT	\$ 25,740.00	
Reit Trust Units	RETIREMENT RES REIT TR UT	\$ 46,944.00	
Reit Trust Units	RIOCAN REIT TR UT	\$ 41,075.00	
Reit Trust Units	SUMMIT REIT TR UT	\$ 40,320.00	
Reit Units	CHARTWELL SENIORS REIT TR UT	\$ 28,398.00	
T Bill Fund	FRANK TEMP T BILL SR A-FE	\$ 15,854.00	
Trust Fund	DYN FOC+DIV INCM TR-EE	\$ 78,252.00	
Trust Series 1	DIAMONDS TR UT SR 1		\$ 151,095.00
Trust Series 1	NASDAQ 100 TR UT SR 1		\$ 95,266.00
Trust Series 1	S&P DP/RCPT SPDR TR SR 1		\$ 49,904.00
Trust Units	ARC ENGY TR UT	\$ 43,148.00	
Trust Units	CDN RL EST INV TR UT	\$ 41,775.00	
Trust Units	DIVERSI INCM + FD TR UT	\$ 75,600.00	
Trust Units	FOCUS ENGY TR UT	\$ 41,496.00	
Trust Units	INNVEST RL EST INV TR UT	\$ 49,235.00	
Trust Units	IUNITS S&P/TSX 60 CAP TR UT	\$ 23,490.00	
Trust Units	IUNITS S&P/TSX ENGY TR UT	\$ 24,948.00	
Trust Units	IUNIT S&P/TSX INF TR UT	\$ 24,585.00	
Trust Units	IUNIT S&P/TSX GOLD TR UT	\$ 24,894.00	
Trust Units	MYDAS FD TR UT	\$ 43,280.00	
Trust Units	NAV ENGY TR UT	\$ 25,300.00	
Trust Units	NAL OIL & GAS TR UT	\$ 62,608.00	
Trust Units	PRIMEWEST ENGY TR UT NEW	\$ 36,465.00	
Trust Units	SELECT 50 S-1 INCM TR UT	\$ 141,906.00	
Trust Units	VIKING ENGY RYLTY TR UT	\$ 47,393.00	
	<b>Total Market Value</b>	<b>\$ 6,910,835.00</b>	<b>\$ 296,265.00</b>

## **Risk Factors**

Our business is subject to a number of risks as outlined below. An investment in our securities is speculative in nature and involves a high degree of risk. You should read this annual report carefully and consider the following risk factors:

### ***We have a limited operating history and a history of losses.***

Before our acquisition of Able Auctions (1991) Ltd., we had no material business or results of operation. We incurred a net loss of \$1,339,492 during 1999, \$11,837,363 during 2000, \$11,434,029 during 2001, and \$1,316,637 during the 2002. We may not be able to generate sufficient revenues to support our planned activities in fiscal 2004 because of our projected development and marketing costs. In the foreseeable future, these expenses may increase our net losses, and we cannot assure you that we will ever be profitable or maintain profitability.

As of December 31, 2003, we had current assets of \$4,827,398 and current liabilities of \$237,268. Our working capital position at December 31, 2002 was a deficiency of \$ 62,114. The working capital at December 31, 2003 was \$ 4,590,130. As a subsequent event, we completed a \$3 million financing that increased both assets and working capital by approximately \$2.8 million.

We anticipate raising additional capital through sales of our equity and/or debt securities, however, we cannot assure you that we will be able to obtain adequate financing to support our planned activities. See Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources.

Because of our historical losses, it is difficult to evaluate our business and our prospects. Our revenue and income potential is unproven and our business model is still emerging. We cannot assure you that we will attract consignors or bidders to use our web site or generate significant revenues in the future. We cannot guarantee that we will ever establish a sizeable market share or achieve commercial success.

The Company has only a limited operating history on which to base an evaluation of its business and prospects. The Company's prospects must be considered in light of the risks, uncertainties, expenses and difficulties frequently encountered by companies in their early stages of development, particularly companies in new and rapidly evolving markets such as online commerce. To address these risks and uncertainties, the Company must, among other things, maintain and increase the number of its registered users, items listed on its service and completed auctions, maintain and enhance its brand, implement and execute its business and marketing strategy successfully, continue to develop and upgrade its technology and information-processing systems, provide superior customer service, respond to

competitive developments and attract, integrate, retain and motivate qualified personnel. There can be no assurance that the Company will be successful in accomplishing all of these things, and the failure to do so could have a material adverse effect on the Company's business, results of operations and financial condition.

The Company believes that its continued growth and profitability will depend in large part on its ability to (i) increase its brand name awareness, (ii) provide its customers with superior community and trading experiences and (iii) maintain sufficient transaction volume to attract buyers and sellers. Accordingly, the Company intends to invest, when and as it has the funds to do so, in marketing and promotion, site development, technology and operating infrastructure development. The Company may experience significant revenue growth and significant growth in the number of its registered users and items listed for auction by its users, however, such growth rates may not be sustainable. In view of the rapidly evolving nature of the Company's business and its limited operating history, the Company believes that period-to-period comparisons of its operating results are not necessarily meaningful and should not be relied upon as indications of future performance.

***Our operating results fluctuate significantly and may be impacted by seasonal factors. This makes it difficult to accurately predict what the revenues from our operations will be.***

The Company's operating results have varied on a quarterly basis during its short operating history and may fluctuate significantly as a result of a variety of factors, many of which are outside the Company's control. Factors that may affect the Company's quarterly operating results include: (i) the Company's ability to retain an active user base, attract new clients who list items for sale and who complete transactions through its service and maintain customer satisfaction; (ii) the Company's ability to manage the number of items listed on its service; (iii) the announcement or introduction of new sites, services and products by the Company or its competitors; (iv) the success of the Company's brand building and marketing campaigns; (v) price competition; (vi) the level of use of the Internet and online services; (vii) increasing consumer confidence in and acceptance of the Internet and other online services for commerce and, in particular, the auctioning of products; (viii) consumer confidence in the security of transactions over the Internet; (ix) the Company's ability to upgrade and develop its systems and infrastructure to accommodate growth; (x) the Company's ability to attract new personnel in a timely and effective manner; (xi) the volume of items listed on the Company's Web site; (xii) the timing, cost and availability of advertising in traditional media and on other Web sites and online services; (xiii) technical difficulties or service interruptions; (xiv) the amount and timing of operating costs and capital expenditures relating to expansion of the Company's business, operations and infrastructure; (xv) consumer trends and popularity of certain categories of items; (xvi) volume, size, timing and completion rate of auctions; (xvii) governmental regulation by Federal or local governments; and (xviii) general economic conditions as well as economic conditions specific to the Internet and online commerce industries.

As a result of the Company's limited operating history and the emerging nature of the markets in which it competes, it is difficult for the Company to forecast its revenues or earnings accurately. In addition, the Company has no backlog and a significant portion of the Company's net revenues for a particular quarter are derived from auctions that are listed and completed during that quarter. The Company's current and future expense levels are based largely on its investment plans and estimates of future revenues and are, to a large extent, fixed. The Company may be unable to adjust spending in a timely manner to compensate for any unexpected revenue shortfall. Accordingly, any significant shortfall in revenues relative to the Company's planned expenditures would have an immediate adverse effect on the Company's business, results of operations and financial condition. Further, as a strategic response to changes in the

competitive environment, the Company may from time to time make certain pricing, service or marketing decisions that could have a material adverse effect on its business, results of operations and financial condition.

The Company believes that its results of operations are somewhat seasonal in nature, with fewer auctions listed around the Thanksgiving and Christmas holidays in the fourth quarter. The Company's limited operating history, however, makes it difficult to fully assess the impact of these seasonal factors or whether or not its business is susceptible to cyclical fluctuations in the U.S. and Canadian economy. There can be no assurance that seasonal or cyclical variations in the Company's operations will not become more pronounced over time or that they will not materially adversely affect its results of operations in the future. Moreover, consumer "fads" and other changes in consumer trends may cause significant fluctuations in the Company's operating results from one quarter to the next.

Due to the foregoing factors, the Company's quarterly revenues and operating results are difficult to forecast. The Company believes that period-to-period comparisons of its operating results may not be meaningful and should not be relied upon as an indication of future performance. In addition, it is likely that in one or more future quarters the Company's operating results will fall below the expectations of securities analysts and investors. In such event, the trading price of the Company's common stock would almost certainly be materially adversely affected.

***Our ability to complete acquisitions and to meet our business projections through December 31, 2004 may depend on our ability to raise additional capital in 2004.***

We may seek additional capital in 2004 to complete acquisitions or meet our operating and capital budget requirements through December 31, 2004. See Management's Discussion and Analysis of Financial Condition and Results of Operations. We cannot assure you that any additional financing would be available on terms acceptable to us, or at all. Furthermore, any issuance of additional securities may result in dilution to the then existing shareholders.

If adequate funds are not available, we will lack sufficient capital to pursue our intended course of action and business strategy in 2004, which will have a material adverse effect on our ability to meet our business projections.

***Our growth strategy success depends on our ability to acquire additional auction and liquidation businesses, to market and develop our businesses, and to integrate these acquisitions and models into our business.***

Our business strategy is to grow through acquisitions or strategic affiliations with auction, liquidation or related companies in a number of North American markets. We may acquire additional auction houses, although we have not publicly announced any plans to do so. There can be no assurance that our current management, personnel, and corporate infrastructure will be adequate to manage future growth, if any. The success of our business strategy depends on making further acquisitions of or entering into strategic affiliations with auction companies.

We acquired iCollector PLC in September 2001. At that time, iCollector PLC was insolvent and needed working capital. We agreed to acquire iCollector PLC as long as its majority shareholder was willing to finance iCollector PLC until it met its projected cash flow targets. iCollector PLC did not attain the projections, and there were not adequate resources to continue funding its losses. In December 2001, iCollector PLC was restructured and it was placed in formal liquidation in January 2002. Thereafter, we restructured the operations of iCollector PLC. We cannot assure you that the new business model will be consistently profitable. The success of the new iCollector business model is dependent upon the strengths and relationships of the current sales team, the skills of the technology team, and the continued support and generation of new customers. We cannot assure you that the formal liquidation of iCollector PLC will have no material adverse effect legally or on our business, financial condition and results of operations.

We also cannot guarantee that we will be able to integrate new acquisitions or affiliations successfully into our company without substantial costs, delays, or other operational or financial problems. Further, acquisitions and expansion into new markets involve a number of special risks, including possible adverse effects on our operating results, diversion of management's attention, failure to retain key personnel, risks associated with unanticipated events or liabilities, and amortization of acquired intangible assets. Some or all of these risks could have a material adverse effect on our business, financial condition and results of operations.

We may finance future acquisitions and expansions by incurring bank indebtedness, using cash from operations, issuing common stock or other securities, or any combination of these. If our common stock does not maintain a sufficient market value, or potential acquisition candidates are otherwise unwilling to accept our common stock or other securities as part of the consideration for the sale of their businesses, we may be required to use more of our cash resources or incur substantial debt in order to finance future acquisitions. If we do not have sufficient cash resources, our ability to make acquisitions could be limited unless we are able to obtain additional capital through debt or equity financings. There can be no assurance that we will be able to obtain the financing we will need in the future on terms we consider acceptable, if at all.

***We have experienced rapid growth, which has placed a strain on our resources, and any failure to manage our growth effectively could cause our business to suffer.***

We do not have a proven record in managing our growth and may not be successful in doing so. We have grown from 12 employees on August 24, 1999 to approximately 24 staff persons on December 31, 2003. We plan to continue expanding through acquisitions and to continue to develop our three basic business, Auction Broadcast Services, Point-of-Sale and Hardware Services and Liquidation Services. Past growth in these areas has placed, and any future growth will continue to place, a significant strain on our management systems and resources.

***If we are unable to achieve a significant number of visitors and successfully facilitate transactions, we may be unable to generate sufficient revenues to earn a profit.***

The success of our Ableauctions.com, iCollector.com, iTrustee and other web sites depends on whether or not there is significant market acceptance of these web site by consumers. We currently offer only a limited selection of merchandise for sale. We anticipate that we will have very limited market acceptance until we begin offering more items of merchandise for sale and our brand name is established. Our business concept of offering an solutions for broadcasting live auctions or liquidating inventory is still being tested and we cannot assure you that our strategy will be successful, or that it will increase revenues.

Our competitors and potential competitors may offer more cost-effective auctioning, technology or merchandising solutions than us, which could damage our business and our ability to successfully commercialize our businesses. Our failure to attract visitors, successfully complete transactions, and develop an adequate auction house base will seriously harm our business and our ability to earn a profit.

***We have capacity constraints and system development risks that could damage our customer relations or inhibit our possible growth, and we may need to expand our management systems and controls quickly.***

Our success and our ability to provide high quality customer service largely depends on the efficient and uninterrupted operation of our computer, Internet and communications systems and the computers and communication systems of third party vendors in order to accommodate any significant numbers or increases in the numbers of consumers and businesses using our services. Our success also depends on our abilities, and that of our vendors, to rapidly expand transaction-processing systems and network infrastructure without any systems interruptions in order to accommodate any significant increases in use of our service.

We cannot assure you that the vendors or partners we have selected and will select in the future will be capable of accommodating any significant number or increases in the number of consumer and auction houses using our services. Such failures will have a material adverse affect on our business and results of operations. We may experience periodic systems interruptions and down time caused by traffic to our web site and technical difficulties, which may cause customer dissatisfaction and may adversely affect our results of operations. Limitations of our technology infrastructure and that of our vendors may prevent us from maximizing our business opportunities.

The Company seeks to generate a high volume of traffic and transactions. Accordingly, the satisfactory performance, reliability and availability of the Company's Web site, processing systems and network infrastructure are critical to the Company's reputation and its ability to attract and retain large numbers of users who bid for or sell items on its service while maintaining adequate customer service levels. The Company's revenues depend on the number of items listed by users, the volume of user auctions that are successfully completed and the final prices paid for the items listed. Any system interruptions that result in the unavailability of the Company's service or reduced customer activity would reduce the volume of items listed and auctions completed and could affect the average selling price of the items. Interruptions of service may also diminish the attractiveness of the Company and its services. The Company may experience periodic system interruptions, which it believes will continue to occur from time to time. Any substantial increase in the volume of traffic on the Company's Web site or in the number of auctions being conducted by customers will require the Company to expand and upgrade its technology, transaction processing systems and network infrastructure. There can be no assurance that the Company will be able to accurately project the rate or



timing of increases, if any, in the use of the Company's services or timely expand and upgrade its systems and infrastructure to accommodate such increases in a timely manner. Any failure to expand or upgrade its systems could have a material adverse effect on the Company's business, results of operations and financial condition.

The Company uses internally developed systems for its service and transaction processing, including billing and collections processing. The Company must continually enhance and improve these systems in order to accommodate the level of use of its customers. Furthermore, in the future, the Company may add additional features and functionality to its services that would result in the need to develop or license additional technologies. The Company's inability to add additional software and hardware or to develop and further upgrade its existing technology, transaction processing systems or network infrastructure to accommodate increased traffic on the Company's service or increased transaction volume through its processing systems or to provide new features or functionality may cause unanticipated system disruptions, slower response times, degradation in levels of customer service, impaired quality of the user's experience on the Ableauctions service, and delays in reporting accurate financial information. In addition, although the Company works to prevent unauthorized access to Company data, it is impossible to completely eliminate this risk. There can be no assurance that the Company will be able in a timely manner to effectively upgrade and expand its systems or to integrate smoothly any newly developed or purchased technologies with its existing systems. Any inability to do so would have a material adverse effect on the Company's business, results of operations and financial condition.

*Our business is at risk for system failures that disrupt our operations.*

The Company's success, and in particular its ability to facilitate trades successfully and provide high quality customer service, depends on the efficient and uninterrupted operation of its computer and communications hardware systems. Substantially all of the Company's computer hardware for operating its service is currently located at the facilities of Telus in British Columbia. These systems and operations are vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunication failures, break-ins, sabotage, intentional acts of vandalism and similar events. The Company does not presently have fully redundant systems, a formal disaster recovery plan or alternative providers of hosting services and does not carry sufficient business interruption insurance to compensate it for losses that may occur. Despite any precautions taken by, and planned to be taken by the Company, the occurrence of a natural disaster or other unanticipated problems at the Telus facility could result in interruptions in the services provided by the Company. In addition, the failure by Telus to provide the data communications capacity required by the Company, as a result of human error, natural disaster or other operational disruption, could result in interruptions in the Company's service. Any damage to or failure of the systems of the Company could result in reductions in, or terminations of, the Ableauctions service, which could have a material adverse effect on the Company's business, results of operations and financial condition.

In the case of frequent or persistent system failures, the Company's reputation and name brand could be materially adversely affected. Although the Company has implemented certain network security measures, its servers are also vulnerable to computer viruses, physical or electronic break-ins and similar disruptions, which could lead to interruptions, delays, loss of data or the inability to complete customer auctions, any and all of which could have a material adverse effect on the Company's business, results of operations and financial condition.

***Changing technology may render our equipment, software, and programming obsolete or irrelevant.***

The market for Internet-based products and services is characterized by rapid technological developments, frequent new product introductions, and evolving industry standards. The emerging character of these products and services and their rapid evolution will require that we continually improve the performance, features, and reliability of our Internet-based products and services, particularly in response to competitive offerings. We cannot guarantee that we will be successful in responding quickly, cost effectively, and sufficiently to these developments. In addition, the widespread adoption of new Internet technologies or standards could require substantial expenditures by us to modify or adapt our Internet sites and services and could fundamentally affect the character, viability, and frequency of Internet-based advertising, either of which could have a material adverse effect on our business, financial condition, and operating results. In addition, new Internet-based products, services, or enhancements offered by us may contain design flaws or other defects that could require costly modifications or result in a loss of consumer confidence, either of which could have a material adverse effect on our business, financial condition, and operating results.

***We depend on eBay for revenue and uninterrupted Internet access and may be harmed by the loss of any such service.***

We rely heavily on eBay's servers for uninterrupted Internet access and the ability to offer our customers live auction technology that access eBay's clients. We are negotiating an agreement with eBay governing the conduct of auctions on their site that may be terminated instantly or on short notice. Our business is dependent on the uninterrupted Internet access, their servers and their continued operation of the live auction platform on eBay Live Auction. The loss of any of these services or agreement will have a material adverse effect on our business, financial condition, and operating results. We cannot assure you that we would be able to obtain these services from other third parties or that we can renew our eBay agreement.

***If we cannot protect our Internet domain names, our ability to conduct our operations may be impeded.***

We anticipate that the Internet domain names `ableauctions.com`, `icollector.com`, `itrustee.com` and various others listed under our intellectual property will be extremely important part of our business and the business of our subsidiaries. Governmental agencies and their designees generally regulate the acquisition and maintenance of domain names. The regulation of domain names in the United States and in foreign countries may be subject to change in the near future. Governing bodies may establish additional top-level domains, appoint additional domain name registrars, or modify the requirements for holding domain names. As a result, we may be unable to acquire or maintain relevant domain names in all countries in which we conduct business. Furthermore, the relationship between regulations governing domain names and laws protecting trademarks and similar proprietary rights is unclear. Therefore, we may be unable to prevent third parties from acquiring domain names that are similar to, infringe on, or otherwise decrease the value of our trademarks and other proprietary rights. Third parties have acquired domain names that include `auctions` or other variations both in the United States and elsewhere.

***Potential fluctuations in results of operating may cause cash shortfalls materially affecting our results of operations.***

Because of our limited operating history and the emerging nature of the markets in which we compete, it is difficult for us to forecast our revenues or earnings accurately. In addition, we have no backlog and a significant portion of our net revenues for a particular quarter is derived from auctions that are listed and completed during that quarter. Our current and future expense levels are based largely on our investment plans and estimates of future revenues and are, to a large extent, fixed.

We may be unable to adjust spending in time to compensate for any unexpected revenue shortfall. Accordingly, any significant shortfall in revenues relative to our planned expenditures would have an immediate adverse effect on our business, results of operations and financial condition. Further, as a strategic response to changes in the competitive environment, we may from time to time make certain pricing, service or marketing decisions that could have a material adverse effect on our business, results of operations, and financial condition.

We believe that period-to-period comparisons of our operating results may not be meaningful and should not be relied on as an indication of future performance. In addition, it is likely that in one or more future quarters our operating results will fall below the expectations of securities analysts and investors. In that event, the trading price of our common stock would almost certainly be materially adversely affected.

***Our success depends on the services of our key officers and our ability to attract and maintain qualified, experienced personnel.***

Our future success will depend on our key officers. The loss of key personnel could have an adverse effect on our operations. We do not maintain insurance to cover losses that may result from the death of any of our key personnel. Competition for qualified employees is intense. Our inability to attract, retain, and motivate additional, highly skilled personnel required for expansion of operations and development of technologies could adversely affect our business, financial condition, and results of operations. Our financial situation may adversely affect our ability to retain existing personnel and attract new personnel. We cannot assure you that we will be able to retain our existing personnel or attract additional, qualified persons when required and on acceptable terms.

***The e-commerce industry is highly competitive, and we cannot assure you that we will be able to compete effectively.***

The market for broadcasting auctions, providing auction technology, liquidating inventory over the Internet and POS services is new, rapidly evolving, and intensely competitive and we expect competition to intensify further in the future.

Our direct competitors in Auction Broadcast Services include BidSpotter, Inc., DoveBid, AMS Auction Management Solutions, Manheim Online, Copart Auto Auctions, Live Global Bid, ProxiBid, ABC Auction Broadcasting Company, and Bidder Central, and other web sites that broadcast live auctions. We will also compete with various online auction services.

Our direct competitors in Liquidation Services include GoIndustry, Bliquid, Liquidity Services Inc., Liquidation.com, Government Liquidation, UK Surplus, Bid 4 Assets Inc., Dovebid, Ebay Business, Excess Technologies, Overstock.com, American Merchandise Liquidators, Inc., Wholesale 411, Onsale.com, Surplus.net, and Surplex, and other web sites that liquidate merchandise.

Our direct competitors in auction software services include Achrtype Auction Software, Auction Flex, Auction Pay Inc., Auction Services, Computer Management Enterprises, C-U-S Business Systems, Inc., Dormier Software Enterprises, LuJohn's Enterprises Inc. / BidderCentral Software, Proxibid, Inc., SoldII / Proven Software Inc., and other companies that provide software services.

Our direct competitors in Point-of-Sale (POS) software services include Retail Pro, Keystoke POS, Beringer Group, Microbiz, King Corp, Register5, Profitec, Quicken, and other companies that provide POS services.

We face potential competition from a number of large online communities and services that have expertise in developing online commerce and in facilitating online person-to-person interaction. Some of these potential competitors, including eBay, Amazon.com, America Online, Inc., Microsoft Corporation, and Yahoo! Inc., currently offer a variety of business-to-consumer trading and classified advertisement services and may introduce live auctions to their large user populations. We believe that the principal competitive factors in the online auctions market are volume and selection of goods, population of buyers, customer service, reliability of delivery and payment by users, brand recognition, web site convenience and accessibility, price, quality of search tools, and system reliability. Many of our current and potential competitors have longer operating histories, larger customer bases, greater brand recognition, and significantly greater financial, marketing, technical, and other resources than us.

Certain of our competitors with other revenue sources may be able to devote greater resources to marketing and promotional campaigns, adopt more aggressive pricing policies, and devote substantially more resources to web site and systems development than us or may try to attract traffic by offering services for free. We cannot assure you that we will be able to compete successfully against current and future competitors. Further, as a strategic response to changes in the competitive environment, we may, from time to time, make certain pricing, service, or marketing decisions that could have a material adverse effect on our business, results of operations, and financial condition.

***Due to the emerging nature of Internet commerce, we are unable to forecast our expenses and revenues accurately, and if our expenses exceed our revenues, we may not become profitable.***

Due to the emerging nature of Internet-based advertising, services, and electronic commerce, we are unable to forecast our expenses and revenues accurately. We believe that because the Internet has been available to the general public for a relatively brief time, the successful operation of any form of Internet-based business will be uncertain. Our current and future estimated expense levels are based largely on our estimates of future revenues and may increase considerably. Few, if any, of our operating expenses can be quickly or easily reduced, such as the laying off of personnel or reducing our commitment to our consultants and service providers, without causing a material adverse effect to our business, financial condition, and operating results. In addition, we may be unable to adjust spending in time to compensate for any unexpected expenditures, and a shortfall in actual revenues as compared to estimated revenues would have an immediate material adverse effect on our business, financial condition, and operating results.

***Our business may be subject to government regulation and legal uncertainties that may increase the costs of operating our operations or limit our ability to generate revenues.***

We are subject to the same federal, state, and local laws as other companies conducting business on the Internet. Today there are relatively few laws specifically directed towards online services. However, due to the increasing popularity and use of the Internet and online services, it is possible that laws and regulations will be adopted regarding the Internet or online services. These laws and regulations could cover issues such as online contracts, user privacy, freedom of expression, pricing, fraud, content and quality of products and services, taxation, advertising, intellectual property rights, and information security. Applicability to the Internet of existing laws governing issues such as property ownership, copyrights and other intellectual property issues, taxation, libel, obscenity, and personal privacy is uncertain. In addition, numerous states have regulations regarding the manner in which auctions may be conducted and the liability of auctioneers in conducting such auctions.

Due to the global nature of the Internet, it is possible that the governments of other states and foreign countries might attempt to regulate our transmissions or prosecute us for violations of their laws. We might unintentionally violate such laws. Such laws may be modified, or new laws may be enacted, in the future. Any such development could damage our business.

***Our business may be subject to sales and other taxes, which may cause administrative difficulties and increase our cost of operations.***

We will collect applicable sales and other similar taxes on goods sold on our web site. One or more states may seek to impose additional sales tax collection obligations on companies such as ours that engage in or facilitate online commerce. Several proposals have been made at the state and local level that would impose additional taxes on the sale of goods and services through the Internet. These proposals, if adopted, could substantially impair the growth of electronic commerce and could diminish our opportunity to derive financial benefit from our activities.

***Our business may be subject significant insurance rate increases, which may make it difficult for us to attain the appropriate risk coverage or liability insurance, creating administrative difficulties in keeping board members and increasing the cost of our operations.***

Due to the global nature of the Internet related businesses, their impact on publicly trading companies, and political instability, it is possible that the company be denied insurance or not be able to afford it. Any such development could seriously impede the company's performance and profitability and the ability to conduct business. It may also impede the company in retaining key employees and board members or attracting suitable ones.

***If the American Stock Exchange determines that our common stock does not meet its listing criteria, our stock could be delisted.***

The Company is not under any immediate threat to be delisted from the American Stock Exchange and the American Stock Exchange has not taken any action in notifying the Company of any concerns surrounding the listing. However, the American Stock Exchange may change its listing requirements or the Company may not be able to meet the listing criteria.

***In the future, laws making us liable for the activities of users of our services could be passed, which would adversely affect our business, operations and financial condition.***

The law relating to the liability of providers of online services for activities of their users on the service is currently unsettled. While the Company does not pre-screen the types of goods offered on its website, the Company is aware that certain goods may be subject to regulation by local, state or federal authorities will be auctioned on one of the Company's websites. There can be no assurance that the Company will be able to prevent the unlawful exchange of goods on its service or that it will successfully avoid civil or criminal liability for unlawful activities carried out by users through the Company's service. The imposition upon the Company of potential liability for unlawful activities of users of the Ableauctions services could require the Company to implement measures to reduce its exposure to such liability, which may require, among other things, the Company to spend substantial resources and/or or to discontinue certain service offerings. Any costs incurred as a result of such liability or asserted liability could have a material adverse effect on the Company's business, results of operations and financial condition.

In addition, the Company's success depends largely on sellers reliably delivering and accurately representing the working condition of auctioned goods and buyers paying the auctioned price. The Company auctions the goods as is and takes no responsibility for working condition of goods to any user of the Ableauctions service. The Company anticipates that it will receive in the future, communications from users regarding the working condition of the goods and users who dispute the posting of Internet bids. While the Company can suspend the accounts of users who fail to fulfill their obligations, the Company, beyond crediting sellers with the amount of their fees in certain circumstances, does not have the ability to otherwise require users to make payments or deliver working goods and the Company does not compensate users who believe they have been defrauded by other users. The Company may be brought into

litigation as a third party for instances where a seller has intentionally set out to defraud the buyer, then disappears. The Company also from time to time receives complaints from buyers as to the quality of the goods purchased. Although the Company has attempted to reduce its liability to buyers for unfulfilled transactions or other claims related to the quality of the purchased goods and although the average transaction size is approximately \$500.00, the Company may in the future receive additional requests from users requesting reimbursement or threatening legal action against the Company if no reimbursement is made. Any resulting litigation could be costly for the Company, divert management attention and could result in increased costs of doing business, or otherwise have a material adverse effect on the Company's business, results of operations and financial condition. Any negative publicity generated as a result of fraudulent or deceptive conduct by users of Ableauctions services could damage the Company's reputation and diminish the value of its brand name, which could have a material adverse effect on the Company's business, results of operations and financial condition.

***We conduct much of our business online, however such activities may not be secure. If a breach of security occurred, our reputation could be damaged and we could be sued.***

A significant barrier to online commerce and communications is the secure transmission of confidential information over public networks. Currently, a significant number of Ableauctions users authorize the Company to bill their credit card accounts directly for all transaction fees charged by the Company. The Company relies on encryption and authentication technology licensed from third parties to provide the security and authentication technology to effect secure transmission of confidential information, including customer credit card numbers. There can be no assurance that advances in computer capabilities, new discoveries in the field of cryptography, or other events or developments will not result in a compromise or breach of the technology used by the Company to protect customer transaction data. If any such compromise of the Company's security were to occur, it could have a material adverse effect on the Company's reputation and, therefore, on its business, results of operations and financial condition. Furthermore, a party who is able to circumvent the Company's security measures could misappropriate proprietary information or cause interruptions in the Company's operations. The Company may be required to expend significant capital and other resources to protect against such security breaches or to alleviate problems caused by such breaches. Concerns over the security of transactions conducted on the Internet and other online services and the privacy of users may also inhibit the growth of the Internet and other online services generally, and the Web in particular, especially as a means of conducting commercial transactions. To the extent that activities of the Company involve the storage and transmission of proprietary information, such as credit card numbers, security breaches could damage the Company's reputation and expose the Company to a risk of loss or litigation and possible liability. The Company's insurance policies carry low coverage limits, which may not be adequate to reimburse the Company for losses caused by security breaches. There can be no assurance that the Company's security measures will prevent security breaches or that failure to prevent such security breaches will not have a material adverse effect on the Company's business, results of operations and financial condition.

***We cannot guarantee that we will be able to successfully incorporate into our business model the acquisitions that we make, or that the acquisitions we make will be profitable.***

The Company intends to acquire businesses, technologies, services or products that the Company believes are strategic. There can be no assurance that the Company will be able to identify, negotiate or finance future acquisitions successfully, or to integrate such acquisitions with its current business. The process of integrating an acquired

business, technology, service or product into the Company may result in unforeseen operating difficulties and expenditures and may absorb significant management attention that would otherwise be available for ongoing development of the Company's business. Moreover, there can be no assurance that the anticipated benefits of any acquisition will be realized. Future acquisitions could result in potentially dilutive issuances of equity securities, the incurrence of debt, contingent liabilities and/or amortization expenses related to goodwill and other intangible assets, which could materially adversely affect the Company's business, results of operations and financial condition. Any such future acquisitions of other businesses, technologies, services or products might require the Company to obtain additional equity or debt financing, which might not be available on terms favorable to the Company, or at all, and such financing, if available, might be dilutive.

***We may be unable to adequately protect our intellectual property.***

The Company regards the protection of its copyrights, service marks, trademarks, trade dress and trade secrets as critical to its future success and relies on a combination of copyright, trademark, service mark and trade secret laws and contractual restrictions to establish and protect its proprietary rights in products and services. The Company attempts to enter into confidentiality and invention assignment agreements with its employees and contractors, and nondisclosure agreements with parties with which it conducts business in order to limit access to and disclosure of its proprietary information. There can be no assurance that these contractual arrangements or the other steps taken by the Company to protect its intellectual property will prove sufficient to prevent misappropriation of the Company's technology or to deter independent third-party development of similar technologies. The Company will pursue the registration of its trademarks and service marks in the U.S. and Canada. Effective trademark, service mark, copyright and trade secret protection may not be available in every country in which the Company's services are made available online. The Company has licensed in the past, and expects that it may license in the future, certain of its proprietary rights, such as trademarks or copyrighted material, to third parties. While the Company attempts to ensure that the quality of the Ableauctions or iCollector brand is maintained by such licensees, there can be no assurance that such licensees will not take actions that might materially adversely affect the value of the Company's proprietary rights or reputation, which could have a material adverse effect on the Company's business, results of operations and financial condition. The Company will also rely on certain technologies that it licenses from third parties, such as Oracle Corporation ("Oracle"), Microsoft and Sun Microsystems Inc. ("Sun"), the suppliers of key database technology, the operating system and specific hardware components for the Ableauctions services. There can be no assurance that these third-party technology licenses will continue to be available to the Company on commercially reasonable terms. The loss of such technology could require the Company to obtain substitute technology of lower quality or performance standards or at greater cost, which could materially adversely affect the Company's business, results of operations and financial condition.

To date, the Company has not been notified that its technologies infringe the proprietary rights of third parties, but there can be no assurance that third parties will not claim infringement by the Company with respect to past, current or future technologies. The Company expects that participants in its markets will be increasingly subject to infringement claims as the number of services and competitors in the Company's industry segment grows. Any such claim, whether meritorious or not, could be time-consuming, result in costly litigation, cause service upgrade delays or require the Company to enter into royalty or licensing agreements. Such royalty or licensing agreements might not be available on terms acceptable to the Company or at all. As a result, any such claim could have a material adverse effect upon the Company's business, results of operations and financial condition.



***Our stock price is subject to extreme volatility.***

The trading price of our common stock is likely to be highly volatile and could be subject to wide fluctuations in response to factors such as actual or anticipated variations in the Company's quarterly operating results, announcements of technological innovations, or new services by the Company or its competitors, changes in financial estimates by securities analysts, conditions or trends in the Internet and online commerce industries, changes in the market valuations of other Internet or online service companies, announcements by the Company or its competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments, additions or departures of key personnel, sales of common stock or other securities of the Company in the open market and other events or factors, many of which are beyond the Company's control. Further, the stock markets in general, and the Nasdaq National Market and the market for Internet-related and technology companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of such companies. The trading prices of many technology companies' stocks do not reflect valuations. There can be no assurance that trading prices and valuations will be sustained. These broad market and industry factors may materially and adversely affect the market price of the common stock, regardless of the Company's operating performance. Market fluctuations, as well as general political and economic conditions such as recession or interest rate or currency rate fluctuations, may also adversely affect the market price of the common stock. In the past, following periods of volatility in the market price of a company's securities, securities class-action litigation has often been instituted against such company. Such litigation, if instituted, could result in substantial costs and a diversion of management's attention and resources, which would have a material adverse effect on the Company's business, results of operations and financial condition.

***Our executive officers and directors control a large percentage of our common stock, which may allow them to control matters submitted to stockholders for approval.***

The Company's executive officers and directors (and their affiliates), in the aggregate, own approximately 12 % of the Company's outstanding common stock. As a result, such persons, acting together, will have the ability to control all matters submitted to stockholders of the Company for approval (including the election and removal of directors and any merger, consolidation or sale of all or substantially all of the Company's assets) and to control the management and affairs of the Company. Accordingly, such concentration of ownership may have the effect of delaying, deferring or preventing a change in control of the Company, impede a merger, consolidation, takeover or other business combination involving the Company or discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of the Company, which in turn could have an adverse effect on the market price of the Company's common stock.

***The market price of our common stock may be adversely affected if too much of it is sold at once.***

Sales of substantial amounts of the Company's common stock (including shares issued upon the exercise of outstanding options) in the public market could adversely affect the market price of the common stock. Such sales also might make it more difficult for the Company to sell equity or equity-related securities in the future at a time and price that the Company deems appropriate.

***We have been sued for claims relating to our discontinued operations and we may have more such claims.***

In 2002 it was determined that iCollector PLC could not sustain its operations based on its existing cash resources and infrastructure. iCollector PLC then ceased operations and a restructuring plan was adopted. In January 2002 iCollector PLC was placed into formal bankruptcy proceedings pursuant to the laws of the United Kingdom. In 2002, we also ceased operations in San Mateo and San Francisco, both operating under Ableauctions.com (Washington) Inc. In connection with such cease of operations, we have received a number of claims from various persons claiming that they are creditors entitled to be paid. Seven such claimants have instigated lawsuits against us and six have received judgments ranging from \$737.28 to \$26,084.54. In the aggregate these seven claimants are claiming, in the aggregate approximately \$68,045.57. We cannot assure you that no additional claims will arise from the discontinued operations. Furthermore, based on existing cash resources, subsequent claims may force us to place our Washington operations into formal bankruptcy.

***In preparing our financials, earnings and guidance and management reports, we use a number of models, sources and factors that may be volatile and may generate inconsistent outcomes depending on how they are applied requiring us to restate our financials, reports and guidance.***

We rely on a number of models, sources and factors in the preparation of our financials, earnings guidance and management reports, including those used by our advisors, accountants, and brokerage houses in the reporting investment income and costs, that may be subjective and very volatile. We also rely on models such as the Black & Scholes option pricing model, a model developed by Fischer Black and Myron Scholes, to gauge whether options contracts are fairly valued. It, along with other models and financial tools, incorporates such factors as the volatility of a security's return, the level of interest rates, the relationship of the underlying stock's price to the strike price of the option, and the time remaining until the option expires. There are numerous variables to consider in the use of the models, each able to affect the outcome of results significantly from one day to another. There can be no assurance that outcome from assumptions and calculations made by one party will be consistent with those made by another, or from one time period to another, will yield similar results or arguably different results, requiring us to restate our financials, our reports, or update our guidance.

***The posting of inventory using third party technology (e.g., eBay) or our own technology may expose us to certain liabilities.***

The posting of inventory using third party technology (e.g., eBay) or our own technology may expose us to certain liabilities. The inventory posted for sale whether ours or on behalf of a client may not be free of liens or is encumbered, violates applicable laws, cause damage, death or harm or is unsuitable for the use suggested, be counterfeited, misrepresented, damaged, illustrated incorrectly or not authentic, or may be damaged during delivery or shipment. In addition, the posting of the image of inventory may illustrate or describe the inventory incorrectly or violate applicable trademark or copyright. Further, the parties to the auction may fail to consummate the transaction or acts fraudulently or dishonestly. Finally, we may make errors in posting a catalogue for a client such as missing an

item, incorrectly upload the information, make errors in starting time, or inadvertently (or through equipment malfunctions, data crashes, viruses, hackers, etc.) omitting the catalogue altogether or lose the client's data.

***Investment of the Company's cash in short term instruments subjects such assets to investment risks.***

The management of the Company has invested a certain amount of its cash holdings in short term instruments. See, the section entitled "Short Term Investment" above. The management of the Company are not experts in making investments in short term instruments and in the event such investments decline in value, the Company may suffer significant losses.

***A majority of our obligations, investments and expenditures with respect to our operations are incurred in a foreign currency which is subject to currency exchange rates.***

While our financial results are quantified in U.S. dollars, a majority of our obligations, investments and expenditures with respect to our operations, however, are incurred in Canadian dollars. We may have market risks relating to our operations resulting from foreign exchange rates, if we enter into financing or other business arrangements denominated in currency other than the U.S. dollar, variations in the exchange rate may give rise to foreign exchange gains or losses that may be significant.

**Item 2.**

**Description of Property**

We currently maintain a small business office that serves as the head office for the Company at 1222 - 46th Ave E, Fife Washington 98424. Pursuant to the purchase agreement between Ehli and Ableauctions, we have continued use of the office space and business in the same premises until March 31<sup>st</sup>, 2005 at no charge to Ableauctions.

We currently maintain two small business offices that service our East Coast iCollector clients. The first, located at 1589 Niagara Street, Buffalo, New York and the second, at 50 Sweetbriar Drive, Kitchener, Ontario in Canada. We have continued use of the office space and business in the same premises indefinitely at no charge to Ableauctions.

We lease 8,000 sq ft. showroom and office at 1963 Lougheed Highway, Coquitlam, British Columbia and an 9,000 sq ft. showroom and office at 3112 Boundary Road, Burnaby, British Columbia. The monthly payments are \$3,300 and

\$3,747 respectively. The landlord is Derango Resources Inc., a private company wholly-owned by Hanifa Ladha, who is the wife of our President, Abdul Ladha. The rent payments are below market, as verified independently by Burgess Austin valuers.

We lease 350 sq ft. office located at 408-C Bryant Street, Ojai, California. The monthly payments are \$575. The facility serves as the company's operating office for Unlimited Closeouts Inc.

Prior to our license agreement with Able Solutions, Inc., Able Auctions (1991) Ltd. leased 10,000 square feet of space at 1963 Lougheed Highway, Coquitlam, British Columbia, Canada. The monthly payments under the lease during the last fiscal year were \$7,900. The lease is now assigned to Able Solutions Inc.

Prior to our license agreement with Able Solutions, Inc., we subleased approximately 15,000 square feet of warehouse and office space at 9121 196A Street, Langley, British Columbia, Canada. The monthly rent was \$9,800. The lease is now assigned to Able Solutions Inc.

Prior to our license agreement with Able Solutions, Inc., we leased approximately 9,000 square feet of warehouse, production and office space at 1055 Vernon Street, Vancouver, British Columbia. The monthly rent was \$7,500. The lease is now assigned to Able Solutions Inc.

Neither our subsidiaries nor we presently own or lease any other property or real estate.

### **Item 3.**

#### Legal Proceedings

As of the date hereof, there is no material litigation pending against us. From time to time, we may become a party to litigation and claims incident to the ordinary course of our business.

### **Item 4.**

#### Submission of Matters to a Vote of Security Holders

No meetings of security holders were held during the fourth quarter of our fiscal year ended December 31, 2003.

## PART II

### Item 5.

#### Market for Common Equity and Related Stockholder Matters

Our common stock has traded on the American Stock Exchange since June 29, 2000 under the symbol AAC . Prior to June 29, 2000 our common stock traded on the Over-the-Counter Bulletin Board (OTCBB) under the symbol ABLC . The range of high and low bid prices per share for our common stock for each quarter during the period from January 1, 2002 through December 31, 2003, as published by the American Stock Exchange and is set forth below. The quotations merely reflect the prices at which transactions were proposed, and are not quarterly averages or do not necessarily represent actual transactions. Prices do not include retail markup, markdown, or commissions and may not represent actual transactions.

Quarter Ended	2002	
	High	Low
March 31	\$ 0.53	\$ 0.42
June 30	\$ 0.43	\$ 0.31
September 30	\$ 0.12	\$ 0.09
December 31	\$ 0.10	\$ 0.09

Quarter Ended	2003	
	High	Low
March 31	\$ 0.07	\$ 0.05
June 30	\$ 0.88	\$ 0.72
September 30	\$ 0.48	\$ 0.43
December 31	\$ 0.71	\$ 0.67

There were 601 record holders of our common stock as of March 22, 2004. Approximately 82.13% of our stock, or 45,200,301 shares are held in street position through brokerage houses.

We have not paid dividends on our common stock since our inception. Dividends on common stock are within the discretion of the Board of Directors and are payable from profits or capital legally available for that purpose. It is our current policy to retain any future earnings to finance the operations and growth of our business. Accordingly, we do not anticipate paying any dividends on common stock in the foreseeable future.

### **Recent Sales of Unregistered Securities**

1.

In September 2003, we completed the sale of 2.4 million shares of our common stock to select institutional investors, raising a total of \$1.05 million. The per share offering price was \$0.4375. The investors and the placement agent will also receive warrants to purchase an aggregate of 720,000 shares of common stock at an exercise price of \$.54 per share. We relied upon the exemption from registration as set forth in Section 4(2) of the Securities Act of 1933 and Regulation D under such Act for the issuance of the shares.

2.

In December 2003 we entered into an agreement to sell 4,615,385 shares of our common stock to select institutional investors, raising a total of \$3 million. The transaction subsequently closed in January 2004. The per share offering price was \$0.65. The investors also received warrants to purchase an aggregate of 1,384,616 of common stock at an exercise price of \$.80 per share. We relied upon the exemption from registration as set forth in Section 4(2) of the Securities Act of 1933 and Regulation D under such Act for the issuance of the shares.

### **Securities authorized for issuance under equity compensation plans**

The Board of Directors has authorized the following equity compensation plans:

**Ableauctions.com, Inc. 2002 Stock Option Plan for Directors.**

In 2002, the Board of Directors adopted the Ableauctions.com, Inc. 2002 Stock Option Plan for Directors (the Directors Plan ). The purpose of the Directors Plan is to attract and retain the services of experienced and knowledgeable individuals to serve as the Company's directors. The total number of shares of common stock subject to the Directors Plan is 2,653,631. This number of shares may be increased on the first day of January of each year so that the common stock available for awards will be the maximum amount allowable under Section 711 of the Rules of the American Stock Exchange, as they may be amended from time-to-time. The Directors Plan is administered by the Board of Directors, or any Committee that may be authorized by the Board of Directors, so long as any such Committee is made up of Non-Employee Directors, as that term is defined in Rule 16(b)-3(b) of the Securities Exchange Act of 1934. The grant of an option under the Directors Plan is discretionary. The exercise price of an option must be the fair market value of the common stock on the date of grant. An option grant may be subject to vesting conditions. Options may be exercised in cash, or with shares of the common stock of the Company already owned by the person. The term of an option granted pursuant to the Directors Plan may not be more than 10 years.

#### **Ableauctions.com, Inc. 2002 Consultant Stock Plan.**

In 2002 the Board of Directors adopted the Ableauctions.com, Inc. 2002 Consultant Stock Plan (the Consultants Plan ). The purpose of the Consultants Plan is to be able to offer consultants and others who provide services to the Company the opportunity to participate in the Company's growth by paying for such services with equity awards. The total number of shares of common stock subject to the Consultants Plan was increased from 6,500,000 to 22,500,000 as approved by the Board of Directors in 2003. The Consultants Plan is administered by the Board of Directors, or any Committee that may be authorized by the Board of Directors. Persons eligible for awards under the Consultants Plan may receive options to purchase common stock, stock awards or stock restricted by vesting conditions. The exercise price of an option must be no less than 85% of the fair market value of the common stock on the date of grant. An option grant may be subject to vesting conditions. Options may be exercised in cash, or with shares of the common stock of the Company already owned by the person or with a fully recourse promissory note. The term of an option granted pursuant to the Consultants Plan may not be more than 10 years. If common stock is granted as compensation for services rendered to the Company, the value of the grant cannot be less than 75% of the fair market value of the common stock on the date of grant.

#### **Ableauctions.com, Inc. 1999 Stock Option Plan.**

In 1999 the Board of Directors adopted the Ableauctions.com, Inc. 1999 Stock Option Plan (the Option Plan ). The purpose of the Option Plan is to be able to retain the services of employees and consultants and others who are valuable to the Company and to offer incentives to such persons to achieve the objectives of the Company's shareholders. The total number of shares of common stock subject to the Option Plan was increased from 3,000,000 to 8,000,000 as approved by the Board of Directors and our Shareholders in 2003. The Option Plan is administered by the Board of Directors, or any Committee that may be authorized by the Board of Directors, so long as any such Committee is made up of Non-Employee Directors, as that term is defined in Rule 16(b)-3(b) of the Securities Exchange Act of 1934. Persons eligible for awards under the Option Plan may receive, if they are eligible, incentive options to purchase common stock. If a recipient does not receive an incentive option, he or she will receive a non-qualified stock option. The exercise price of an option must be no less than the fair market value of the common stock on the date of grant, unless the recipient of an award owns 10% or more of the Company's common stock, in which case the exercise price of an incentive stock option must not be less than 110% of the fair market value. An

option grant may be subject to vesting conditions. Options may be exercised in cash, or with shares of the common stock of the Company already owned by the recipient of the award. The term of an option granted pursuant to the Option Plan may not be more than five years if the option is an incentive option granted to a recipient who owns 10% or more of the Company's common stock, or 10 years for all other recipients and for recipients of non-qualified stock options.

GRANT OF OTHER DIRECTORS OPTIONS

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted average exercise price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column 2)</b>
Equity Compensation Plan Approved by security Holders	-	\$ 0.00	6,655,000
Equity Compensation Plan Not Approved by Security Holders	2,545,000	\$ 0.28	5,883,631

**Item 6.**

**Management's Discussion and Analysis of Financial Condition and Results of Operations**

**Plan of Operation**

*Generate revenues through Auction Broadcast Services, POS and Hardware Services and Liquidation Services.*



We will continue to operate auctions in British Columbia, Ontario, Washington, New York, California and various other parts of the United States. We will also continue providing all of the above services.

*Continue research and development to improve our web site and auction broadcasting technologies.*

We plan to continue our research and development efforts to continuously improve our web site and auction broadcasting technologies.

*Commence geographic expansion program by acquiring or entering into strategic affiliations with related companies.*

We intend to broadcast the auctions of other auction houses from a variety of locations throughout North America. We have licensed our services to other companies and intend to advance marketing efforts in the remainder of 2004.

### **Summary of Operating and Capital Budget**

Set forth below are our estimated cash operating and capital budgets for operations, technology purchases, research and development and implementing our expansion strategy for the remainder of the fiscal year ending December 31, 2004:

Marketing	\$ 150,000
Ongoing research and development	200,000
Expansion of inventories	1,000,000
Servers and operating systems	150,000
Working capital	500,000
<b>Required Capital:</b>	<b>\$ 2,000,000</b>

Our revised operating and capital budget for the fiscal year ending December 31, 2004 is estimated to be approximately \$2,000,000. As of December 31, 2003, we had a working capital of \$4,590,130 with a subsequent \$3 million financing that increased working capital by approximately \$2.8 million.

We cannot assure you that our actual expenditures for that period will not exceed our estimated operating budget. Actual expenditures will depend on a number of factors, some of which are beyond our control, including, among other things, the availability of financing on acceptable terms, acquisition and/or expansion costs, reliability of the assumptions of management in estimating cost and timing, certain economic factors, the timing related to development of our technology and costs associated with running our operations.

In the event we determine that we may be unable to meet our on-going capital commitments, we may take some or all of the following actions:

- postpone expenditures on research and development;
- reduce sales and marketing expenditures;
- reduce general and administrative expenses through lay offs or consolidation of our operations;
- suspend or sell operations that are not economically profitable; or
- sell assets, including licenses to our technologies.

### **Political and Economic Uncertainties**

Our business and our ability to raise additional financing may be adversely affected by political and economic risks and uncertainties. The general economic slowdown in the United States and Europe may adversely affect the demand for products offered at our auctions. The political uncertainty in the Middle East may negatively affect the general economy, the capital markets and our ability to raise capital on acceptable terms, if at all. There can be no assurance

that the Company will be able to increase our revenues from operations or to raise sufficient financing to meet our on-going obligations on acceptable terms, if at all.

## **Management's Discussion and Analysis**

The following discussion on our results of operations should be read in conjunction with our audited consolidated financial statements and the related notes for the year ended December 31, 2003. Our financial statements have been prepared in accordance with United States generally accepted accounting principles.

### **Results of Operations**

#### **Year ended December 31, 2003 compared to the Year ended December 31, 2002, factoring in discontinued operations.**

**Revenues.** During the year ended December 31, 2003, we had revenues of \$778,102 as compared to revenues of \$802,735 during the year ended December 31, 2002, a decrease of 3.1%. In 2003, Auction Broadcast Services accounted for approximately 38% of our total revenue and 51% of our gross profit. POS and Hardware Services accounted for 30% of our total revenue and 19% of our gross profit. Liquidation Services accounted for 32% of our total revenue and 30% of our gross profit.

**Sales of Goods.** Sales of goods accounted for \$453,586 or 53.7% of total revenues. We anticipate that revenues from the sales of goods will represent a greater percentage of overall revenues as our Liquidation Services begin to expand.

**Operating Expenses.** Operating expenses totalled \$942,566 for the year ended December 31, 2003 as compared to \$1,690,110 for the year ended December 31, 2002. Our operating expenses were lower than the previous year as a result of decreases in accounting and legal fees, interest, salaries and benefits, and website maintenance expenses. We also utilized the services of consultants in order to further reduce expenses.

**Gross Profit.** Cost of goods sold were \$335,163 for the year ended December 31, 2003 as compared to \$294,909 for the year ended December 31, 2002. Gross profit was \$442,939 or 56.9% of total revenue for the year ended December 31, 2003 as compared to \$507,826 or 63.2% of total revenue for the year ended December 31, 2002. We believe that over time, our gross profit as a percentage of revenue will decrease to a range between 25% and 30%, based on the anticipated returns from our revenue streams.

**Net Income.** We had a net income of \$144,516 or \$0.004 per share for the year ended December 31, 2003 as compared to a net loss of \$1,316,637 or a loss of \$0.049 per share for the year ended December 31, 2002.

### **Liquidity and Capital Resources**

Since 1999, the Company has funded its activities principally from any cash flow generated from operations and the private placement of its common stock.

We had a deficiency of \$62,114 in working capital at December 31, 2002. In 2003, we eliminated the deficiency and had working capital of \$4,590,130. We had cash and cash equivalents of \$738,226, short-term investments of \$2,877,201, accounts receivables of \$467,195, loans receivable of \$214,614, inventory of \$411,966 prepaid expenses of \$39,780, and current portion of notes receivable of \$78,416 at December 31, 2003. We have subsequently completed an offering announced in December 2003, and have increased cash and cash equivalents by approximately \$2.8 million. We anticipate that trade accounts receivables and inventory may increase during the year 2004 if we are able to increase the number and frequency of our auctions and as we expand our other business operations. Cash flow used for operating activities required \$385,856 during the year ended December 31, 2003. Our cash resources may decrease if we complete additional acquisitions during 2004, or if we are unable to maintain positive cash flow from our business through 2004. We only intend to continue our acquisition program if additional financing is available.

Cash flow used for discontinued operations required \$3,399 during the year ended December 31, 2003.

Cash flow for investing activities during the year ended December 31, 2003, required \$2,981,581, relating primarily to the purchase of short-term investments. Cash flow from financing activities during the year ended December 31, 2003, was \$3,910,273, consisting primarily of the issuance of share capital of \$1,050,000 and the exercise of stock options of \$2,917,211. We have subsequently completed an offering announced in December 2003, that will increase our working capital by an additional \$2.8 million.

Our operating and capital budget for the year ending December 31, 2004 is approximately \$2 million, to be used primarily for working capital and for expenses related to the expansion of our inventories, continuing to develop and upgrade our technologies and launching a marketing campaign in the United States and Canada. These expenditures will be drawn from present working capital.

We do not have any off-balance sheet arrangements.

**Item 7.**

Financial Statements

Reference is made to the financial statements, the reports thereon, the notes thereto, and supplementary data commencing at page F-1 of this Form 10-KSB, which financial statements, reports, notes, and data are incorporated herein by reference.

**Item 8.**

**Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

On June 20, 2003, Morgan & Company, Chartered Accountants resigned and on June 30, 2003 Cinnamon Jang Willoughby & Company, Chartered Accountants was appointed as the Company's independent certified public accountant.

Morgan & Company, Chartered Accountants have not been associated with any of our financial statements subsequent to the fiscal quarter ended June 30, 2003. The change in independent auditors was effective for the fiscal quarter ended June 30, 2003, was approved by our Board of Directors, and was not due to any disagreement between the Company and Morgan & Company, Chartered Accountants on any matter of accounting principles or practices, financial statement disclosures, or auditing scope or procedure.

On February 12, 2002, Shikaze Ralston Tam Kurozumi, Chartered Accountants resigned and on February 12, 2002, Morgan & Company, Chartered Accountants, was appointed as the Company's independent certified public accountant.

Shikaze Ralston Tam Kurozumi, Chartered Accountants have not been associated with any of our financial statements subsequent to the year ended December 31, 2001. The change in independent auditors was effective for the fiscal year ended December 31, 2001, was approved by our Board of Directors, and was not due to any disagreement between the Company and Shikaze Ralston Tam Kurozumi, Chartered Accountants on any matter of accounting principles or practices, financial statement disclosures, or auditing scope or procedure.

We have not been advised by either Cinnamon Jang Willoughby & Company or Morgan & Company, Chartered Accountants, of any of the following:

(a)

lack of internal controls necessary for us to develop reliable financial statements;

(b)

any information that has come to the attention of our auditors that has led them to no longer being able to rely on management's representations or that has made them willing to be associated with the financial statements prepared by management;

(c)

any need to expand significantly the scope of our auditors' audit or information that has come to our auditors' attention during the two financial years prior to and preceding the change in our independent auditors that, if further investigated, would:

(i)

materially impact the fairness or reliability of the previously issued audit report or the financial statements issued or covering that period; or

(ii)

cause our auditors to become unwilling to rely on management's representations or that has made them unwilling to be associated with our financial statements, or due to the replacement of Davidson and Company, or any other reason, our auditors did not so expand the scope of the audit or conduct such further investigation; and

(d)

any information that has come to the attention of our auditors that has led them to conclude that such information materially impacts the fairness or reliability of the audit reports or the financial statements issued covering the two financial years prior to and preceding the change in our independent auditors (including information that, unless resolved, to the satisfaction of such auditors, would prevent it from rendering an unqualified audit report on those financial statements) and due to the replacement of Shikaze Ralston Tam Kurozumi, Chartered Accountants or Morgan & Company or any other reason, any issue has not been resolved to such auditors' satisfaction prior to Shikaze Ralston Tam Kurozumi, Chartered Accountant's or Morgan & Company, Chartered Accountant's replacement.

Item 8A. Controls and Procedures.

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. The evaluation was undertaken in consultation with our accounting personnel. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There were no significant changes in our internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation.

### **PART III**

**Item 9.**

**Directors, Executive Officers, Promoters and Control Persons; Compliance With Section 16(a) of the Exchange Act**

**Abdul Ladha, Age 41**

Abdul Ladha has been a director, President, and Chief Executive Officer of the Company since August 24, 1999. He also currently serves as the interim Chief Financial Officer. In addition, Mr. Ladha is President of all of the Company's wholly owned subsidiaries. Mr. Ladha holds an honors degree in Electrical Engineering and Mathematics from the University of British Columbia (UBC). In 1985, he founded Dexton Enterprises Inc., a subsidiary of Dexton Technologies Corporation, which was a company engaged in the business of (a) the development and provision of web-based business solutions to small to mid-size retail and business-to-business customers, and (b) the marketing

and sale of personal computer hardware and network systems to corporate and retail customers, as well as computer training and after-sales upgrade and support services. Mr. Ladha was President, Chief Executive Officer, and a director of Dexton Technologies from December 1994 to July 2001. In 1997, Dexton Technologies acquired Able Auctions (1991) Ltd., which Dexton sold to the Company on August 24, 1999.

Mr. Ladha is the Executive Director of CITA – The Canadian Institute for Technological Advancement, a non-profit organization dedicated to developing Canada's technological entrepreneurs sponsored by the UBC, Simon Fraser University (SFU), the World Trade Centre, Ernst & Young, and some 60 corporations and institutions.

### **Barrett E.G. Sleeman, P.Eng., Age 62**

Barrett Sleeman, a director of the Company since August 24, 1999, is a professional engineer. He has also been a director of Crystal Graphite Corporation, a graphite property development company, from February 1999 to February 2004, and the CEO of Helena Resources from October 2001 to present. From April 1997 to September 2001, he was a director of Dexton Technologies Corporation, a technology company. From May 1988 to May 2000, he was a director and the President of Omicron Technologies Inc., whose focus is the acquisition, research and development, and marketing of leading edge technologies for the aerospace, telecommunications, defense, and consumer electronics industries, as well as Internet-based business concepts. Mr. Sleeman also served as a director of Java Group Inc., currently an oil and gas company, from November 1997 to March 2000. Mr. Sleeman was also President (October 1996 to October 1997) and a director (August 1996 to October 1997) of White Hawk Ventures Inc., and President (August 1995 to April 1997) and a director (March 1995 to January 1998) of International Bravo Resources Inc., both mining exploration companies.

### **Dr. David Vogt, Age 46**

Dr. David Vogt, a director of the Company since April 17, 2000, is a scientist and knowledge engineer. An astronomer by training, he was Director of Observatories at the University of British Columbia in Canada from 1980 to 1992 before becoming Director of Science at Science World, Western Canada's largest public science center. With the development in 1993 of a virtual science center to support educational outreach, Dr. Vogt shifted his focus to explore the creation of knowledge using new media technologies. Dr. Vogt is a founding executive of Brainium.com, an innovative online educational publishing company. Brainium.com pioneers new media learning products for the kindergarten to Grade 12 market. The award winning Science Brainium, located at [www.brainium.com](http://www.brainium.com), is an online intermediate science resource currently reaching 7,000 schools internationally. Dr. Vogt has been Vice President Business Development of Brainium Technologies Inc. since 1996.

Dr. Vogt combined undergraduate degrees in Physics and Astronomy (UBC 1977) and English Literature (UBC 1978) into an interdisciplinary Ph.D. (SFU 1990) in information science and archaeoastronomy. Dr. Vogt was also founding director of the B.C. Shad Valley Program, Chairman of the CBC's Advisory Committee on Science and Technology, and a founding member of the SchoolNet National Advisory Board.



Dr. Vogt's professional associations include membership on the Software and Information Industry Association (SIIA) Content Board and sub-committee on Distance Learning, a technology planning committee for Ronald McDonald Houses International, the Education Committee for the Vancouver Foundation, the B.C. government's Information Technology Advisory Board, and the Board for Science World.

**Michael Boyling, Age 46**

Mr. Boyling, a director, is the President of Boyling, Feltham, Rogers & Associates Inc. (BFR), which is an insurance and financial services company based in Vancouver, British Columbia and has offices in Edmonton, Alberta, Calgary, Alberta and Winnipeg, Manitoba. BFR's business focuses on providing insurance and financial services to high net worth individuals and medium sized companies. Michael Boyling has played a major role in the development and growth of this company. Through his three-year tenure as director and President, BFR has grown from annual revenue of CDN\$500,000 to annual revenue in excess of CDN\$5,000,000.

He served with the Canadian Military (Army) from the age of 17 to the age of 38. Since his retirement from military service, he has been self-employed in the financial industry.

Mr. Boyling also owns West Coast Global Equity/Ventures Inc., an international consulting company whose main focus is international financing and investing. He has worked as a consultant and broker with a foreign government and international construction companies arranging equity and debt financing.

Mr. Boyling draws on his experience from his time spent in the insurance and financial services industry with two international insurance companies, where he occupied positions of Regional and International Sales Manager.

While we believe that members of our Board of Directors each have some of the attributes of an audit committee financial expert, no single individual possesses all of the attributes therefore, no one on our Board of Directors can be deemed to be an audit committee financial expert. In forming our Board of Directors approximately five years ago, we sought out individuals who would be able to guide our operations based on their business experience, both past and present, or their education. Our business model is not complex and our accounting issues are straightforward. Responsibility for our operations is centralized within our executive management, which is comprised of seven people. We rely on the assistance of others, such as our auditors or accountants, to assist us with the preparation of our financial information. We recognize that having a person who possesses all of the attributes of an audit committee financial expert would be a valuable addition to our Board of Directors, however, the Company is not, at this time, able to compensate such a person therefore, we may find it difficult to attract such a candidate.

The Company does not have a plan to compensate its directors. During the fiscal year ended December 31, 2003, Barrett Sleeman, Michael Boyling and David Vogt each received options to purchase 200,000 shares of the Company's common stock at a price of \$0.08 per share and Abdul Ladha received an option to purchase 1,000,000 shares of the Company's common stock at a price of \$0.08 per share. The options expire in 2008.

### Section 16(a) Compliance

Section 16(a) of the Securities Exchange Act requires our directors, executive officers and persons who own more than 10% of our common stock to file reports of ownership and changes in ownership of our common stock with the Securities and Exchange Commission. Directors, executive officers and persons who own more than 10% of our common stock are required by Securities and Exchange Commission regulations to furnish to us copies of all Section 16(a) forms they file.

To our knowledge, based solely upon review of the copies of such reports received or written representations from the reporting persons, we believe that during our 2003 fiscal year our directors, executive officers and persons who own more than 10% of our common stock complied with all Section 16(a) filing requirements with the exception of the following:

Name	# of Late Reports	# of Transactions Reported Late	Known Failure to File a Report
Roylling, Michael	3	3	None
Sleeman, Barrett	3	3	None
Volt, David	3	3	None
Ladha, Abdul	2	2	None
Ladha Family Trust	9	9	None
Esmail, Nailin	1	1	Failed to file Form 3, 4, or 5

### Code of Ethics

We have adopted a code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. Such code of ethics will be provided to any person without charge, upon request, a copy of such code of ethics by sending such request to us at our principal office.

## Item 10.

### Executive Compensation

The table below shows, for the last three fiscal years, compensation paid or accrued to the company's chief executive officer and the four most highly paid executive officers while serving in their designated capacity at fiscal year end, whose total compensation exceeded \$100,000. These officers are referred to as the named executive officers.

#### Summary Compensation Table

Name and Principal Position	Fiscal Year Ended (1)	<u>Annual Compensation</u>		<u>Long Term Compensation</u>			LTIP Payouts (US\$)	All Other Compensation (2)
		Salary (US\$)	Bonus (US\$)	Other Annual Compensation (US\$)	Awards Securities under Option/SAR Granted (#)	Restricted Shares or Restricted Share Units (US\$)		
ABDUL LADHA <sup>(3)</sup> President and CEO	2003	71,054	Nil	Nil	1,000,000 <sup>(8)</sup>	Nil	Nil	Nil
	2002	144,309	Nil	Nil	500,000 <sup>(8)</sup>	Nil	Nil	Nil
	2001	Nil	Nil	154,949	Nil	Nil	Nil	Nil
JEREMY DODD <sup>(4)</sup> Secretary Treasurer & Chief Operating Officer	2002	87,500	Nil	Nil	100,000	Nil	Nil	Nil
	2001	96,843	Nil	Nil	Nil	Nil	Nil	11,622

<b>RANDY EHLI</b> <sup>(5)</sup>	2002	110,004	Nil	Nil	300,000	75,000	Nil	12,000
Director & President of subsidiary	2001	110,004	Nil	Nil	Nil	Nil	Nil	12,000
<b>BRETT JOHNSTON</b> <sup>(6)</sup>	2002	83,328	Nil	Nil	Nil	50,000	Nil	
Vice President, California Operations and Secretary of Subsidiary	2001	124,992	Nil	Nil	Nil	Nil	Nil	Nil
								Nil
<b>JULIAN ELLISON</b> <sup>(7)</sup>	2002	102,398	Nil	Nil	Nil	Nil	Nil	Nil
CEO and Director of Auction House Services, iCollector subsidiary								

(1)

Year ended December 31.

(2)

Car allowance.

(3)

President and CEO from August 24, 1999 to present.

(4)

Secretary-Treasurer and Chief Operation Officer from August 24, 1999 to August 2002.

(5)

Director, Vice-President of subsidiary from March 12, 2001 to present and Vice-President, Northwest Auctions of subsidiary from May 16, 2000 to Jan 1, 2003.

(6)

Vice-President, California Operations of subsidiary from March 29, 2001 to present and Secretary of subsidiary from July 26, 2000 to July 2002.

(7)

CEO and Director of Auction House Services, iCollector. Resigned November 27, 2002.

(8)

These options were granted to Mr. Ladha from the Ableauctions.com, Inc. 2002 Stock Option Plan for Directors in conjunction with the services they rendered as directors.

(9)

CAD to US conversion at 1 USD = 1.33420 CAD

### Option Grants in the Last Fiscal Year

During the fiscal year ended December 31, 2003, the Company granted the following stock options to named executive officers and directors while serving in their designated capacities:

#### Option/SAR Grants for Last

#### Fiscal Year Individual Grants(1)

Name	Number of Securities Underlying Options/SARs Granted (#)	% of Total Options/SARs Granted to Employees in Fiscal Year	Exercise Price	
			(\$/sh)	Expiration Date
Abdul Ladha	1,000,000	57.14%	\$ 0.08	2008
Nailin Esmail	150,000	8.57%	\$ 0.25	2006
Michael Boyling	200,000	11.42%	\$ 0.08	2008
David Vogt	200,000	11.42%	\$ 0.08	2008
Barrett Sleeman	200,000	11.42%	\$ 0.08	2008

**Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values****Option/SAR Officer Exercises****for Last Fiscal Year**

<b>Name</b>	<b>Number of Shares Acquired on Exercise</b>	<b>Value Realized</b>	<b># of Securities Underlying Unexercised Options</b>	<b>Value of Unexercised In-the-money Options</b>
Abdul Ladha	50,000	\$ 27,200	1,450,000	\$ 971,500

**Employment Agreements**

The only officer that has executed an employment agreement with us is our CEO Abdul Ladha. The term of the agreement commenced as of April 1, 2002 until employment is terminated by us. His starting salary was \$156,000 per year, which may be increased by the Board. He was also granted options to purchase 1,000,000 shares of our common stock. A copy of this agreement was filed as Exhibit 10.27 to Form S-1 filed with the SEC on July 2, 2002.

**Item 11.****Security Ownership of Certain Beneficial Owners and Management**

The following table sets forth information, as of March 22, 2004, regarding the beneficial ownership of the Company's common stock by any person known to the Company to be the beneficial owner of more than 5% of the outstanding common stock, by directors and certain executive officers, and by all directors and executive officers of the Company as a group.

Name and Address	Amount and Nature of Beneficial Ownership of common stock	Percent of Class <sup>(1)</sup>
The Ladha (1999) Family Trust, +5% shareholder <sup>(2)</sup> Vallis Building, P.O. box H.M. 247 Hamilton, HM AX, Bermuda	3,781,875	6.87%
Abdul Ladha, Director and Executive Officer 7797 Jensen Place Burnaby, B.C., Canada, V5A 2A7	1,450,000 <sup>(3)</sup>	2.63%
Barrett Sleeman, Director P.O. Box 18111 2225 West 41 <sup>st</sup> Avenue Vancouver, B.C., Canada, V6M 4L3	350,000 <sup>(4)</sup>	0.64%
Dr. David Vogt, Director 3771 West 15 <sup>th</sup> Avenue Vancouver, B.C., Canada, V6R 2Z7	350,000 <sup>(4)</sup>	0.64%
Michael Boyling 95 5900 Ferry Road Ladner, B.C., Canada, V4K 5C3	350,000 <sup>(4)</sup>	0.64%
Nailin Esmail 3065 Bainbridge Avenue Burnaby, B.C., Canada, V5A 2S9	150,000 <sup>(5)</sup>	0.27%

All current directors and executive officer as a group (5 persons)	2,650,000	4.82%
--	-----------	-------

---

\*

Represents less than 1%.

(1)

Based on an aggregate of 55,035,405 shares outstanding as of March 22, 2004. Where a named person holds options or warrants to purchase shares of common stock of the Company, the number of shares that may be issued under those options or warrants are added to the figure 55,035,405 to calculate the percentage held by that person.

(2)

Abdul Ladha, President of the Company, is a beneficiary of the Ladha (1999) Family Trust. Hamilton Trust Company Limited is the trustee of the Ladha (1999) Family Trust, and disclaims beneficial ownership of the 3,781,875 shares held by the Ladha (1999) Family Trust.

(3)

Consists of options exercisable to acquire 1,450,000 shares of common stock.

(4)

Consists of options exercisable to acquire 350,000 shares of common stock.

(5)

Consists of options exercisable to acquire 150,000 shares of common stock.

To our knowledge, none of the Company's directors, officers or affiliates, or any 5% or greater shareholder of the Company, or any associate or any such directors, officers or affiliates, is a party that is adverse to the Company in any material legal proceeding.

## Item 12.

### Certain Relationships and Related Transactions



During the year ended December 31, 2003, the following related party transactions occurred:

Before acquiring Rapidfusion Technologies Inc., the Company obtained services from Rapidfusion, a company formerly controlled by our President and CEO in 2001 in his capacity as the President and CEO of Dexon Technologies, to maintain, develop and support our technology and iCollector operations. In the fiscal year ended December 31, 2003, the Company paid Rapidfusion Technologies Incorporated the sum of approximately \$ 63,848 for services before acquiring them.

We lease 8,000 sq ft. showroom and office at 1963 Lougheed Highway, Coquitlam, British Columbia and an 9,000 sq ft. showroom and office at 3112 Boundary Road, Burnaby, British Columbia. The monthly payments are \$3,300 and \$3,747 respectively. The landlord is Derango Resources Inc., a private company wholly-owned by Hanifa Ladha, who is the wife of our President, Abdul Ladha. The rent payments are below market, as verified independently by Burgess Austin valuers. In total, the Company paid \$ 72,335 in rent, to Derango Resources Inc. during the fiscal year ended December 31, 2003.

In August 12, 2002, prior to the Company having access to capital, the Company entered into a joint venture with three of its Directors, Abdul Ladha, Randy Ehli and Michael Boyling to acquire approximately \$345,000 of fine crystal and china from a bankruptcy estate. In forming the joint venture, the Company, Abdul Ladha and Randy Ehli paid identical capital contributions and each was to receive 27% of the venture's net profits. Michael Boyling is entitled to receive 19% of the venture's net profits. In January 2003, the Company bought out Randy Ehli's interest for \$60,000 and now holds a 54% interest in the joint venture. Abdul Ladha and Michael Boyling currently hold 27% and 19% interest respectively in the joint venture. Net profits are defined as gross revenue less costs associated with liquidation (marketing, advertising, commission, auction fees, mall rent) less a 15% overhead fee for Ableauctions for handling the inventory.

On October 11, 2002, we assigned a \$285,000 receivable to Abdul Ladha, our President and CEO, who in turn, reassigned it and secured a loan against it from the Canadian Imperial Bank of Commerce in order to reduce debt and inject capital into the Company immediately.

In 2002, we borrowed funds from a \$1 million line of credit made available to us by our President and CEO, secured by the assets of the Company and its subsidiaries. As of December 31, 2002, the amount of the loan was \$199,679. As of December 31, 2003, the amount of the loan was \$0.

### **ITEM 13.**

#### **Exhibits and Reports on Form 8-K**

(a)

Exhibits

- 2.1 Ehli s Commercial/Industrial Auctions. Inc. Stock Sale and Purchase Agreement (Incorporated by reference to Exhibit 10.1 of the Registrant s Quarterly Report on Form 10-QSB) (5)
- 2.2 Rapidfusion Share Purchase Agreement (Incorporated by reference to Exhibit 10 of the Registrant s Current Report of Form 8-K) (6)
- 3.1 Articles of Incorporation, as amended (incorporated by reference to Exhibits 3.1, 3.2, 3.3, 3.4, and 3.5 of the Registrant s Registration Statement of Form 10-SB) (1)
- 3.2 Bylaws (Incorporated by reference to Exhibit 3.6 of the Registrant s Registration Statement on Form 10-SB) (1)
- 10.1 1999 Stock Option Plan (Incorporated by reference to Exhibit 4.2 of the Registrant s Registration Statement on Form S-8) (3)
- 10.2 Form of stock Option Agreement. (Incorporated by reference to Exhibit 10.2 of the Registrant s Registration Statement on Form 10-SB) (1)
- 10.3 2002 Stock Option Plan for Directors (incorporated by reference to Exhibit 10.32 of the Registrant s Annual Report of Form 10-KSB) (2)
- 10.4 2002 Consultant Stock Plan (Incorporated by reference to Exhibit 10.1 of the Registrant s Registration Statement on Form S-8) (4)
- 10.5 Agreement dated August 1, 2002 among Ableauctions (1991) Ltd. and AbleSolutions, Inc. and Jeremy Dodd Directors (Incorporated by reference to Exhibit 10.27 of the Registrant s Annual Report on Form 10-KSB) (2)
- 14 Code of Ethics
- 16 Letter on Change in Certifying Accountant
- 21 Subsidiaries of Ableauctions.com, Inc.
- 23 Consent of Cinnamon Jang Willoughby & Company

Edgar Filing: ABLEAUCTIONS COM INC - Form 10KSB/A

31.1 Certification Pursuant to Rule 13a-14(a) and 15d-14(a) (4) of Chief Executive Officer and Chief Financial Officer

32.1 Certification Pursuant to Section 1350 of Title 18 of the United States Code of Chief Executive Officer and Chief Financial Officer

(1)

Previously filed on November 18, 1999 on Form 10-SB.

(2)

Previously filed on March 27, 2003 on Form 10-KSB.

(3)

Previously filed on June 13, 2003 on Form S-8.

(4)

Previously filed on May 8, 2002 on Form S-8.

(5)

Previously filed on May 15, 2003 on Form 10-QSB.

(6)

Previously file on October 24, 2003 on Form 8-K.

b)

Reports on Form 8-K

On October 24, 2003, the Company filed an 8-K Report reporting under Items 5 and 7 the acquisition of Rapidfusion.

On November 14, 2003, the Company filed an 8-K Report reporting under Item 9 press release on results for quarter ended September 30, 2003.

On December 8, 2003, the Company filed an 8-K Report reporting under Item 9 press release on results for 4<sup>th</sup> quarter.

On December 15, 2003, the Company filed an 8-K Report reporting under Item 5 entering into an agreement for the private placement of common stock.

#### **ITEM 14 - PRINCIPAL ACCOUNTANT FEES AND SERVICES**

##### **AUDIT FEES**

The aggregate fees billed for each of Fiscal Year 2002 and Fiscal Year 2003 for professional services rendered by our principal accountants for the audit of our annual financial statements, review of financial statements included in our Form 10-QSBs and other services provided by the accountant in connection with statutory and regulatory filings are approximately as follows: Fiscal Year 2002: \$ 33,416; Fiscal Year 2003: \$ 26,555.

##### **ALL OTHER ACCOUNTANT FEES**

The aggregate fees billed for each of Fiscal Year 2002 and Fiscal Year 2003 for other professional services rendered by our principal accountants are approximately as follows: Fiscal Year 2002: \$ 9,300; Fiscal Year 2003: \$ 7,587.

**ABLEAUCTIONS.COM, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2003**

**HLB** Cinnamon Jang Willoughby & Company

Chartered Accountants

*A Partnership of incorporated Professionals*

## **INDEPENDENT AUDITORS REPORT**

To the Directors and the Stockholders of Ableauctions.com, Inc.:

The financial statements as at December 31, 2002 were audited by another firm of Chartered Accountants who expressed an opinion without reservation on those statements in their report dated March 18, 2003.

We have audited the accompanying consolidated balance sheet of Ableauctions.com, Inc. as at December 31, 2003, and the consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform an audit to obtain reasonable assurances about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, these consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as at December 31, 2003, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Cinnamon Jang Willoughby & Company

Chartered Accountants

Burnaby, BC

March 25, 2004

MetroTower II Suite 900 4720 Kingsway, Burnaby, BC Canada V5H 4N2 Telephone +1 604 435 4317 Fax +1 604 435 4319

**ABLEAUCTIONS.COM, INC.****CONSOLIDATED BALANCE SHEET**

	<b><u>DECEMBER 31</u></b>	
	<b>2003</b>	<b>2002</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 738,226	\$ 169,307
Short-term investments (market: \$2,901,913)	<b>2,877,201</b>	-
Accounts receivable trade, net of allowance	<b>467,195</b>	387,184
Loans receivable	<b>214,614</b>	-
Inventory	<b>411,966</b>	107,710
Prepaid expenses	<b>39,780</b>	93,462
Current portion of notes receivable	<b>78,416</b>	64,444
	<b>4,827,398</b>	822,107
<b>Notes Receivable</b> (Note 4)	<b>65,347</b>	118,147
<b>Investment In And Advances To Joint Venture</b> (Note 6)	<b>131,316</b>	93,811
<b>Fixed Assets</b> (Note 5)	<b>413,858</b>	573,328
	<b>\$ 5,437,919</b>	\$ 1,607,393
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	<b>182,170</b>	684,542
Deferred revenue	<b>55,098</b>	-
Due to related party (Note 7)	-	199,679
	<b>237,268</b>	884,221



**STOCKHOLDERS EQUITY (DEFICIENCY)**

**Capital Stock**

Authorized:

62,500,000 common shares with a par value of \$0.001

Issued and outstanding:

49,846,020 common shares at December 31, 2003

28,726,449 common shares at December 31, 2002

Additional paid-in capital

<b>49,845</b>	28,726
<b>30,972,186</b>	26,741,337

**Deferred Compensation**

<b>(46,161)</b>	(97,674)
-----------------	----------

**Deficit**

<b>(25,790,199)</b>	(25,934,715)
---------------------	--------------

**Accumulated Other Comprehensive Income (Loss)**

<b>14,980</b>	(14,502)
---------------	----------

**Contingent Liabilities** (Note 17)

<b>5,200,651</b>	723,172
------------------	---------

<b>\$ 5,437,919</b>	<b>\$ 1,607,393</b>
---------------------	---------------------

Approved By The Directors:

Abdul Ladha

Barrett Sleeman

**ABLEAUCTIONS.COM, INC.**

**CONSOLIDATED STATEMENT OF OPERATIONS**

	<b><u>YEAR ENDED DECEMBER 31</u></b>	
	<b>2003</b>	<b>2002</b>
<b>Net Revenues</b>		
Sales	\$ 764,207	\$ 724,571
Commissions	13,895	78,164
	<b>778,102</b>	802,735
<b>Cost of Revenues</b>	<b>335,163</b>	294,909
<b>Gross Profit</b>	<b>442,939</b>	507,826
<b>Operating Expenses</b>		

Edgar Filing: ABLEAUCTIONS COM INC - Form 10KSB/A

Accounting and legal	59,720	227,532
Advertising and promotion	62,733	27,279
Automobile and travel	17,836	29,251
Bad debts	82,814	-
Commission	7,219	17,171
Consulting	110,644	69,191
Depreciation and amortization of fixed assets	114,610	189,935
Insurance	54,003	54,690
Interest	8,520	247,879
Investor relations and shareholder information	3,568	35,404
Management fees	71,054	144,572
Office and administration	33,813	68,165
Rent, utilities and maintenance	90,906	57,254
Salaries and benefits	163,954	370,646
Telephone	10,895	12,193
Website and internet maintenance	50,277	138,948
	<b>942,566</b>	<b>1,690,110</b>
<b>Loss Before Other Items</b>	<b>(499,627)</b>	<b>(1,182,284)</b>
<b>Other Items</b>		
Share of net income of joint venture	30,362	2,786
Interest income	60,095	290
Expense recovery	225,927	-
Foreign exchange gain (loss)	147,000	(4,050)
Gain on disposal of fixed assets	-	8,654
	<b>463,384</b>	<b>7,680</b>
<b>Loss From Continuing Operations</b>	<b>(36,243)</b>	<b>(1,174,604)</b>
<b>Gain (Loss) On Disposition Of Subsidiaries And Businesses (Note 9)</b>	<b>180,115</b>	<b>303,366</b>
<b>Income (Loss) From Discontinued Operations</b>	<b>644</b>	<b>(445,399)</b>
<b>Income (Loss) for The Year</b>	<b>\$ 144,516</b>	<b>\$ (1,316,637)</b>

**Basic and Diluted Loss Per Share**

Edgar Filing: ABLEAUCTIONS COM INC - Form 10KSB/A

Loss from continuing operations	\$	(0.001)	\$	(0.044)
Income (Loss) for the year	\$	0.004	\$	(0.049)
Weighted average Number Of Shares Outstanding		<b>34,498,358</b>		26,653,214

**ABLEAUCTIONS.COM, INC.**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS**

	<b><u>YEAR ENDED DECEMBER 31</u></b>	
	<b>2003</b>	<b>2002</b>
<b>Income (Loss) For The Year</b>	<b>\$ 144,516</b>	<b>\$ (1,316,637)</b>
<b>Other Comprehensive Income</b> , net of tax		
Foreign currency translation adjustments	<b>29,482</b>	<b>24,370</b>
<b>Consolidated Comprehensive Income (Loss)</b>	<b>\$ 173,998</b>	<b>\$ (1,292,267)</b>
<b>Basic and Diluted Comprehensive Income (Loss) Per Share</b>	<b>\$ 0.005</b>	<b>\$ (0.048)</b>

**ABLEAUCTIONS.COM, INC.**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b><u>YEAR ENDED DECEMBER 31</u></b>	
	<b>2003</b>	<b>2002</b>
<b>Cash Flows From Operating Activities</b>		
Loss for the year from continuing operations	\$ (36,243)	(1,174,604)
Non-cash items included in let loss:		
Depreciation and amortization	114,610	189,935
Bad debts	-	988
Gain on disposal of fixed asset	-	(8,654)
Interest on deferred compensation notes	-	241,755
Stock based compensation	193,529	105,873
Shares issued for other than cash	-	157,276
Joint venture share of income	(30,362)	(2,786)
	<b>241,354</b>	<b>(490,217)</b>
Changes in operating working capital items:		
(Increase) Decrease in accounts receivable	(104,048)	(556,116)
(Increase) Decrease in inventory	(328,337)	(48,593)
Increase (Decrease) in prepaid expenses	(9,728)	52,637
Increase (Decrease) in accounts payable and accrued liabilities	(240,375)	(69,259)
Increase in deferred revenue	55,098	-
	<b>(385,856)</b>	<b>(1,111,548)</b>
<b>Cash Flows From Investing Activities</b>		

Edgar Filing: ABLEAUCTIONS COM INC - Form 10KSB/A

Purchase of fixed assets, net	(13,518)	(18,131)
Proceeds on sale of fixed assets	-	14,744
Proceeds on disposition of subsidiaries, net cash divested	38,905	-
Proceeds on disposition of building	-	1,700,000
Purchase of short-term investments	(2,877,201)	-
Loan advances	(214,614)	-
Investment in joint venture	46,019	(91,025)
Note receivable	38,828	100,000
	(2,981,581)	1,705,588
<b>Cash Flows from Financing Activities</b>		
Repayment of promissory note	-	(1,040,310)
Advances from (repayments to) related party, net	(199,679)	199,679
Issuance of share capital	1,050,000	-
Exercise of warrants	337,820	-
Exercise of stock options	2,917,211	-
Share issuance costs	(195,079)	(7,497)
	3,910,273	(848,128)
<b>Change In Cash And Cash Equivalents For The Year</b>	<b>542,836</b>	<b>(254,088)</b>
<b>Net Cash Used In Discontinued Operations</b>	<b>(3,399)</b>	<b>(274,804)</b>
<b>Cash and Cash Equivalents Beginning Of Year</b>	<b>169,307</b>	<b>673,829</b>
<b>Effect Of Exchange Rates On Cash</b>	<b>29,482</b>	<b>24,370</b>
<b>Cash And Cash Equivalents, End of Year</b>	<b>\$ 738,226</b>	<b>\$ 169,307</b>

**Supplemental Disclosures With Respect To Cash Flows (Note 13)**

**ABLEAUCTIONS.COM, INC.**

**CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY**

**DECEMBER 31, 2003**

<b><u>COMMON STOCK</u></b>		<b>ADDITIONAL PAID-IN CAPITAL</b>	<b>ACCUMULATED OTHER COMPRE-HENSIVE INCOME</b>	<b>DEFERRED OPTION PLAN COMPEN-SATION</b>	<b>TOTAL STOCK-HOLDERS EQUITY</b>		
<b>SHARES</b>	<b>AMOUNT</b>				<b>DEFICIT</b>		
	25,127,020	\$25,127	\$23,439,124	\$(38,872)	\$(309,885)	\$(24,618,078)	\$(1,502,584)



## Edgar Filing: ABLEAUCTIONS COM INC - Form 10KSB/A

Balance, December 31, 2001							
Common stock issued for debt	2,853,002	2,853	3,217,855	-	-	-	3,220,708
Common stock issued for services	746,427	746	172,966	-	-	-	173,712
Warrants issued for services	-	-	17,730	-	-	-	17,730
Deferred option plan compensation	-	-	(106,338)	-	106,338	-	-
Stock based compensation	-	-	-	-	105,873	-	105,873
Translation adjustment	-	-	-	24,370	-	-	24,370
Loss for the year	-	-	-	-	-	(1,316,637)	(1,316,637)
Balance, December 31, 2002	28,726,449	28,726	26,741,337	(14,502)	(97,674)	(25,934,715)	723,172
Private placement (Note 12a)	2,400,000	2,400	1,047,600	-	-	-	1,050,000
Share issuance costs	-	-	(195,079)	-	-	-	(195,079)
Private placement (Note 12b)	-	-	-	-	-	-	-
Exercise of warrants	648,571	649	337,171	-	-	-	337,820
Exercise of stock options	18,070,000	18,070	2,899,141	-	-	-	2,917,211
Deferred option plan compensation	-	-	-	-	51,513	-	51,513
Stock based compensation	-	-	142,016	-	-	-	142,016
Translation adjustment	-	-	-	29,482	-	-	29,482
Income for the year	-	-	-	-	-	144,516	144,516
Balance, December 31, 2003	<b>49,845,020</b>	\$49,845	\$30,972,186	\$14,980	\$(46,161)	\$(25,790,199)	\$5,200,651

**ABLEAUCTIONS.COM, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2003**

**1.**

**HISTORY AND ORGANIZATION OF THE COMPANY**

Ableauctions.com, Inc. (the 'Company') was organized on September 30, 1996, under the laws of the State of Florida, as J.B. Financial Services, Inc. On July 19, 1999, an Article of Amendment was filed with the State of Florida for the change of the Company's name from J.B. Financial Services, Inc. to Ableauctions.com, Inc.

The Company's primary business activity is as a high-tech business-to-business and consumer auctioneer that conducts its auctions live and simultaneously broadcasts over the Internet. The Company liquidates a broad range of computers, electronics, office equipment, furniture and industrial equipment that it acquires through bankruptcies, insolvencies and defaults.

The Company's wholly-owned subsidiaries at December 31, 2003 were:

Able Auctions (1991) Ltd., operating a Canadian-based auction business.

Ableauctions.com (Washington) Inc., operating a U.S.-based auction business.

652297 B.C. Ltd. ( ANO ), operating a Canadian-based hardware and network services business

Rapidfusion Technologies Inc., a Canadian-based internet auction business

Jarvis Industries Ltd., a Canadian-based auction house.

ICollector.com Technologies Ltd., a Canadian-based internet auction business.

ICollector International Ltd., a US-based internet auction business.

**2.**

## **GOING CONCERN**

The Company's financial statements are prepared using the generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. However, the Company is in the process of expansion and its operating expenses exceed its revenues. Without realization of additional capital or the attainment of profitable operations, it would be unlikely for the

Company to continue as a going concern. It is management's plan to seek additional capital through equity financing.

	2003	2002
Deficit	\$ (25,790,199)	\$ (25,934,715)

3.

### **SIGNIFICANT ACCOUNTING POLICIES**

a)

#### Principles of Consolidation

These consolidated financial statements include the accounts of Ableauctions.com, Inc. and its wholly owned subsidiaries, from the dates of acquisition.

b)

#### Foreign Currency Translation

The Company accounts for foreign currency transactions and translation of foreign currency financial statements under Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation" ("SFAS 52"). Transaction amounts denominated in foreign currencies are translated at exchange rates prevailing at transaction dates. Carrying values of monetary assets and liabilities are adjusted at each balance sheet date to reflect the exchange rate at that date. Non-monetary assets and liabilities are translated at the exchange rate on the original transaction date. Gains and losses from restatement of foreign currency monetary and non-monetary assets and liabilities are included in income. Revenues and expenses are translated at the rates of exchange prevailing on the dates such items are recognized in earnings.

Financial statements of the Company's Canadian subsidiaries (see Note 1) are translated into U.S. dollars using the exchange rate at the balance sheet date for assets and liabilities. The Company's investments in the structural capital of the Canadian subsidiaries have been recorded at the historical cost in U.S. dollars. The resulting gains or losses are reported as a separate component of stockholders' equity. The functional currency of the Canadian subsidiaries, is the

local currency, the Canadian dollar.

c)

#### Use of Estimates

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

d)

#### Cash and Cash Equivalents

Cash and cash equivalents includes highly liquid investments with original maturities of three months or less.

e)

#### Short-term investments

Short-term investments are recorded at the lesser of cost and estimated net realizable value.

f)

#### Financial Instruments

The carrying amounts of financial instruments including cash and cash equivalents, accounts receivable, note receivable, accounts payable and accrued liabilities, and amounts due to related party, approximated fair value at December 31, 2003.

g)

## Inventory

Inventory is stated at the lower of cost and estimated net realizable value.

h)

## Software Development

The Company has adopted Statement of Position 98-1 ("SOP 98-1"), "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use", as its accounting policy for internally developed computer software costs. Under SOP 98-1, computer software costs incurred in the preliminary development stage are expensed as incurred. Computer software costs incurred during the application development stage are capitalized and amortized over the software's estimated useful life.

i)

## Fixed Assets, Depreciation and Amortization

Fixed assets are recorded at cost. The cost of fixed assets is depreciated using the declining balance method at the following annual rates:

Furniture, fixtures and equipment	20%
Computer equipment	10%
Computer software	10%
Vehicles	30%

Leasehold improvements are amortized using the straight-line method over the terms of the leases.

Effective July 1, 2003, the Company decreased the amortization rates of the computer equipment and software from 30% to 10% to more accurately reflect the estimated useful lives of these assets.

j)

#### Impairment of Long-Lived Assets

The Company periodically evaluates potential impairments of its long-lived assets, including intangibles. When the Company determines that the carrying value of long-lived assets may not be recoverable based upon the existence of one or more indicators of impairment, the Company evaluates the projected undiscounted cash flows related to the assets. If these cash flows are less than the carrying value of the assets, the Company measures the impairment using discounted cash flows or other methods of determining fair value.

Long-lived assets to be disposed of are carried at the lower of cost or fair value less estimated costs of disposal.

k)

#### Investment in Joint Venture

The Company accounts for its investment in joint venture on an equity basis.

l)

#### Revenue Recognition

The Company's net revenues result from fees and revenue associated with internet based listing fees and auction activities. Internet related listing fees are derived principally from enabling independent auction houses to simultaneously broadcast their auctions over the Internet. These fees are recognized upon successful completion of each individual auction when the final terms of sales and commissions have been determined.

The Company generally earns revenues from its auction activities either through consignment sales, or through sales of inventory purchased by the Company. For consignment sales, the Company earns auction fees charged to consignees, and buyer's premiums charged to purchasers, determined as a percentage of the sale price. For inventory sales, the Company earns a profit or incurs a loss on the sale, to the extent the purchase price exceeds or is less than the purchase price paid for such inventory.

For each type of auction revenue, an invoice is rendered to the purchaser, and revenue is recognized by the Company, at the date of the auction. The auction purchase creates a legal obligation upon the purchaser to take possession of,

and pay for the merchandise. This obligation generally provides the Company with reasonable assurance of collection of the sale proceeds, from which the Company's earnings are derived, including the fees from consignees and purchasers, as well as resale profits.

m)

#### Acquisitions and Goodwill

All business acquisitions have been accounted for under the purchase method and, accordingly, the excess of the purchase price over the fair value of the net assets acquired has been recorded as goodwill in the consolidated balance sheet. The results of operations, changes in equity and cash flows of acquired companies are included in operations only for the period between the date of acquisition and the end of the financial year.

All goodwill arising from acquisitions of businesses was written off in previous periods.

n)

#### Advertising Costs

The Company recognizes advertising expenses in accordance with Statement of Position 98-7, "Reporting on Advertising Costs". As such, the Company expenses the cost of communicating advertising in the period in which the advertising space or airtime is used.

o)

#### Loss Per Share

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share" ("SFAS 128"). Under SFAS 128, basic and diluted earnings per share are to be presented. Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding in the period. Diluted earnings per share takes into consideration common shares outstanding (computed under basic earnings per share) and potentially dilutive common shares.

p)



## Income Taxes

Income taxes are provided in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes". A deferred tax asset or liability is recorded for all temporary differences between financial and tax reporting and net operating loss carryforwards. Deferred tax expense (benefit) results from the net change during the year of deferred tax assets and liabilities.

Deferred tax assets are reduced by a valuation allowance when, based upon currently available information, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

q)

## Segmented information

Statement of Financial Accounting Standards No. 131, "Disclosures About Segments of an Enterprise and Related Information", establishes standards for reporting information about the operating and geographic segments of the Company's business. Currently, the nature and extent of the Company's operations are such that it operates in only one reportable segment, as an auction house and liquidator. Information regarding the Company's geographic segments is set forth in Note 18.

r)

## Stock Based Compensation

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," encourages, but does not require, companies to record compensation cost for stock-based employee compensation plans at fair value. The Company has chosen to account for stock-based compensation using Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." Accordingly compensation cost for stock options is measured as the excess, if any, of the quoted market price of the Company's stock at the date of the grant over the amount an employee is required to pay for the stock.

4.

## NOTE RECEIVABLE

	<b>2003</b>	2002
i) Note receivable, repayable \$5,338 per month, without interest, due July 31, 2005, secured by the pledge and escrow to the Company of the shares from the purchaser of the assets of AbleAuctions (1991) Ltd.	<b>\$ 143,763</b>	\$ 182,591
Less: Current portion	<b>78,416</b>	64,444
	<b>\$ 65,347</b>	\$ 118,147

**5.****FIXED ASSETS**

	<b><u>2003</u></b>		<b><u>2002</u></b>	
	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE	NET BOOK VALUE
Furniture and fixtures	\$ 42,527	\$ 22,544	<b>\$ 19,983</b>	\$ 48,248
Computer equipment	1,070,831	784,230	<b>286,601</b>	352,930
Computer software	161,122	135,850	<b>25,272</b>	53,204
Vehicles	7,736	3,162	<b>4,574</b>	15,202
Leasehold improvements	103,948	26,520	<b>77,428</b>	103,744
	<b>\$ 1,389,164</b>	<b>\$ 972,306</b>	<b>\$ 413,858</b>	<b>\$ 573,328</b>

**6.****INVESTMENT IN AND ADVANCES TO JOINT VENTURE**

The Company has entered into a joint venture with three of its directors to acquire certain inventory for resale. This arrangement was entered into by the Company with its directors due to the lack of capital available to finance the transaction. Effective March 31, 2003, the Company's share of the joint venture increased from 27% to 54%. The Company paid \$91,025 to the joint venture for its initial investment, and an additional amount of \$60,000 for the increased investment. For the year ended December 31, 2003, the Company's share of net profit from the joint venture was \$30,362 (2002: \$2,786).

7.

#### **DUE TO RELATED PARTY**

At December 31, 2002, the Company was indebted to a director of the Company in the amount of \$199,679, repayable on demand with interest at 10% per annum, secured by a General Security Agreement against the assets of the Company. The full amount was repaid during the 2003 year.

8.

#### **FAILED ACQUISITION**

During the year ended December 31, 2001, the Company acquired all of the issued and outstanding shares of iCollector PLC ( iCollector ) for consideration as follows:

i)

The issue of 4,150,357 shares of common stock at a value of \$5,935,014.

ii)

The issue of non-interest bearing and unsecured promissory notes ( deferred consideration notes ) for a face amount of \$2,988,258, repayable September 13, 2002 and convertible into shares of common stock of the Company at \$1.43 per share at the option of the Company. During 2002, the Company issued 2,090,134 common stock in payment of the debt and accrued interest amounting to \$2,992,503.

iii)

The total recorded cost to the Company of the acquisition including transaction costs of \$342,797, was \$8,957,281. In December 2001, the Company realized that it was not able to finance the ongoing operations of iCollector and, as a result, the Company was placed into formal liquidation. The investment, net of reimbursed expenses by iCollector, was written off as loss from failed acquisition in 2001.

1.

**DISCONTINUED OPERATIONS**

a) Effective January 1, 2003 the Company sold its 100% interest in Ehli s Commercial/Industrial Auctions, Inc. ( Ehli s ), for consideration of \$154,000. A balance of \$94,000 was received in April 2003. The remaining balance of \$60,000 was settled as described in Note 13.

The carrying value of assets and liabilities of Ehli s at the date of sale was as follows:

Cash	\$ 139,658
Other assets	170,208
Liabilities	(412,899)
	\$ (103,033)

The revenue and expenses of Ehli s for the year ended December 31, 2002 have been presented as discontinued operations.

b)

During the year ended December 31, 2002, the Company disposed of certain of the assets and liabilities of its subsidiary company, Able Auctions (1991) Ltd. The purchase price of \$192,162 is payable \$5,338 per month for three years, without interest, commencing October 1, 2002, and is evidenced by a promissory note and secured by the pledge and escrow of certain shares of Able Auctions (1991) Ltd. The purchaser assumed all of the indebtedness, accounts receivable and inventory incurred with respect to the operation.

The carrying values of assets and liabilities of Able Auctions (1991) Ltd. that were sold were as follows:

Receivable	\$ 41,744
Inventory	102,858
Other assets	186,696
Liabilities	(518,777)
	\$ (187,479)

The revenues and expenses related to the above operation of Able Auctions (1991) Ltd. until August 1, 2002 are included in discontinued operations.

The Company received additional proceeds of sale of \$84,563 during the 2003 year, which have been included in Gain on Disposition of Subsidiaries.

c)

The Company abandoned its operations in Arizona and San Francisco in July 2002 and August 2002, respectively. The losses incurred from these operations are included in the discontinued operations.

On July 17, 2002, the Company entered into an agreement to sell its Arizona building for \$1,700,000. The selling price for the Company's entire Arizona property was \$400,000 in cash, \$1,000,000 by the assumption of a mortgage on the property, and the balance \$287,500 as receivable, payable in May 2003. The Company incurred a loss of \$139,874 on the disposal of Arizona property. This loss is included in discontinued operations.

**10.**

## **BUSINESS ACQUISITIONS**

Effective September 1, 2003, the Company entered into agreements to acquire 100% of the shares of Rapidfusion Technologies Inc. ( Rapidfusion) for a purchase price of \$10, 100% of the shares of 652297 B.C. Ltd. (ANO Office Automation ( ANO )) for a purchase price of \$5. There were no material assets acquired or liabilities assumed on the acquisition of Rapidfusion or ANO.

The consolidated statements of operations and deficit and cash flows include the results of operations and cash flows of Rapidfusion and ANO from the acquisition date.

## 11.

### WARRANTS

The Company has issued warrants entitling the holders to acquire common shares of the Company. A summary of changes in unexercised warrants during the 2003 and 2002 years is presented below:

	Warrants @\$0.40	Warrants @\$0.54	Warrants @\$0.44	Total
	(1)	(2)	(3)	
Outstanding, Jan 1, 2002	-	-	-	-
Granted during year	100,000	-	-	100,000
Outstanding, Dec 31, 2002	100,000	-	-	100,000
Granted during year	-	720,000	100,000	820,000
Exercised during year	(100,000)	(548,571)	-	(648,571)
Expired during year	-	-	-	-
Outstanding, Dec 31, 2003	-	171,429	100,000	271,429

(1) During the year ended December 31, 2002, the Company issued 100,000 warrants in exchange for legal services at a value of \$17,730. The warrants are convertible into common shares of the Company at a price of \$0.40 per share up to June 30, 2004. During the 2003 year all warrants were exercised.

(2) Exercisable until September 23, 2007, granted pursuant to private placement (Note 12(a))

(3) Exercisable until September 4, 2007, granted to agent for consulting services.

**12.**

**CAPITAL STOCK**

a)

On September 23, 2003, the Company completed a private placement of 2,400,000 units at a price of \$0.4375 per unit for gross proceeds of \$1,050,000. Each unit consists of one common share of the Company and 0.30 of a transferable share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company for a term of 4 years, at a price of \$0.5429 a share.

b)

Effective December 30, 2003, the Company completed a private placement of 4,615,386 units at a price of \$0.65 per unit for gross proceeds of \$3,000,000. The full amount net of share issuance costs was received in January 2004. At December 31, 2003 the shares and cash were held in escrow and are consequently not reported as issued shares at that date. Each unit consists of one common share of the Company and 0.30 of a transferable share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company for a term of 4 years, at a price of \$0.8021 a share. In connection with the private placement, the agent was granted broker warrants to acquire up to 100,000 common shares of the Company at an exercise price of \$0.8021 per share for a term of 4 years. The company will recognize share issue costs of \$19,478 upon completion of the transaction representing the estimated fair market value of the warrants.

**13.**

**SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS**

	<b>2003</b>	<b>2002</b>
Cash paid for income taxes	\$ -	\$ -
Cash paid for interest	\$ 8,520	\$ 247,879

During the year ended December 31, 2003:

a)

The Company recorded \$193,529 as stock compensation expense.

b)

The Company acquired an additional interest in the joint venture described in Note 6 at a cost of \$60,000 in consideration for which it cancelled a receivable for proceeds on the sale described in Note 9(a).

During the year ended December 31, 2002:

a)

The Company issued 2,853,002 shares of common stock for settlement of accounts payable and deferred consideration notes totalling \$3,220,708.

b)

The Company issued 746,427 shares of common stock for consulting, professional fees and compensation totalling \$173,712.

c)

The Company recorded \$105,873 as stock compensation expense.

## **14.**

### **INCOME TAXES**



The Company has net operating losses carried forward of approximately \$12,463,000 which expire in years ranging from 2007 to 2023. The Company has provided a full valuation allowance of approximately \$4,736,000 on the deferred tax asset because of the uncertainty of realizability.

15.

**RELATED PARTY TRANSACTIONS**

During the year ended December 31, 2003, the following payments were made to a company controlled by a director:

	<b>2003</b>	2002
Rent, leasehold improvements, and repairs and maintenance	\$ 72,200	\$ 123,454
Management fees	71,054	144,572

Of the amount paid for rent in 2002, \$37,902 is included in discontinued operations.

16.

**STOCK BASED COMPENSATION**

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation", encourages but does not require companies to record compensation cost for stock-based employee compensation plans at fair value.

The Company has chosen to account for stock-based compensation using Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees". Accordingly, compensation cost for employee stock options is measured as the excess, if any, of quoted market price of the Company's stock at the date of grant over the option price.

During the 2003 year, non-employee stock options were granted. Total compensation costs of \$142,016 (2002 \$106,338) were incurred based on options granted. Options granted during the 2003 year vested immediately.

Edgar Filing: ABLEAUCTIONS COM INC - Form 10KSB/A

During the year ended December 31, 2003, stock based compensation expense of \$193,529 (2002 - \$105,873) was recognized in the consolidated statement of operations.

A summary of the Company's stock option plan and changes during 2003 and 2002 are presented below:

	<u>2003</u>		<u>2002</u>	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted average Exercise Price
Outstanding, beginning of year	4,305,000	\$ 0.10	1,221,500	\$ 4.76
Granted	16,310,000	0.20	4,605,000	0.10
Exercised	(18,070,000)	0.17	-	-
Forfeited/Cancelled	-	-	(1,521,500)	3.84
Outstanding, end of year	2,545,000	\$ 0.28	4,305,000	\$ 0.10
Weighted average fair value of options granted during the year		\$ 0.01		\$ 0.07

The following table summarizes information about stock options outstanding and exercisable at December 31, 2003:

Exercise Price	Weighted Number Outstanding	Average Remaining Contractual Life	Number Exercisable
\$ 0.15	620,000	1.75 years	620,000
0.32	1,925,000	4.43 years	1,925,000
	2,545,000		2,545,000

Compensation

Had compensation cost been recognized in respect to employee stock options on the basis of fair value, pursuant to Statement of Financial Accounting Standards No. 123, net income (loss) and income (loss) per share would have been adjusted as follows:

	<b>2003</b>	2002
Income (Loss) for the year		
As reported	\$ <b>144,516</b>	\$ (1,316,637)
Pro-Forma	\$ <b>79,515</b>	\$ (1,343,850)
Basic and diluted loss per share		
As reported	\$ <b>0.004</b>	\$ (0.049)
Pro-Forma	\$ <b>0.002</b>	\$ (0.050)

The fair value of employee and non-employee options granted during the 2003 year was estimated using the Black-Scholes option pricing model assuming a dividend yield of 0.0%, expected volatility of 40%, risk free interest rate of 1% and weighted average expected option terms of 5 years.

17.

**CONTINGENT LIABILITIES**

a)

The Company is a defendant in a legal action commenced by a trade creditor of the Company. The ultimate liability, if any, arising from this action is not presently determinable and will be recorded at the time of that determination.

b)

The Company is a defendant in several legal actions commenced by certain trade creditors of its wholly-owned US subsidiary. The ultimate liability, if any, arising from this action is not presently determinable and will be recorded at

the time of that determination.

c)

The Company has commenced a lawsuit against a former officer for breach of fiduciary duty. Any gain arising from this action is not presently determinable and will be recorded at the time of that determination.

18.

### SEGMENTED INFORMATION

The external sales and long-lived assets of the Company's businesses by geographical region are summarized below:

	<b>2003</b>	2002
External Sales		
United States	\$ <b>27,910</b>	\$ -
Canada	<b>750,192</b>	802,735
	\$ <b>778,102</b>	\$ 802,735
Long-Lived Assets		
United States	\$ -	\$ 152,189
Canada	<b>610,521</b>	633,097
	\$ <b>610,521</b>	\$ 785,286

19.

### RECENT ACCOUNTING PRONOUNCEMENTS

In August 2001, the Financial Accounting Standards Board ( FASB ) issued Statement No. 144 Accounting for the Impairment or Disposal of Long-Lived Assets , which supersedes FASB Statement No. 121 Accounting for the

Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of . The basis for the recognition and measurement model under SFAS 121 for assets held for use and held for sale has been retained. SFAS 144 removes goodwill from its scope, thus eliminating SFAS 121's requirement to allocate goodwill to long-lived assets to be tested for impairment. The accounting for goodwill now is subject to the provisions of SFAS 141/142 on business combinations, goodwill and other intangible assets. SFAS 144 provides guidance on differentiating between assets held and used, held for sale, and held for disposal other than by sale. SFAS 144 continues to require a three-step approach for recognizing and measuring the impairment of assets to be held and used. SFAS 144 is effective for financial statements issued for fiscal years beginning after December 15, 2001 and is to be applied prospectively. The Company does not expect the adoption of this statement will have a material impact on the Company's financial position, results of operations or liquidity.

**SIGNATURES**

In accordance with Section 13 or 15(d) of the Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 29, 2004

/s/ Abdul Ladha  
Abdul Ladha, President

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<p><u>/s/ Abdul Ladha</u> Abdul Ladha</p>	<p>Chairman of the Board, Chief Executive Officer and Director  (Principal Executive Officer)</p>	<p>March 29, 2004</p>
<p><u>/s/ Abdul Ladha</u> Abdul Ladha</p>	<p>Interim Chief Financial Officer  (Principal Financial Officer and Accounting Officer)</p>	<p>March 29, 2004</p>
<p><u>/s/ Barrett Sleeman</u> Barrett Sleeman</p>	<p>Director</p>	<p>March 29, 2004</p>
<p><u>/s/ Dr. David Vogt</u> Dr. David Vogt</p>	<p>Director</p>	<p>March 29, 2004</p>

/s/ Michael Boyling

March 29, 2004

Michael Boyling

Director