

Stockgroup



Financial data
solutions

Empowering
investors

Connecting
companies

www.stockgroup.com



Dear Shareholders,

At the beginning of 2004 Stockgroup set a course focused on four main objectives.

- 1 To achieve a stronger financial position as outlined by positive operating results, including consecutive revenue growth, consistent positive cash flow, and positive net income.
- 2 To gain traction in target markets.
- 3 To continue to grow and support our sales channel strategy.
- 4 To increase the size of our offering with our larger Financial Services and Media clients.

Review of Objectives 2004

Our Financial Position

Management is pleased that the company's financial position has strengthened as follows:

- Eight consecutive quarters of revenue growth, and a 60% increase in revenue year over year.
- An improvement of over \$900,000 (USD) in operating cash flow, three out of four quarters of positive net earnings including a net profit for the year.
- Grew cash, assets and shareholders' equity while remaining debt free.
- Ended year with over \$1.8 million (USD) in cash and cash equivalents.

Target Market Traction

The business model has gained traction in target markets as supported by:

- A 69% increase in revenues from advertising services over the previous year when the industry increased 27% (source: Jupiter Research)
- The StockHouse brand garnered significant success with advertising agencies and media buyers generating orders from leading advertisers such as Cadillac, HSBC, Franklin Templeton, Altamira, Ameritrade Canada, E*Trade, Refco, Talvest, Trade Freedom, US Global Investors, Buick, CIBC, Export Development Canada, and many others. Stockgroup ended the year with the largest quarter of advertising revenue in its history.
- A 45% increase in revenues from Financial Software and Content Systems (licensing) over the previous year Stockgroup continued to sign top tier clients such as Canaccord Capital, National Bank, Union Bank of California, State Farm, Seattle Times, Pittsburgh Post-Gazette and many others.
- Stockgroup strengthened its sales team by opening a new office in New York. US sales increased 25% to over \$1.9 million (USD) year over year.
- Strengthened sales team by adding sales professionals in our Toronto and Vancouver offices.
- Canadian sales increased 104% to more than \$2.8 million (USD) year over year.

Sales Channel Strategy

To continue to grow and support our sales channel strategy:

- During the year a material breakthrough in the Associated Press partnership was not achieved. Nonetheless, Stockgroup continued to make progress with our channel strategy signing a number of new clients.
- Stockgroup continued to innovate and change our products to better fulfill our media customers' needs. This included creating more personalized and localization ability to allow publishers to deliver a vibrant business channel focused on local companies and industries. Stockgroup continued to improve our print products and has developed a more integrated offering between print and online. We believe that the results of our efforts will be visible in the coming year.

Larger Offering

To increase the size of our offering with our larger Financial Services and Media clients.

- Although some success was achieved, which is evidenced by the increase in revenue for the year, Stockgroup was late in launching one of its new products due to an acquisition opportunity that was not successful. Stockgroup is strongly recommitted to achieving this goal in the coming year.

The turnaround in fiscal 2004 has positioned the company to take advantage of its solid fixed cost foundation. Now that the company has fully paid for its infrastructure and has passed the break-even point, incremental costs of future growth are very low. Shareholders will increasingly see a substantial portion of revenues go directly to the bottom line.

The Year Ahead: 2005

Based on the Company's successful business model, management believes continued and growing profitability will be driven by:

1 Product Innovation

Maintaining an innovative pipeline of products to:

- Drive traffic to the websites and increase status with advertisers.
- Increase the value of current client licensing arrangements.
- Make Stockgroup's services more appealing to new customers.

2 Enhanced Credibility

Enhancing credibility with advertising agencies through third party research and expanding advertising formats; thus increasing advertising status and revenue dollars per unit of inventory.

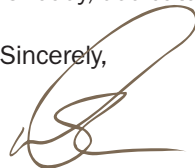
3 Increased North American Sales

Increasing the sales force across Canada and the United States by 30%; thus, driving new licensing agreements and increasing revenues from current licensing relationships.

At the end of 2005 Stockgroup expects to be a financially stronger company with increased operating cash flow, earnings and a strong pipeline of new innovative products. Further, management believes that Stockgroup will be a beneficiary of the rapid industry growth in online advertising and financial information outsourcing. As Stockgroup enters this year, I must extend my thanks for the dedicated effort of each member of the Stockgroup Team and the tremendous support of our shareholders without whom we would not have been able to achieve these goals.

On behalf of the entire Stockgroup Team, we thank you for your continued support. Our team is ready, dedicated, strong and committed to having our best year ever.

Sincerely,



Marcus New
CEO and President

2004 Financial Highlights (all USD)

Increased revenue 60% to \$4.8 million

Advertising services revenues increased 69% to \$3.1 million while the industry increased 27%

Licensing revenues increased 45% to \$1.7 million

Increased gross margin from 78% to 81%

Posted a net loss of \$1.6 million in the year previous vs. net earnings of \$15,623

Posted EPS of \$0.00 vs. a loss of \$0.06 in the previous year

Produced positive operating cash flow of \$0.5 million vs. (\$0.44) in the previous year

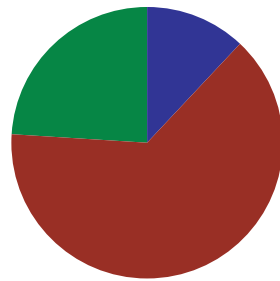
Ended the year with over \$1.8 million in cash and cash equivalents

The Company is debt free

The Company passed break-even

Every new dollar of revenue added will have a minimal impact on costs as Stockgroup's infrastructure can facilitate expedited growth with only minor staffing additions

Share Capital Breakdown

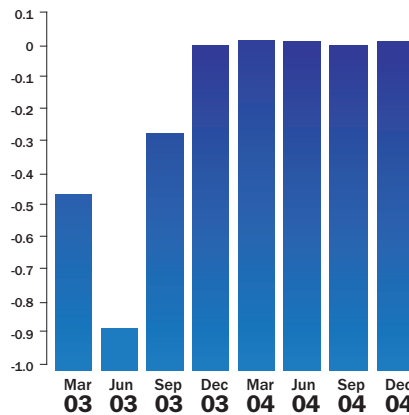


12%	Management & Board	4.1M
64%	Public Float	21.7M
24%	Institutions	8.1M
Shares Issued and Outstanding		33.9M

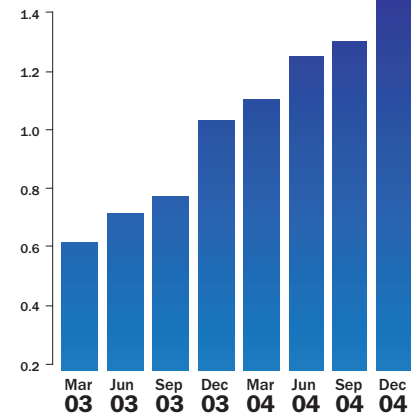
Financials (us\$)

	2002	2003	2004
Revenue	1,964,699	3,020,399	4,823,227
EBITDA	(699,540)	(348,460)	392,132
Net Income	(306,677)	(1,628,470)	15,623
Cash Flow from Operations	(430,867)	(415,748)	494,771
Cash and Cash Equivalents	539,970	1,400,195	1,837,012

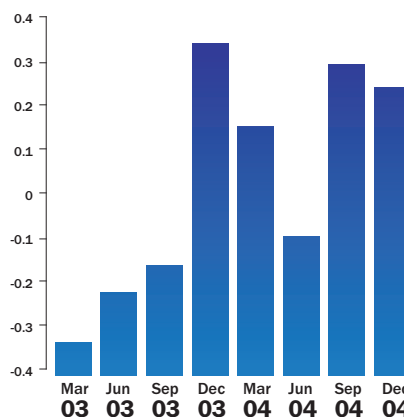
NET EARNINGS
(Millions \$USD)



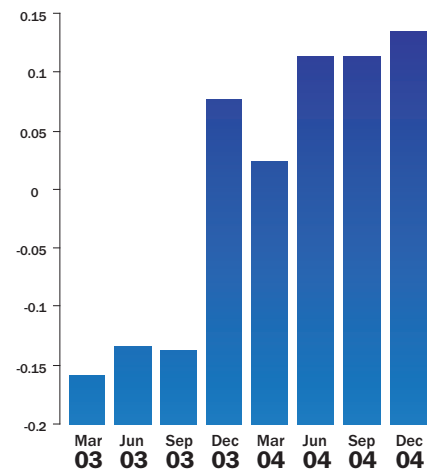
Quarterly Revenues
(Millions \$USD)



CASH FLOW FROM
OPERATIONS (Millions \$USD)



EBITDA (Millions \$USD)



Markets and Trends

According to Investrend (December 21, 2004), the estimated total market for Stockgroup's products is over \$600 Million (USD).

Online Advertising Market

The trend toward online advertising revenues can be summed up by the success of one company: Google. Although there is no physical limit to the number of web pages, advertisers want to be placed in high traffic areas. As such, high traffic sites, such as Stockhouse, are well positioned to capitalize on the growing flow of advertising dollars.

In 2004 the online advertising spending has been well over \$650 million (USD) per month.

Source: AdZone, November 2004

2004: The industry is now expected to grow at a compound annual rate of 12.8%, reaching \$13.3 billion (USD) in 2008.

The industry is estimated to grow to \$8.4 billion (USD) in 2004.

Source: Communications Industry Forecast & Report 2004-2008 by Veronis Suhler Stevenson

Financial Services Firms Are Outsourcing

Financial information is one of the most researched topics on the Internet. In management's opinion, many investment firms did not develop the proper technology and it is not economical to provide in-house solutions to customers. Today, 74% of investors research their investments online and are demanding the ability to see quotes, market depth, and obtain all information about potential investments from their brokerage service. This demand is forcing investment firms to quickly acquire the necessary technology to remain competitive in the industry.

Stockgroup has signed half of the top 30 investment firms in Canada and its United States clients include Union Bank of California, State Farm Mutual, CitiGroup (Alternative Investments), Kiplingers Personal Finance and Cuna Mutual.

Media Organizations Outsourcing Financial Information

Stock tables do not attract the same attention they once did. It is far easier to obtain quotes on the Internet. This means newsprint publishers are spending excess capital on printing tables in daily papers, when it would be far more cost effective to provide subscription access to financial information online.

Further, the publishing industry is facing cutbacks in subscriber bases and a dramatic erosion of its advertising base in favour of online competitors as consumers shift to receive financial news via the Internet. The shift in the industry is forcing media organizations to move into the online arena. Stockgroup has 22% of the top 50 American newspapers as clients, including the Dallas Morning News, Chicago Sun-Times and The Atlanta Journal Constitution. Stockgroup also has more than 30 TV stations as clients, including Time Warner Cable (Road Runner).

Peer Comparison

In November 2004, Dow Jones paid \$519 million (USD) to acquire MarketWatch over three other major companies who bid. MarketWatch had been profitable only since 2003, earning \$1.7 million in the first three quarters of 2004. In Management's opinion, SWEB is not far from reaching this level of profitability on far less revenue.

January 24, 2005 New York Times Article "Internet News Sites are back in Vogue," John Tinker, an analyst at ThinkEquity Partners said in context to the industry consolidation. "If you look around, there aren't that many ways to get into the Internet now. Either companies went out of business or have consolidated. You can't buy Yahoo. Who else is there?"

Stockgroup Clients

Current customers include: The Associated Press, The Canadian Press, Clear Channel Communications, MSN, National Bank of Canada, Octagon Capital, Dundee Securities, Union Bank of California, Research Capital, Laurentian Bank Securities, Credential Securities, Mackenzie Financial, Telus Mobility, Haywood Securities, Canaccord Capital, Kiplinger Personal Finance, Intrawest Corporation, Sun Life Assurance Company of Canada, Molson Coors Brewing Company, Placer Dome Inc., BFI Canada Income Fund, Enerplus Resources Fund, Terasen Inc., The Atlanta Journal-Constitution and many others.

Current advertisers include: Cadillac, HSBC, Franklin Templeton, Altamira, Ameritrade Canada, E*Trade, Refco, Talvest, Trade Freedom, US Global Investors, Buick, CIBC, Export Development Canada, and many others.

Business Mandate

Maintain organic growth of at least 50% per year.

Show quarter over quarter growth in profits and cash flow.

Strategic acquisitions.

Acquire new investment firm, financial institution, media and press clients.

Grow revenues through upgrading service offerings to the existing client base.

Capitalize on industry consolidation.

2005 Strategy to Reach Mandate

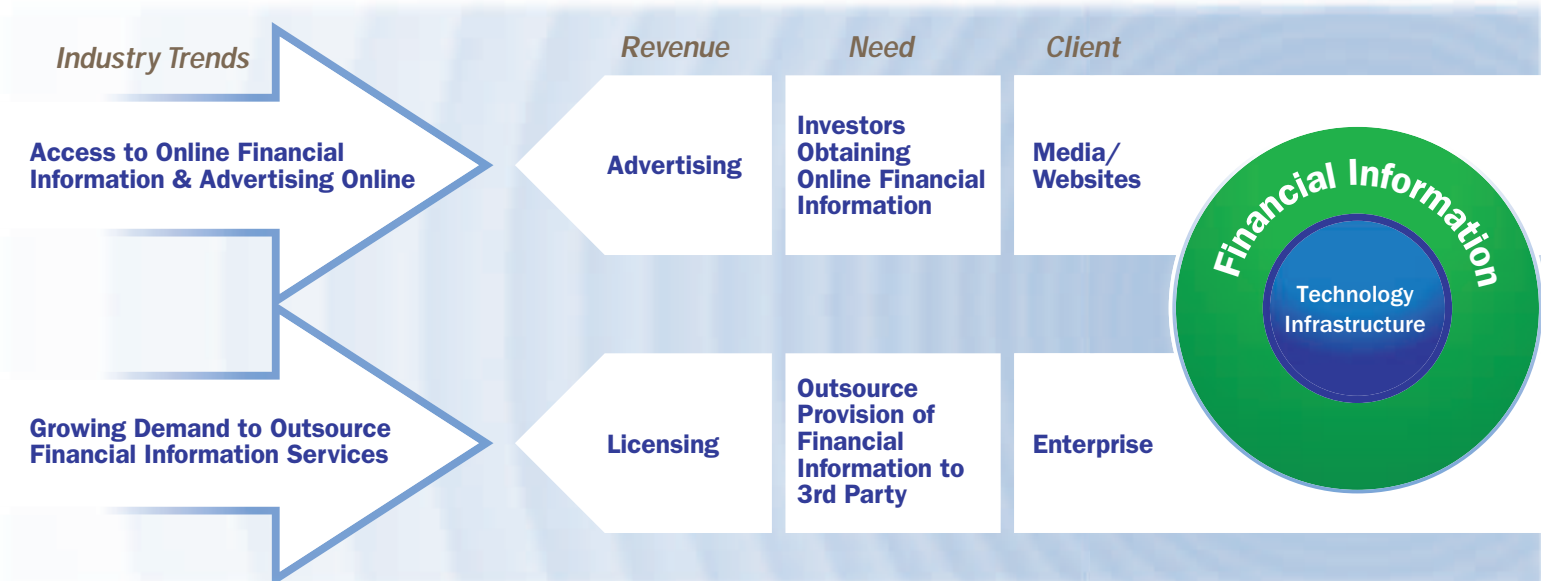
Our strategy for accomplishing the 2005 business mandate has three key components - product innovation, advertising credibility, and North American sales force development. By focussing our 2005 initiatives in these areas, we expect to meet our revenue and growth targets.

1. Maintain an innovative pipeline of products which will:

- Drive traffic to the websites and increase status with advertisers.
- Increase the value of current client licensing arrangements.
- Make Stockgroup's services more appealing to new subscribers.

2. Enhance credibility with advertising agencies through 3rd party research, thus increasing advertising status and revenue dollars per unit of inventory.

3. Increase the sales force across Canada and the United States by 30%, thus driving new licensing agreements and increasing revenues from current licensing relationships.



Investment Considerations

Internal Strengths

- 1 Strong management, which has strengthened the company by eliminating debt and building a strong cash position
- 2 65% of revenues are recurring
- 3 EBITDA and earnings positive
- 4 \$1.8 million (USD) in cash as at December 31, 2004
- 5 Strong relationships with many significant banking and investment firms in the financial services sector
- 6 Approximately eight investment funds have taken sizable positions in the company accounting for 25%+ of total issued stock
- 7 Stockgroup has maintained a world-class technology platform by investing over \$14 million (USD) in its infrastructure

External Opportunities

- 1 Dow Jones purchased MarketWatch in 2004 for \$519M (USD) or \$18/share. MarketWatch was generating \$80M (USD) revenues but only \$1.7M (USD) earnings in 3 quarters.
- 2 Google's success with online advertising has broadened the investment community's awareness about the advantages that brand names can have in attracting increased advertising dollars.
- 3 Internet products are not close to reaching maturity. Financial information is one of the most heavily researched on the Internet and continues to grow at notable rates.
- 4 Investment firms need to provide financial services to clients and are outsourcing non-core services at an accelerated rate.
- 5 Press/Media organizations are shifting towards electronic dissemination of financial information.

Management and Directors

Marcus New, Founder, President and CEO

Mr. New founded Stockgroup in 1995 and continues to provide the corporate vision and direction for the Company. Nominated as Entrepreneur of the Year by Ernst & Young, Mr. New is a recognized leader and sought-after speaker in the industry. Prior to founding Stockgroup, Mr. New served as VP of Investor Relations for AmCan Public Relations Group Inc., a company specializing in investor campaigns for public companies. Mr. New received a Bachelor of Arts degree with a Business major from Trinity Western University.

David Gillard, CGA, Chief Financial Officer

Mr. Gillard joined Stockgroup in 2000 and brings 15 years of accounting experience to Stockgroup. Prior to joining Stockgroup, he spent 6 years in the accounting department of Maynards Industries, one of the largest asset conversion companies in North America. He is a graduate of the British Columbia Institute of Technology, and has been a Certified General Accountant since 1996.

Leslie A. Landes Chairman, Director

Mr. Landes brings a breadth of experience running media and media related companies, including 13 years with the Jim Pattison Group with four billion in sales. Mr. Landes served as president of the Jim Pattison Sign Group, Outdoor Group, and The Communications Group. He ultimately served as president of Jim Pattison Industries Ltd. and senior VP of the Jim Pattison Group.

Patrick Spain, Director

Mr. Spain is the Chairman and CEO of Highbeam Research, LLC (formerly Alacritude, LLC.), which operates an online research engine for individuals. He is also the co-founder and former Chairman and CEO of Hoover's, Inc. a leading online provider of company information headquartered in Austin, Texas. Hoovers was bought by Dun & Bradstreet in March 2003 for US\$119 million. Mr. Spain holds a B.A. from the University of Chicago in Ancient History and a J.D. from Boston University.

Lee deBoer, Director

Mr. deBoer has over 20 years experience in the strategic development of national media programming, advertising sales and content development. Mr. deBoer spent 17 years at HBO culminating in the positions of Executive Vice President of HBO Inc. and President of its International division. Currently Mr. deBoer serves as President of MediaFutures, Inc. with clients in the Internet and cable broadcasting industries.

David Caddey MSc, Director

Mr. Caddey is an Executive Vice President in the Space Missions Unit of MDA. Mr. Caddey has 34 years experience in business and program management, engineering, logistics, and personnel management.

Jeffrey D. Berwick, Director

Mr. Berwick established StockHouse Media Corporation in 1995 and held the position of Chief Executive Officer and Chairman of the Board until it was sold to Stockgroup in 2002. Currently, Mr. Berwick retains an active role with Stockgroup.

About Stockgroup Information Systems Inc.

Stockgroup Information Systems Inc. utilizes an information technology platform to provide a complete financial data source. The company provides a) access to financial information for investors, investment advisory firms and media organizations, and b) access to very specific demographics for advertisers.

Licensing services

Stockgroup employs its proprietary technologies to enable licensors to provide financial data and tools to their clients and employees at a fraction of the cost of traditional internal methods.

Advertising

Stockgroup maintains two major websites at www.stockhouse.ca and www.smallcapcenter.com, along with several other specialty sites. These sites receive over 60 million page views and have over 650,000 unique visitors per month. Due to the high traffic, and specific user demographics visiting these sites, companies see high value in advertising through Stockgroup.

Shareholder Information

Stock Trading

NASD OTC BB: SWEB
TSX-V: SWB

Transfer Agent and Registrar

Pacific Corporate Trust Company
10th Floor, 625 Howe Street
Vancouver, BC V6C 3B8
Phone 604 689 9853

Legal Counsel

Clark, Wilson
800-885 W. Georgia Street
Vancouver, BC V6C 3H1

Independent Auditors

Ernst & Young LLP
Box 10101, Pacific Centre
700 West Georgia Street
Vancouver, BC V7Y 1C7

Investor Relations

Grant Howard, David Gordon
www.howardgroupinc.com
Phone 888 221 0915
Email info@howardgroupinc.com

North American Head Office

500 - 750 W Pender Street
Vancouver, BC V6C 2T7
Phone 604 331 0995
Fax 604 331 1194

Toronto, Canada

1202 - 10 King Street East
Toronto, ON M5C 1C3
Phone 416 363 6373
Toll Free 800 424 0289
Fax 416 363 6399

New York, United States

4102 - 599 Lexington Avenue
New York, NY 10022
Phone 212 319 1740
212 319 1715
Fax 212 319 4438

This document contains forward-looking statements, including, in particular, statements about Stockgroup Information Systems Inc.'s plans, strategies and prospects. These have been based on the Company's current assumptions, expectations and projections about future events.

Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, the Company can give no assurance that these expectations will prove to be correct or that results anticipated in the forward-looking statements will be achieved. These forward-looking statements include risks and uncertainties. These risks and uncertainties include, among other things, market conditions, industry uncertainty and other factors. The reader should read the risk factors contained in the Company's Annual Report on Form 10-KSB filed March 17, 2005.

Stockgroup

2004 Financial Statements

Description of Business

General

Stockgroup is a financial media and technology company. We license financial market data, content and software applications/tools, which our customers use on their Web sites. We also operate StockHouse.com and StockHouse.ca and generate advertising revenue therefrom. All of our services are delivered via the Internet.

Products and Services

We have experience and understanding of Internet-based financial technology and media. Using a common technology infrastructure, we have developed two main revenue sources: (i) Financial Software and Content Systems and (ii) Public Company Disclosure and Awareness Products and Advertising.

Financial Software and Content Systems

We have developed proprietary financial applications/tools and a content aggregation platform we license as a system to our clients. The clients for Financial Software and Content Systems come from many different industries, such as news media, banking, stock brokerages, leasing, insurance and others. We provide the system on a private-labeled basis, and they are typically sold in licensing contracts of 24 months. These long-term contracts generate stable, recurring revenue streams.

Many of the financial applications are data-feed driven. We either feed data from our own aggregated databases or from third parties. The advantage of using the Stockgroup system is that the customer is able to receive data and information from a variety of different feeds all from point of contact and at a fraction of the cost of purchasing all feeds individually. We also add value by customizing, filtering and sorting data in the configuration the customer wants and bundling this with our more than 30 financial Web based software applications. We are able to use our economies of scale and automation to give a service that is efficiently delivered and customized, and at a substantial costs savings to having the customer build and manage it internally.

Examples of some of the providers of third-party data feeds we use include Comstock, Zacks, Marketguide, Comtex, Multex and The Associated Press.

We sell financial software and content system through channel resellers such as The Associated Press, The Canadian Press, and through our own direct sales team. These financial tools, applications and content systems cover the entire North American market including mutual funds, commodities and equities.

We have built and maintain our proprietary data processing solution that aggregates the multiple feeds, translates and builds a common database infrastructure. Our system then cleans, filters and maintains the data for use by our various data-driven services. We have a sophisticated server and security system which runs this content/data management system. The data is streamed continuously in real time to our proprietary software applications and our client Web sites, intranets, and print publications.

The following are just a few of our over 30 Financial Software and Content Systems services:

- Real-time stock quotes on major U.S. exchanges;
- North American 20-minute delayed stock quotes and indices;
- Stock portfolio management, live portfolio updates and wireless portfolio updates;
- Most active stock updates;
- Stock watch lists;
- Company fundamentals, regulatory filings;
- Daily stock market winners/losers, most actives;
- Company profiles, stock screening (investment data) and technical stock analysis; and
- Employee stock option calculations.

The Financial Software and Content Systems applications are delivered to customers in four different formats:

- On a hosted basis where the content and private-labeled interface is hosted by Stockgroup and streamed to the customers' Internet or Intranet site;
- Through the customers' servers which use a proprietary interface to retrieve data from our servers;
- Through a secured Internet channel to a client's proprietary interface; or
- Through different wireless devices and modes including handheld devices, pagers and portals which have been built and maintained by us.

Public Company Disclosure and Awareness Products and Advertising

We provide online disclosure and advertising services to a wide range of companies, mainly through our StockHouse Web site and related sites. Our target advertising clients are advertising agencies, media buyers and smaller publicly traded companies who need a cost-effective method of creating awareness of their company in the investment community.

Our Public Company Disclosure and Awareness Products and Advertising include the following:

Investor Marketplace (IMP), a Web page which is actively marketed through advertising to draw readers, where companies can be featured online to prospective investors. Being featured on the IMP enables customers to advertise their name, profile and Internet link to a large investor audience that they may not otherwise be able to reach.

E-mail Services sold under the names StockHouse News Blast, Special Situation Alert, and NewsHotline, which are purchased by our clients to help them disseminate their news releases and other information to a select list of investors. Our e-mail lists consist of subscribers who have opted to receive our mailings and confirmed their subscription on a subsequent e-mail follow-up, a process known as 'double opt-in'. We take great care to ensure that recipients actually want the e-mails we send them.

Sector Supplements, which are a spotlight feature on a certain industry sector, such as energy, mining, biotech or technology, are an effective exposure tool for companies. In a Sector Supplement investors are drawn to a Web site that features up to 15 companies and contains industry-specific news and information. Investors

who visit this Web site can view each of the featured companies' profiles, request information or link directly to the client's own Web site.

The StockHouse media property offers content aggregation from hundreds of sources, a comprehensive equities database and the Internet's first syndicated message forums, the BullBoards™.

Competition

The market for our Internet products and services is relatively new and has been highly fragmented, but we have seen a trend toward consolidation of the market in recent months. We compete intensely with other companies providing similar services to us. Many of those services are commodity-like and not easily differentiated. Our competition includes direct competitors such as MarketWatch and Reuters, as well as general-purpose Internet portals such as Yahoo Finance and AOL, who provide financial and investment research information. We also compete with companies such as CCBN and Shareholder.com, who have services similar to our IntegrateIR disclosure and awareness services. Our competition in the advertising market includes other financial and business related Web sites such as Profit.com and Globeinvestor.com. We expect our competitors to remain strong as the Internet industry further consolidates.

Corporate Background

We are a United States reporting public company incorporated in 1994 and registered in Colorado. Our shares are quoted on the OTCBB under the symbol "SWEB" and are listed on the TSX Venture Exchange under the symbol "SWB". Our head office is in Vancouver, Canada, with regional offices in New York, NY and Toronto, Canada.

From 1995 to 1999 we operated a financial markets publishing business and Web site aimed at small and micro-cap clients.

We used the funds from a public offering in the spring of 1999 to provide the foundation for the development and mass marketing of our services. In October 1999 we launched Smallcapcenter.com. At that time we believed that a subscription/advertising model centering around small cap content was viable. While parts of this business model did not prove to be profitable, the exercise of building Smallcapcenter and its related investment tools gave us certain experience and skills, and a suite of service products to sell commercially.

From 2001 to 2002 we expanded our awareness and disclosure service line to include Sector Supplements and automated investor relations Web page tools such as the IntegrateIR. We already had a public company customer base, so the transition into this area was a natural extension of our core competencies. This formed the basis for our Public Company Disclosure and Awareness Products and Advertising revenue stream.

We entered the Financial Software and Content Systems market late in 2000 by licensing our proprietary financial tools, content and applications to customers who need to offer financial information to their customers or improve their content offering. We had access to an array of customers through our internal sales team as well as our reseller channels. Our licensed

content model is attractive to customers because it is a comprehensive and cost effective alternative to in-house development.

On June 24, 2002 and June 2, 2004, under an agreement with StockHouse Media Corporation, we acquired the Web site and certain related assets to run the StockHouse brand Web sites. The acquisition provided several key benefits to us including the addition of the StockHouse brand product line to our service offering and the integration of assets into our business.

On July 23, 2002 we became a reporting issuer in Canada and on December 17, 2002, we were listed and began trading on the TSX Venture Exchange in Canada.

Description of Property

Intellectual Property, Proprietary Rights and Domain Names

We own the domain names www.stockhouse.com, www.stockhouse.ca, www.stockhouse.au, www.stockgroup.com, www.smallcapcenter.com, www.investormarketplace.com and others. We believe our ownership of these domain names gives us adequate protection over them and we intend to continue to keep them in our possession.

We own trademarks in the United States on "StockHouse", "@ The Bell", "Investors Click Here", "Smallcapcenter", "MediaCharts" and related logos. We have no other significant registered trademarks as of the date of this filing. We may pursue other trademarks in the future.

We protect our other intellectual property through a combination of trademark law, trade secret protection and confidentiality agreements with our employees, customers, independent contractors, agents and vendors. We pursue the registration of our domain names, trademarks and service marks in the United States and internationally. Effective trademark, service mark, copyright and trade secret protection may not be available in every country in which our services and products are made available on-line. We create some of our own content and obtain the balance of our content from third parties. It is possible that we could become subject to

Leasehold

Our corporate offices are composed of one floor of leased space located in the center of Vancouver's business community. We also lease a sales office in Toronto. Our facilities are fully used for current operations.

City	Monthly Payment	Lease Term	Expiry Date
Vancouver	C\$ 20,614 (US\$17,127)	8 years	March 2007
Toronto	C\$ 4,829 (US\$4,012)	4 years	December 2008

Our corporate Web site is www.stockgroup.com.

Employees

As of December 31, 2004, we employed 45 people on a full-time basis and 2 people on a part-time basis. None of our employees are subject to collective bargaining agreements. We believe relations with employees are good.

infringement actions based upon the content obtained from these third parties. In addition, others may use this content and we may be subject to claims from our licensors. We currently have no patents or patents pending and do not anticipate that patents will become a significant part of our intellectual property in the future. We enter into confidentiality agreements with our employees and independent consultants and have instituted procedures to control access to and distribution of our technology, documentation and other proprietary information and the proprietary information of others from whom we license content. The steps we take to protect our proprietary rights may not be adequate and third parties may infringe or misappropriate our trademarks, service marks and similar proprietary rights. In addition, other parties may assert claims of infringement of intellectual property or alter proprietary rights against us. The legal status of intellectual property on the Internet is currently subject to various uncertainties as legal precedents have not been set and are still to be determined in many areas of Internet law.

Equipment

We have made an investment in servers and computer equipment required for our Web site. We have dedicated staff assigned to maintenance and support of these operations.

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

Results of Operations - For the Years Ended December 31, 2004 and December 31, 2003

Our services can be categorized into two major segments: (i) Financial Software and Content Systems and (ii) Public Company Disclosure and Awareness Products and Advertising. There are basic commonalities between the two segments. All of our services relate to the financial markets and all of our services are currently delivered over the Internet.

Much of our sales are driven by popular interest in the stock markets. Our Financial Software and Content Systems business is driven by the demand for market information by our clients' customers. Our Public Company Disclosure and Awareness Products and Advertising are in greater demand when there is greater overall demand for online advertising across all industries. Our audience levels on our StockHouse Web site are closely correlated with the popularity of the stock market. We believe that greater audience levels on StockHouse will translate into larger advertising revenues for us over the long term.

The Internet is the delivery vehicle for all of our products. We believe the Internet has not yet reached maturity and continues to reach new levels of sophistication. Increasing numbers of people are using the Internet as a source of stock market information. As a result, financial content is becoming an expected standard offering for media and financial services companies. Our Financial Software and Content Systems clients, including large news Web sites, brokerages, banks, and other media are encountering competitive pressures to improve their financial content offering. This market expansion has driven demand for our services and has resulted in continued sales growth over the past 12 months.

Revenue and Gross Profits

Revenue Summary

	2004	2003	Change (\$)	Change (%)
For the year ended December 31				
Total revenues	\$ 4,823,227	\$ 3,020,399	\$ 1,802,828	60%
Breakdown of major categories:				
Financial Software and Content	1,693,297	1,168,910	524,387	45%
Public Company Disclosure and Awareness Products and Advertising	3,129,930	1,851,489	1,278,441	69%

Financial Software and Content Systems (FSCS) revenue has grown by 45% when comparing the fiscal years ended December 31, 2004 and 2003. The growth is attributable to a growing number of monthly agreements, renewals of existing agreements, and the expansion of our services to existing clients.

Our Public Company Disclosure and Awareness Products and Advertising revenue includes general advertising on StockHouse and our specialty advertising products. The 69% growth between the fiscal years ended December 31, 2004 and 2003 is due in part to increased market size for online advertising in general. It is also the result of a greater demand among companies for highly targeted advertising to the investment community, which has enabled us to extract

greater returns for our advertising inventory over time. We have developed a certain level of access to the investment community through our StockHouse Web site. Our access and StockHouse brand name give us the ability to provide a range of advertising services for companies. This exposure is highly valued, and is normally sold as a comprehensive monthly program which gives the client sustained and multi-faceted exposure to potential investors.

Cost of Revenues and Gross Profit Summary

	2004	2003	Change (\$)	Change (%)
For the year ended December 31				
Total cost of revenues	\$ 910,949	\$ 637,764	\$ 273,185	43%
Gross profit	3,912,278	2,382,635	1,529,643	64%
Gross margin %	81%	79%		

Our cost of revenues consists of bandwidth, data feeds, and other direct product costs. Bandwidth costs are correlated with changes in our StockHouse and Financial Software and Content Systems traffic, both of which have increased from fiscal 2003 to fiscal 2004. We have incurred a number of incremental increases in our data feed

costs as we have procured higher quality data from our vendors over the past twelve months, which account for part of the 43% increase from fiscal 2003 to fiscal 2004. In addition, some stock exchanges have recently charged new or increased fees for data access. To date the stock exchange fees have not had a material impact on

our overall costs. Overall, the increases in cost of revenue we have experienced have been less than the increase in revenue, as evidenced by our gross margin percentage which has increased from 79% to 81% between fiscal 2003 and fiscal 2004.

Operating Expenses

Operating Expenses Summary

	2004	2003	Change (\$)	Change (%)
For the year ended December 31				
Total operating expenses	\$ 3,913,314	\$ 3,119,127	\$ 794,187	26%
Breakdown:				
Sales and marketing	1,515,280	851,221	664,059	78%
General and administrative	2,398,034	2,267,906	130,128	6%

Sales and marketing expenses increased by 78% for the fiscal year ended December 31, 2004 when compared with the same period in fiscal 2003. The increases are due primarily to an increase in the number of sales staff between 2003 and 2004, and a greater emphasis on marketing activities. The compensation and training expense arising from this increase in sales staff accounts for the increase in sales and marketing expense year over year, and we believe this will result in an increase in revenue

over the long term. In addition, we experienced increased commissions expense due to increased sales year over year.

General and administrative expense increased by 6% between fiscal 2003 and fiscal 2004. This increase is due to several factors, most notably increased payroll due to general expansion and more staff, but the increase was offset by reduced bad debts expense and reduced filing and

regulatory fees, as we had fewer capital transactions in 2004 than in 2003. The reduction in bad debt expense is due to a more proactive approach on collections of account receivables and stronger credit policies.

Other Income (Expense)

Interest and Other Income (Expense) Summary

	2004	2003
For the year ended December 31		
Total interest and other income (expenses)	\$ 16,659	\$ (891,978)
Breakdown:		
Interest income	24,058	2,500
Interest expense	(2,083)	(35,519)
Non-cash interest expense	-	(860,351)
Other income (expense)	(5,316)	1,392

We earn interest income from our cash reserves which are held in major banks, either in interest bearing accounts or term deposits. Interest expense for the fiscal year ended December 31, 2004 consists of interest on capital leases. For the fiscal year ended December 31, 2003 it consisted of interest on capital leases and notes payable. The \$860,351 of non-cash interest for 2003 arose out of the conversion of our 8% convertible notes in January 2003 and May 2003 and the related acceleration of the amortization of the debt discount. Other income (expense) consists of gains (losses) on marketable securities.

Net Income

The net income (loss) for fiscal 2004 and fiscal 2003 was \$15,623 and (\$1,628,470) respectively. As noted elsewhere in this Management Discussion and Analysis, the net income for fiscal 2004 was an improvement over fiscal 2003 loss due to increased revenue at a higher rate than increased expenses, and the non-recurrence of a non-cash interest expense in 2003 of \$860,351.

Liquidity and Capital Resources

As at December 31, 2004 we had cash and cash equivalents of \$1,837,012, an increase of \$436,817 over December 31, 2003. Our cash from (used in) operations for the past 4 quarters is as follows:

Q1 2004	\$ 127,264
Q2 2004	(104,811)
Q3 2004	260,492
Q4 2004	211,826

Our working capital at the end of 2004 was \$1,326,510.

We currently have no debt or capital lease obligations. We repaid \$38,920 of capital lease obligations in 2004.

We have invested cash in the amount of \$77,909 in property and equipment in fiscal 2004. In June 2004, we acquired the balance of the StockHouse assets for shares valued at \$290,700 and no cash.

Our cash balance is expected to provide enough liquidity to allow us to execute our business plans for the next twelve months, including necessary computer hardware and software asset acquisitions.

We do not expect to declare any cash dividends in the next twelve months.

You should be cautioned that there can be no assurance that revenue, margins, and profitability will increase. There is a risk that our current cash balance will not be adequate for our long term needs, in which case we would need to raise additional financing through equity or debt issues.

Accounting for and Disclosure of Guarantees

From time-to-time we enter into certain types of contracts that contingently require us to indemnify parties against third party claims. These contracts primarily relate to: (i) service agreements, under which we may be required to indemnify clients for liabilities relating to data transmission and dissemination; (ii) certain agreements with our officers, directors and employees and third parties, under which we may be required to indemnify such persons for liabilities arising out of their duties to us.

We regularly enter into service level agreements with clients, under which we guarantee consistent streaming of data within certain pre-defined tolerances.

The terms of such obligations vary. Generally, a maximum obligation is not explicitly stated. Because the obligated amounts of these types of agreements often are not explicitly stated, the overall maximum amount of the obligations cannot be reasonably estimated. Historically, we have not been obligated to make significant payments for these obligations, and no liabilities have been recorded for these obligations on our balance sheet as of December 31, 2004 and December 31, 2003.

Corporate Developments During the Year

A synopsis of corporate highlights for 2004 is as follows:

On June 2, 2004, we acquired the remaining interest in certain assets from StockHouse Media Corporation under a Joint Venture Development and Operating Agreement. We issued 1,020,000 common shares, valued at \$290,700 for the 35% remaining interest, and after the transaction owned 100% of the assets.

On August 10, 2004, we announced the appointment of Patrick Spain to our Board of Directors.

On December 31, 2004, Leslie Landes retired from the office of President and replaced Marcus New as Chairman of the Board. Marcus New remains a director and is now President and Chief Executive Officer.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements at December 31, 2004 or December 31, 2003.

Recent Pronouncements

See Note 2 to the audited consolidated financial statements in this annual report.

Critical Accounting Policies

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses our audited consolidated financial statements, which have been prepared in accordance with accounting policies generally accepted in the United States. The preparation of these audited consolidated financial statements requires us to make estimates and assumptions that affect the assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We believe the following critical accounting policies require significant judgments, estimates and assumptions used in the preparation of the audited consolidated financial statements.

Revenue

Financial Software and Content Systems services consist of managing, licensing, and delivering financial market information. Examples of financial market information are real time stock quotes, stock charts, public company profiles, investment information and technical stock analysis. We use formal service agreements, which are typically for 24-month terms. Under the service agreements we normally charge our clients a set up fee, a fixed monthly fee, and additional fees for usage beyond the threshold specified in the agreement. Usage usually refers to Web site page views by the client's end users. Revenue from set up fees and fixed monthly licensing fees for ongoing use of financial tools and content is recognized ratably over the agreement term.

All Financial Software and Content Systems services are delivered via the Internet from our Web servers to the clients' Web sites on a continuous real time basis. Revenue is earned starting on the day the service is delivered to the customer. We monitor usage from the day the service is activated and record any usage-based revenue on a monthly basis as it occurs. Many agreements contain service level agreements which specify minimum service standards and remedies, such as billing reductions, for deficiency of service. In cases where a billing adjustment occurs due to a service level deficiency, we reverse the applicable revenue in the month where the deficiency occurred.

Public Company Disclosure and Awareness Products and Advertising consist of investor relations Web page tools, client advertising on our investment-oriented Web sites, e-mail services, sponsorships and Internet advertising services. These services are sold either individually or bundled together into comprehensive programs. Investor relations Web page tools, sold under the name IntegrateIR, are delivered to the client's investor relations page of their Web site via an Internet data feed, in real time and on a continuous basis for an agreed period of time, normally 12 months. Revenue is recognized ratably, according to the agreed fixed rate, on a monthly basis once the IntegrateIR data feed has been activated. Setup fees, if any, are recognized ratably over the initial term of the agreement, on a monthly basis.

Client advertising on our investment-oriented Web sites consists of continuous or rotating client profiles on various specialized Web pages within StockHouse.com, Smallcapcenter.com and Investormarketplace.com. Delivery of these profiles is based either on a certain number of days appearing on the Web pages or a certain quantity of page views, profile views or click-throughs, depending on the agreement. A page view is a single instance of an Internet user viewing the page which contains the client's name and/or logo. A profile view is a single instance of an Internet user clicking on the client's profile link. A click-through is a single instance of an Internet user clicking on the client's profile and being redirected to the client's Web site. Revenue is recognized on such client profile programs based on delivery, and delivery is organized and measured to equal the agreed monthly fee in each month the client is profiled on the Web pages.

E-mail services are mailings to a targeted list of e-mail addresses, with delivery consisting solely of transmitting the mailing to the e-mail targets. E-mail services may be bought on a per-transmittal basis, for which revenue is recorded when the transmittal occurs, or on a fixed-fee monthly basis in which the client receives access to a fixed

number of transmittals per month. We record the revenue on the fixed-fee monthly e-mail services on a pro rata basis over the term of the agreement.

Internet advertising on our Web sites is delivered, and revenue is earned, on a page-view basis, as this term is defined above. Advertising insertion orders are obtained from clients and advertisements are delivered in a set rotation on www.stockhouse.com, www.stockhouse.ca, and others. At the end of certain specified period, usually monthly, the client is given a page-view delivery report and billed according to the number of page-views delivered.

All sources of revenue are recorded pursuant to SAB 104 Revenue Recognition, when persuasive evidence of an arrangement exists, delivery of services has occurred, the fee is fixed or determinable and collectibility is reasonably assured.

Payments received in advance of services provided, including deposits, are recorded as deferred revenue.

Cost of Revenues

Cost of revenues is recorded if the cost relates directly to the services we sell or to our revenue-generating Web sites such as StockHouse, Smallcapcenter, and InvestorMarketPlace. Cost of revenues consist of subscription fees for access to data feeds of financial and business databases, Internet bandwidth, direct advertising purchases, and direct labor. Data feeds are a key component of many of our Financial Software and Content Systems services, as well as a key input into our revenue-generating Web sites. Bandwidth is consumed by our revenue-generating Web sites, by our Financial Software and Content Systems services, by our IntegrateIR service, and by our e-mail mailing services. Direct labor is the hourly labor cost of certain programmers and designers who implement or maintain licensed client feeds, design advertising for clients, and produce e-mail mailings for clients. Direct labor costs are fully recognized as cost of revenues in the period in which the associated revenue is recognized. All other costs of revenues are recognized in the period incurred.

Allowance for Doubtful Accounts

We evaluate our accounts receivable and make judgments as to the collectibility of each account. In general, accounts over 90 days overdue are allowed for fully, with certain exceptions where prior special arrangements are agreed to with the customer. In some cases an allowance is made before 90 days if we have a reasonable belief that the collection of the account is doubtful.

Property and Equipment

We evaluate, on a periodic basis, our property and equipment, to determine whether any events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. We base our evaluation on certain impairment indicators, such as the nature of the assets, the future economic benefit of the assets, any historical or future profitability measurements, as well as other external market conditions or factors that may be present. If these impairment indicators are present or other factors exist that indicate that the carrying amount of the asset may not be recoverable, we then use an estimate of the undiscounted value of expected future operating cash flows to determine whether the asset is recoverable and measure the amount of any impairment as the

difference between the carrying amount of the asset and its estimated fair value. The fair value is estimated using valuation techniques such as market prices for similar assets or discounted future operating cash flows.

Amortization of property and equipment is on a straight-line basis over the asset's estimated useful life.

Contingencies

From time to time, we are subject to proceedings, lawsuits and other claims related to labor and other matters. We are required to assess the likelihood of any adverse judgments or outcomes to these contingencies as well as potential ranges of probable losses and establish reserves accordingly. We use professional judgment, legal advice, and estimates in the assessment of outcomes of contingencies. The amounts of reserve required, if any, may change in future periods due to new developments in each matter or changes in approach to a matter such as a change in settlement strategy.

We are currently involved in litigation with a customer to collect amounts owing pursuant to a contract entered into in September 2000. The defendant provided a C\$100,000 deposit and contracted us to provide certain advertising services. We delivered the requested services throughout October and November 2000; however, the defendant defaulted on all additional payments. We are suing the defendant for the C\$351,800 balance owing, plus interest and costs. The defendant has filed a statement of defense and counterclaim to recover the C\$100,000 deposit. No court date has been set at this time. Although our management currently believes the outcome of the litigation will be in our favor, they have not elected to aggressively pursue the litigation at this time. We have made no provision for the counterclaim in the financial statements and any settlement or final award will be reflected in the statement of operations in the period the litigation is resolved.

In addition, we are subject to various other legal matters in the ordinary course of business. It is not possible at this time to predict with any certainty the outcome of such litigation. Our management believes that the ultimate resolution of these matters would not have a material effect on our financial position or results of operations.

Risk Factors

The following factors should be considered carefully in evaluating the Company and its business.

Our limited operating history makes it difficult for you to judge our prospects.

We have a limited operating history upon which an evaluation of our current business and prospects can be based. You should consider any purchase of our shares in light of the risks, expenses and problems frequently encountered by all companies in the early stages of its corporate development, such as lack of capital, difficulty attracting high quality personnel, lack of market exposure, and uncertainty about the viability of our business plan.

Computer equipment problems and failures could adversely affect business.

Problems or failures in Internet-related equipment, including file servers, computers and software, could result in interruptions or slower response times for our Web-based services, which could reduce the attractiveness of our Web site,

financial tools or investor relations services to advertisers and users. Should such interruptions continue for an extended period we could lose significant business and our reputation could be damaged. Equipment problems and failures could result from a number of causes, including an increase in the number of users of our Web site, computer viruses, outside programmers penetrating and disrupting software systems, human error, fires, floods, power and telecommunications failures and internal breakdowns. In addition, any disruption in Internet access and data feeds provided by third parties could have a material and adverse effect on our businesses. We do not maintain an off-site disaster recovery facility. As a result, if we experience a major disaster such as a fire, theft, or intentional destruction of our computer equipment, it could have catastrophic results for our business.

We may not be able to compete successfully against current and future competitors.

We currently compete with several other companies offering similar services. Many of these companies have significantly greater financial resources, name recognition, and technical and marketing resources, and virtually all of them are seeking to improve their technology, products and services. We can not assure you that we will have the financial resources or the technological expertise to successfully meet this competition.

We are significantly influenced by our officers, directors and entities affiliated with them.

In the aggregate, beneficial ownership of Stockgroup shares by management represents approximately 15% of issued and outstanding shares of common stock. These shareholders, if acting together, will be able to significantly influence all matters requiring approval by shareholders, including the election of directors and the approval of mergers or other business combinations transactions.

We may be unable to protect the intellectual property rights upon which our business relies.

We have or may pursue certain trademarks, and we have brand names, Internet domain names, Web site designs, programs and certain subscriber lists which make up the intellectual property we view as important to our business. It may be possible for a third party to copy or otherwise obtain or use our intellectual property without authorization or to develop similar technology independently. There can also be no assurance that our business activities will not infringe upon the proprietary rights of others, nor that other parties will not assert infringement claims against us, including claims that by, directly or indirectly, providing hyperlink text links to Web sites operated by third parties, we have infringed upon the proprietary rights of other third parties. Due to the global nature of the Internet, there can be no assurance that obtaining trademark protection in the United States will prevent infringements on our trademarks by parties in other countries. We have not sought or obtained any patents on our proprietary software and data processing applications.

We may be held liable for online information or services provided by us or third parties.

Because materials may be downloaded by the public on Internet services offered by us or the Internet access providers with whom we have relationships, and because third party information

may be posted by third parties on our Web site through discussion forums and otherwise, there is the potential that claims will be made against us for defamation, negligence, copyright or trademark infringement or other theories. Such claims have been brought against providers of online services in the past. We have been named in two lawsuits in which defamation is alleged to have occurred on our Internet discussion forum called Bull Boards. The imposition of liability based on such claims could materially and adversely affect us.

Even to the extent such claims do not result in liability, we could incur significant costs in investigating and defending against such claims. The imposition on us of potential liability for information or services carried on or disseminated through our Web site could require implementation of measures to reduce exposure to such liability, which may require the expenditure of substantial resources and limit the attractiveness of services to members and users.

We post news clippings from other news Web sites on the StockHouse and SmallCapCenter Web sites with links to the source site. Most publishers currently encourage this practice, although certain publishers have requested that we cease posting their stories. We have complied with their request in each case. To the extent that a large majority of news publishers prohibit posting of their stories on our Web sites or begin charging royalty fees for such stories, our Web site traffic could decrease or our costs could increase, thereby adversely impacting our profitability.

Our general liability insurance will not cover all potential claims to which we are exposed or may not be adequate to indemnify us for all liability that may be imposed. Any imposition of liability that is not covered by insurance or is in excess of insurance coverage could have a material adverse effect on our business, results of operations and financial condition.

Trading of our stock may be restricted by the SEC's penny stock regulations which may limit a stockholder's ability to buy and sell our stock.

The Securities and Exchange Commission has adopted regulations which generally define "penny stock" to be any equity security that has a market price (as defined) less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exceptions. Our securities are covered by the penny stock rules, which impose additional sales practice requirements on broker-dealers who sell to persons other than established customers and "accredited investors". The term "accredited investor" refers generally to institutions with assets in excess of \$5,000,000 or individuals with a net worth in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 jointly with their spouse. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document in a form prepared by the SEC which provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction and monthly account statements showing the market value of each penny stock held in the customer's account. The bid and offer quotations, and the broker-dealer and salesperson compensation information, must be given to the customer orally or in writing prior to

effecting the transaction and must be given to the customer in writing before or with the customer's confirmation. In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from these rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for the stock that is subject to these penny stock rules. Consequently, these penny stock rules may affect the ability of broker-dealers to trade our securities. We believe that the penny stock rules discourage investor interest in and limit the marketability of our common stock.

Future issuances of shares may adversely impact the value of our stock.

We may attempt to raise additional capital through the sale of common stock in the future. Future issuances of common stock may dilute your position in us.

Our stock price is vulnerable to buying and selling pressures

As there is a limited market for our common stock, there may be considerable volatility in our stock price due to selling and buying pressures. Future sales of shares by our existing or future shareholders could cause the market price of our common stock to decline. There are currently approximately 31 million outstanding shares of our common stock which may be traded without restriction in any country.

Our board of directors may authorize and issue preferred shares

Our board of directors has the authority to issue preferred shares with rights, preferences and/or privileges senior to or on parity with the rights of the holders of common stock. The potential consequences to our investors include a loss of perceived value of the stock in the market and a loss of future earnings and dividends, if and when dividends are declared.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of
Stockgroup Information Systems Inc.

We have audited the accompanying consolidated balance sheets of Stockgroup Information Systems Inc. (and subsidiaries) as of December 31, 2004 and 2003, and the related consolidated statements of operations, stockholders' equity (deficiency) and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material

misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Stockgroup Information Systems Inc. (and subsidiaries) at December 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Vancouver, Canada,
March 4, 2005.

/s/ Ernst & Young LLP
Chartered Accountants

Consolidated Balance Sheets

As at December 31

(expressed in US dollars)

	2004	2003
Assets		
Current		
Cash and cash equivalents	\$ 1,837,012	\$ 1,400,195
Marketable securities	7,361	2,616
Accounts receivable [net of allowances for doubtful accounts of \$107,344; 2003 - \$45,016] [note 3]	595,848	325,057
Prepaid expenses [note 14]	114,426	79,648
Total current assets	2,554,647	1,807,516
Property and equipment, net [note 4]	287,073	311,632
	2,841,720	2,119,148
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	\$ 319,846	\$ 217,110
Accrued payroll liabilities	104,230	115,208
Deferred revenue	804,061	499,525
Current portion of capital lease obligation [note 6]	---	38,920
Total current liabilities	1,228,137	870,763
Commitments and contingencies [note 11]		
Shareholders' equity		
Common stock, no par value [note 8]		
Authorized shares - 75,000,000		
Issued and outstanding shares - 33,931,221 [2003 - 32,498,721]	\$ 13,568,499	\$ 13,218,924
Additional paid-in capital	3,099,314	3,099,314
Accumulated deficit	(15,054,230)	(15,069,853)
Total shareholders' equity	1,613,583	1,248,385
	2,841,720	2,119,148

See accompanying notes

Consolidated Statements of Operations

Year ended December 31

(expressed in US dollars)

	2004	2003
Revenue		
Revenues <i>[note 9]</i>	\$ 4,823,227	\$ 3,020,399
Cost of revenues	910,949	637,764
Gross profit	3,912,278	2,382,635
Expenses		
Sales and marketing	\$ 1,515,280	\$ 851,221
General and administrative	2,398,034	2,267,906
	3,913,314	3,119,127
Loss from operations	(1,036)	(736,492)
Interest income	24,058	2,500
Interest expense <i>[notes 6 and 7]</i>	(2,083)	(895,870)
Other income (expense)	(5,316)	1,392
Net income (loss)	15,623	(1,628,470)
Basic and diluted earnings (loss) per share	0.00	(0.06)
Weighted average number of common shares outstanding	33,364,834	26,309,835
Fully diluted weighted average number of common shares outstanding <i>[note 8(e)]</i>	34,307,410	26,309,835

See accompanying notes

Consolidated Statements of Shareholders' Equity

Year ended December 31

(expressed in US dollars)

<i>[note 8]</i>	Common stock # of shares	Common stock	Additional paid-in capital	Accumulated deficit	Total shareholders' equity (deficiency)
Balance at December 31, 2002	19,552,596	\$ 9,203,235	\$ 2,987,331	\$ (13,441,383)	\$ (1,250,817)
Issuance of common stock on conversion of outstanding convertible notes	5,708,075	2,393,153	---	---	2,393,153
Issuance of common stock pursuant to exercise of employee stock options	126,400	18,960	---	---	18,960
Issuance of common stock pursuant to exercise of warrants	3,368,850	875,000	---	---	875,000
Issuance of common stock and warrants pursuant to private placements, net of issue costs	3,742,800	728,576	111,983	---	840,559
Net loss	---	---	---	(1,628,470)	(1,628,470)
Balance at December 31, 2003	32,498,721	13,218,924	3,099,314	(15,069,853)	1,248,385
Issuance of common stock pursuant to exercise of employee stock options	412,500	58,875	---	---	58,875
Issuance of common stock pursuant to StockHouse asset acquisition <i>[note 5]</i>	1,020,000	290,700	---	---	290,700
Net income	---	---	---	15,623	15,623
Balance at December 31, 2004	33,931,221	13,568,499	3,099,314	(15,054,230)	1,613,583

See accompanying notes

Consolidated Statements of Cash Flows

Year ended December 31

(expressed in US dollars)

	2004	2003
Operating Activities		
Net income (loss)	\$ 15,623	\$ (1,628,470)
Add (deduct) non-cash items		
Amortization	393,168	388,032
Bad debt expense	62,328	4,150
Non-cash interest on convertible notes and debentures	---	(51,464)
Realized foreign exchange loss	---	24,298
	471,119	(351,639)
Net change in operating assets and liabilities <i>[note 12]</i>	23,652	(64,109)
Cash provided by (used in) operating activities	494,771	(415,748)
Financing Activities		
Net proceeds from issuance of common stock	\$ ---	\$ 840,559
Proceeds on exercise of warrants	---	875,000
Proceeds on exercise of stock options	58,875	18,960
Net proceeds from (repayments of) notes payable	---	(266,086)
Repayment of convertible notes	---	(35,332)
Repayment of capital lease obligation	(38,920)	(96,129)
Cash provided by financing activities	19,955	1,336,972
Investing Activities		
Purchase of property and equipment	\$ (77,909)	\$ (60,999)
Cash used in investing activities	(77,909)	(60,999)
Increase in cash and cash equivalents	436,817	860,225
Cash and cash equivalents, beginning of year	1,400,195	539,970
Cash and cash equivalents, end of year	1,837,012	1,400,195

See accompanying notes

Notes to Consolidated Statements

1. Nature of Business and Basis of Presentation

Stockgroup Information Systems Inc. (the "Company") is a financial media and technology company that provides various financial Internet solutions, tools, content and services to media, corporate, and financial services companies. The Company employs proprietary technologies that enable it to provide its clients with financial data streams and news combined with fundamental, technical, productivity, and disclosure tools. The Company also provides advertising services through its www.stockhouse.com financial Web site.

The Company was incorporated under the laws of Colorado on December 6, 1994.

2. Summary of Significant Accounting Policies

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Stockgroup Media Inc. (British Columbia, Canada), Stockgroup Systems Ltd. (Nevada, United States), Stockgroup Australia, Pty Ltd. and 579818 B.C. Ltd. (British Columbia, Canada). All significant intercompany accounts and transactions have been eliminated.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Revenue recognition

The Company generates its revenues from two primary sources: Public Company Disclosure and Awareness Products and Advertising and Financial Software and Content Systems.

Public Company Disclosure and Awareness Products and Advertising consist of Internet advertising, e-mail advertising, investor relations Web page services. These services are sold either individually or bundled together into comprehensive programs.

Investor relations Web page services, sold under the name IntegrateIR, are delivered to the client's investor relations page of their Web site via an Internet data feed, in real time and on a continuous basis for an agreed period of time, normally 12 months. Revenue is recognized ratably, according to the agreed fixed rate, on a monthly basis once the IntegrateIR data feed has been activated. Setup fees, if any, are recognized ratably over the initial term of the agreement, on a monthly basis.

Advertising on the Company's investment-oriented Web sites consists of continuous or rotating advertisements and client profiles on various specialized Web pages within StockHouse.com, Smallcapcenter.com and InvestorMarketPlace.com. Delivery of these profiles is based either on a certain number of days appearing on the Web pages or a certain quantity of impressions, profile views or click-throughs, depending on the agreement. An

impression is a single instance of an Internet user viewing the page that contains the client's name and/or logo. A profile view is a single instance of an Internet user clicking on the client's profile link. A click-through is a single instance of an Internet user clicking on the client's profile and being redirected to the client's Web site. Revenue is recognized on such advertising programs based on the proportionate units of advertising delivered each month.

E-mail services are mailings to a targeted list of e-mail addresses, with delivery consisting solely of transmitting the mailing to the e-mail targets. Each transmittal is called a flight. E-mail services may be bought on a per-flight basis, for which revenue is recorded when the flight occurs, or on a fixed-fee monthly basis in which the client receives access to a fixed number of flights per month. The Company records the revenue on the fixed fee monthly e-mail services on a pro-rata basis over the term of the agreement.

Financial Software and Content Systems consists of real time, time delayed and wireless quotes and charts, company profiles, investment data and technical analysis. Revenue from set up fees, periodic maintenance fees and contractual monthly licensing fees for ongoing use of financial tools and content is recognized ratably over the contract term, which is typically 24 months.

All Financial Software and Content Systems services are delivered via an Internet data feed from the Company's Web servers to the clients' sites on a continuous real time basis. Revenue begins to be earned on the day the data feed is activated and begins to deliver content to the client site. Revenue is earned on a fixed monthly fee, with some clients paying a page-view overage fee over a certain number of page-views. The page-view overages, if any, are billed to the client and recorded on a monthly basis as they occur and usually represent a small portion of the overall monthly fee from each customer.

All sources of revenue are recorded pursuant to SAB 104 Revenue Recognition, when persuasive evidence of an arrangement exists, delivery of services has occurred, the fee is fixed or determinable and collectibility is reasonably assured.

The Company is not subject to specific performance criteria that would give rise to refund rights for services it provides.

Payments received in advance of services provided are recorded as deferred revenue.

Cost of Revenues

Costs of revenue are recorded if the cost relates directly to the services the Company sells or to its revenue-generating Web sites, namely StockHouse.com/ca, Smallcapcenter.com, and InvestorMarketPlace.com. Cost of revenues consist of subscription fees for access to data feeds of financial and business databases, Internet bandwidth, direct advertising purchases, and direct labor. Data feeds are a key component of many of the Company's Financial Software and Content Systems services, as well as a key input into its revenue-generating Web sites. Bandwidth is consumed by the Company's revenue-generating Web sites, by its Financial Software and Content Systems services, by its IntegrateIR service, and by its e-mail mailing

services. Direct advertising purchases relate to Internet advertising purchases for the purpose of promoting a client or clients' feature on one of the Company's Web sites. Direct labor is the hourly labor cost of certain programmers and designers who implement or maintain licensed client feeds, design advertising for clients, and produce e-mail mailings for clients. Direct labor costs are fully recognized as cost of revenues in the period in which the associated revenue is recognized. All other costs of revenues are recognized in the period incurred.

Foreign exchange

The reporting currency and the functional currency of the Company is the U.S. dollar. The accounts of the Company's Canadian subsidiary are translated into U.S. dollars such that monetary assets and liabilities are translated at exchange rates in effect at the balance sheet date and non-monetary items are translated at exchange rates prevailing at the transaction date. Operating revenues and expenses are translated at average exchange rates prevailing during the year. Any corresponding foreign exchange gains and losses are included in income.

Foreign currency transactions are translated into U.S. dollars at the rate of exchange in effect at the date of the transaction. Foreign currency balances of monetary assets and liabilities are translated using the rate of exchange in effect at the balance sheet date. Foreign exchange gains and losses on transactions during the year and on the year end translation of the accounts are included in income.

Fair value of financial instruments

The Company's financial instruments consist of cash and cash equivalents, marketable securities, accounts receivable, and accounts payable. Unless otherwise stated the fair value of the financial instruments approximates their carrying value.

Allowance for Doubtful Accounts

The Company evaluates its accounts receivable and makes judgments as to the collectibility of each account. In general, accounts over 90 days overdue are allowed for fully, with certain exceptions where prior special arrangements are agreed to with the customer. In some cases an allowance is made before 90 days if we have a reasonable belief that the collection of the account is doubtful.

Cash and cash equivalents

Cash and cash equivalents consist of cash and short-term deposits with original maturities of ninety days or less and are recorded at mark to market.

Marketable securities

Marketable securities consist of equity instruments available for sale and are recorded at fair value based on quoted market prices. Both realized and unrealized gains and losses are included in the statement of operations.

2. Summary of Significant Accounting Policies Cont.

Property and equipment

Property and equipment are carried at cost. Amortization is provided using the straight line method over the assets estimated useful lives as follows:

Computer equipment	5 years
Computer equipment under capital lease	2 years
Computer software	1 year
Website software	3 years
Office furniture and equipment	5 years
Leasehold improvements	Term of the lease

Product development costs

Product development costs other than those incurred during the application development stage are expensed as incurred. Costs incurred during the application development stage are required to be capitalized and amortized over the estimated useful life of the software. Substantially all of the Company's product development costs are for ongoing operating and maintenance and have been expensed in the period incurred.

Income taxes

The Company utilizes the liability method of accounting for income taxes. Under this method, deferred taxes are determined based on the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates. A valuation allowance is provided against deferred tax assets for which it is more likely than not that the asset will not be realized.

Stock-based compensation

The Company accounts for stock-based employee compensation arrangements using the intrinsic value method in accordance with the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and complies with the disclosure provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), as amended by Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure - an amendment of FASB Statement No. 123" ("SFAS 148"). The pro-forma disclosure of stock based compensation is included in Note 8[c].

Under APB 25, compensation expense for employees is based on the difference between the fair value of the Company's stock and the exercise price if any, on the date of the grant. The Company accounts for stock issued to non-employees at fair value in accordance with SFAS 123. The Company uses the Black-Scholes option pricing model to determine the fair value of stock options granted to non-employees.

Earnings per share

Basic earnings (loss) per share is computed based on the weighted average number of common shares outstanding during each year. Diluted earnings (loss) per share reflects the dilutive potential of outstanding securities using the treasury stock method.

Comprehensive income

Comprehensive income includes all changes in equity except those resulting from investments by owners and distributions by owners. Comprehensive income comprises only net income for all years presented.

Recent pronouncement

On December 16, 2004, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 123 (revised 2004), Share-Based Payment ("SFAS 123(R)"), which is a revision of SFAS 123. SFAS 123(R) supersedes APB 25, Accounting for Stock Issued to Employees, and amends FASB Statement No. 95, Statement of Cash Flows. Generally, the approach in SFAS 123(R) is similar to the approach described in SFAS 123. However, SFAS 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure, as was permitted under SFAS 123, is no longer an alternative.

SFAS 123(R) must be adopted no later than January 1, 2006. Early adoption is permitted in periods in which financial statements have not yet been issued.

Statement 123(R) permits public companies to adopt its requirements using one of two methods:

A "modified prospective" method in which compensation cost is recognized beginning with the effective date (a) based on the requirements of SFAS 123(R) for all share-based payments granted after the effective date and (b) based on the requirements of SFAS 123 for all awards granted to employees prior to the effective date of SFAS 123(R) that remain unvested on the effective date. A "modified retrospective" method which includes the requirements of the modified prospective method described above, but also permits entities to restate based on the amounts previously recognized under SFAS 123 for purposes of pro forma disclosures either (a) all prior periods presented or (b) prior interim periods of the year of adoption.

The Company expects to adopt SFAS 123(R) on January 1, 2006 using the modified-prospective method.

As permitted by SFAS 123, the Company currently accounts for share-based payments to employees using APB 25's intrinsic value method, and as such, generally recognizes no compensation cost for employee stock options. Accordingly, the adoption of SFAS 123(R)'s fair value method will have a significant impact on the Company's statement of operations, although it will have no impact on the Company's overall financial position. The impact of adoption of SFAS 123(R) cannot be predicted at this time because it will depend on levels of share-based payments granted in the future. However, had the Company adopted SFAS 123(R) in prior periods, the impact of that standard would have approximated the impact of SFAS 123 as described in the disclosure of pro forma net income and earnings (loss) per share in Note 8[c] to these consolidated financial statements.

Comparative figures

The Company has reclassified certain of the figures presented for comparative purposes to conform with the financial statement presentation adopted in the current year.

3. Concentration of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash and cash equivalents and trade receivables.

The Company performs ongoing credit evaluations of its customers and maintains allowances for potential credit losses. Two customers each account for greater than 10% of the outstanding receivables at December 31, 2004. One customer accounts approximately 14% of the outstanding receivables at December 31, 2003.

4. Property and Equipment

	Cost	Accumulated amortization	Net book value
2004			
Computer equipment	\$ 634,948	\$ 554,060	\$ 80,888
Computer equipment under capital lease	157,579	157,579	---
Computer software	161,161	156,541	4,620
Website software [note 5]	637,822	455,666	182,156
Office furniture and equipment	144,199	144,188	11
Leasehold improvements	61,044	41,646	19,398
	1,796,753	1,509,680	287,073
2003			
Computer equipment	570,812	502,934	67,878
Computer equipment under capital lease	154,254	119,159	35,095
Computer software	151,938	151,938	---
Website software	347,122	166,327	180,795
Office furniture and equipment	141,584	131,096	10,488
Leasehold improvements	62,434	45,058	17,376
	1,428,144	1,116,512	311,632

5. Asset Acquisition

On June 24, 2002, the Company acquired certain Web site and related software assets of StockHouse Media Corporation ("StockHouse"). Under the terms of the agreement, the Company purchased a 65% interest in the assets by issuing 2,080,000 shares of unregistered common stock with a fair value of \$424,320. The assets acquired consisted of program source codes underlying the website for \$347,122, and prepaid operating costs of \$77,198.

The prepaid operating costs of \$77,198 were expensed fully in 2002. The website software is being amortized over a three year period commencing on the date of acquisition.

On June 2, 2004, the Company exercised its option to acquire the remaining 35% of the Web site and related software assets of StockHouse with the issuance of 1,020,000 additional common shares with a fair value of \$290,700.

7. Convertible Notes

At January 1, 2003, the Company had a convertible note liability of \$1,568,134 payable to two lenders.

On January 2, 2003, \$20,000 of the principal was repaid in cash.

On January 28, 2003, one of the noteholders converted its entire principal balance of \$392,984 into 1,228,075 common shares at a negotiated conversion price of \$0.32. The discount on the original conversion price of \$0.50 was deemed an inducement to convert, resulting in an interest expense of \$145,895 representing the excess of the fair value of the notes after inducement over the fair value before inducement. The unamortized debt discount on the portion of the total principal was fully expensed on the conversion date, resulting in an interest expense of \$31,711.

On February 3, 2003, the remaining noteholder converted \$50,000 of principal into 100,000 common shares at \$0.50.

6. Capital Lease Obligation

The Company has capital lease agreements for computer equipment with lease obligations as follows:

	2004	2003
Total future lease payments	\$ ---	\$ 40,758
Less interest (effective rate during 2003 - 17%)	---	(1,838)
	---	38,920
Less current portion	---	(38,920)
	---	---

On April 1, 2003, \$15,332 of the principal was repaid in cash.

On May 12 and May 28, 2003, the remaining noteholder converted its entire principal balance of \$1,225,684 into 4,380,000 common shares at a negotiated conversion price of \$0.28. The discount on the original conversion price of \$0.50 was deemed an inducement to convert, resulting in an interest expense of \$578,590 representing the excess of the fair value of the notes after inducement over the fair value before inducement. The unamortized debt discount on the portion of the total principal was fully expensed on the conversion date, resulting in an interest expense of \$69,437.

During the year ended December 31, 2003, and prior to the conversions, \$34,718 of the debt discount was amortized [2002 - \$101,898].

The callable Series 1 warrants issued in the original financing arrangement still exist and permit the holders to acquire up to 281,818 common shares at an exercise price of \$3.00 at

any time up to March 31, 2005. The warrants may be called by the Company, at a purchase price of \$.01 per underlying share, if the stock price of the Company's common shares exceeds \$6.00 for any 20 consecutive trading days, provided that the holders have the right to exercise the warrants within 30 days after their receipt of such a call. At December 31, 2004 all 281,818 warrants were unexercised and outstanding.

8. Share Capital

[a] Authorized

The Company is authorized to issue up to 75,000,000 shares of common stock and 5,000,000 shares of preferred stock. No preferred stock is issued and outstanding in the years presented.

[b] Common stock

2004

During the year ended December 31, 2004 the Company issued 1,432,500 common shares, which are summarized as follows:

On June 2, 2004, 1,020,000 common shares were issued to StockHouse Media Corporation for the remaining 35% interest in certain Web assets. The shares had a fair value of \$290,700 based on the market value on that date [note 5].

During the year ended December 31, 2004, 412,500 common shares were issued pursuant to exercises of stock options for gross proceeds of \$58,875.

2003

During the year ended December 31, 2003 the Company issued 12,946,125 common shares, which are summarized as follows:

On January 28, 2003, 1,228,075 common shares were issued pursuant to a conversion of \$392,984 of principal of convertible notes at \$0.32. On February 3, 2003 100,000 common shares were issued pursuant to a conversion of \$50,000 of

principal of convertible notes at \$0.50. On May 12 and May 28, 2003, a total of 4,380,000 common shares were issued pursuant to a conversion of \$1,225,684 of principal of convertible notes at \$0.28. In total, 5,708,075 common shares were issued pursuant to conversions of principal of convertible notes.

During the year ended December 31, 2003, 126,400 common shares were issued pursuant to exercises of stock options for gross proceeds of \$18,960.

During the year ended December 31, 2003, 3,368,850 common shares were issued pursuant to exercises of warrants for gross proceeds of \$875,000.

On June 4, 2003 and July 16, 2003, 2,746,800 units and 996,000 units respectively were issued under a Short Form Offering, for a total of 3,742,800 units. The price of each unit was C\$0.37 (approximately \$0.27) for gross proceeds of C\$1,384,836 (approximately \$1,017,643). Financing and legal fees were \$177,084, resulting in net cash proceeds of \$840,559. The net proceeds were allocated to common stock and warrants based on the relative fair value of each security at the time of issuance. Each unit consists of one common share and one Series 8 non-transferable share purchase warrant. Two Series 8 warrants are exercisable for one common share at C\$0.75 until one year after the issue date. In conjunction with the Short Form Offering, the Company issued 374,280 Agent Option units to the placement agents. The Agent Option units

consist of 374,280 Series 9 warrants which expire two years after the issue date. Each Series 9 warrant is exercisable at C\$0.37 for one common share and one Series 10 warrant. Two Series 10 warrants are exercisable for one common share at C\$0.75 until one year after the issue date. Subsequently, the exercise price of the Series 8 and Series 10 warrants was reduced to C\$0.60 and the expiry dates were extended by an additional six months pursuant to an application that was approved by the TSX Venture Exchange on February 5, 2004.

[c] Stock options

1999, 2000, 2001, 2002, and 2003 Incentive Stock Option Plans (collectively the "Plans")

The following table sets out the authorized shares under each plan:

	Effective Date	Common Shares Authorized
1999 Incentive Stock Option Plan	March 11, 1999	450,000
2000 Incentive Stock Option Plan	November 10, 2000	102,500
2001 Incentive Stock Option Plan	September 20, 2001	733,200
2002 Incentive Stock Option Plan	March 25, 2002	634,900
2003 Incentive Stock Option Plan	January 21, 2004	3,300,000
Total authorized		5,220,600

The Plans entitle directors, employees and consultants to purchase common shares of the Company.

Options immediately become exercisable once vested. Any options that do not vest as the result of a grantee leaving the Company are forfeited and the common shares underlying them are

returned to the reserve if they were granted under the 2003 Plan, otherwise they are not returned to the reserve.

When the Company became listed on the TSX Venture Exchange on December 17, 2002, it ceased issuing options under its 1999, 2000, 2001, and 2002 Plans, and filed a new 2003 Plan which

conforms with the TSX Venture Exchange rules. The 898,278 shares previously available under the 1999, 2000, 2001, and 2002 Plans were effectively rendered unavailable by this undertaking. All outstanding options under the old Plans continue to be exercisable as vested until they are forfeited or expire.

8. Share Capital Cont.

Activity under the Plans is set forth below:

	Shares available for grant	Options Outstanding		
		Number of shares	Price per share	Weighted average exercise price
Balance at December 31, 2002	898,278	2,602,700	\$0.12 - 0.59	\$0.20
Additional shares authorized	(898,278)	---	---	---
Options granted	---	---	---	---
Options forfeited	---	(95,700)	\$0.15 - 0.40	\$0.32
Options exercised	---	(126,400)	\$0.15	\$0.15
Balance at December 31, 2003	---	2,380,600	\$0.12 - 0.59	\$0.20
Additional shares authorized	3,300,000	---	---	---
Options granted	(1,863,500)	1,863,500	\$0.21 - 0.31	\$0.28
Options forfeited	186,000	(233,500)	\$0.15 - 0.31	\$0.29
Options exercised	---	(412,500)	\$0.12 - 0.15	\$0.14
Balance at December 31, 2004	1,622,500	3,598,100	\$0.12 - 0.59	\$0.24

The weighted average remaining contractual life and weighted average exercise price of options outstanding and of options exercisable as of December 31, 2004 are as follows:

Exercise Price	Options Outstanding			Options Exercisable	
	Number of shares outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Shares exercisable	Weighted average exercise price
\$0.12 - \$0.22	1,868,100	3 years	\$0.17	1,788,300	\$0.19
\$0.26 - \$0.30	1,397,500	4 years	\$0.28	410,938	\$0.28
\$0.31	282,500	3 years	\$0.31	123,125	\$0.31
\$0.59	50,000	2 years	\$0.59	30,000	\$0.59
	3,598,100	4 years	\$0.24	2,352,363	\$0.22

For the years ended December 31, 2004 and 2003 the Company recorded no stock based compensation expense

Pro forma disclosure of stock based compensation

Pro forma information regarding results of operations and loss per share is required by SFAS 123 for stock-based awards to employees as if the Company had accounted for such awards using a valuation method permitted under SFAS 123.

The fair value of the Company's stock-based awards granted to employees in 2004 was estimated using the Black-Scholes option pricing model and amortized over the vesting period. The option pricing assumptions include a dividend yield of 0% [2003 - 0%], a weighted average expected life of 4 years [2003 - 4.5 years], a risk free interest rate of 3.51% [2003 - 3.83%], and an expected volatility of 66% [2003 - 214%].

The weighted average fair value of options granted during 2004 was \$0.28 [2003 - \$0.18]. For pro forma purposes, the estimated value of the Company's stock-based awards to employees is amortized over the vesting period of the underlying options. The effect on the Company's net loss and loss per share of applying SFAS 123 to the Company's stock-based awards to employees would approximate the following:

	2004	2003
Net income (loss)	\$ 15,623	\$ (1,628,470)
Compensation expense	(185,140)	(8,177)
Pro forma net loss	(169,517)	(1,636,647)
Basic and diluted income (loss) per share		
As reported	0.00	(0.06)
Pro forma	(0.01)	(0.06)

8. Share Capital Cont.

[d] Warrants

As at December 31, 2004, common stock issuable pursuant to warrants outstanding is as follows:

	Outstanding at January 1	Issued	Exercised	Forfeited	Outstanding at December 31	Exercise Price	Expiry Date
2004							
Series 1	281,818	---	---	---	281,818	\$3.00	March 31, 2005
Series 3A	500,000	---	---	---	500,000	\$0.25	July 31, 2005
Series 3B	300,000	---	---	---	300,000	\$0.50	July 31, 2005
Series 8	1,871,400	---	---	1,373,400	498,000	\$0.50 (C\$0.60)	January 16, 2005
Series 9	374,280	---	---	---	374,280	\$0.31 (C\$0.37)	June 4, 2005 and July 16, 2005
Series 10	187,140	---	---	137,340	49,800	\$0.50 (C\$0.60)	January 16, 2005
	3,514,638	---	---	1,510,740	2,003,898		
2003							
Series 1	281,818	---	---	---	281,818	\$3.00	March 31, 2005
Series 3A	500,000	---	---	---	500,000	\$0.25	July 31, 2005
Series 3B	300,000	---	---	---	300,000	\$0.50	July 31, 2005
Series 4	2,000,000	---	1,995,100	4,900	---	\$0.30	September 30, 2003
Series 5	250,000	---	---	250,000	---	\$0.30	September 15, 2003
Series 6	1,701,875	---	1,223,750	478,125	---	\$0.22	December 31, 2003
Series 7	150,000	---	150,000	---	---	\$0.16	December 31, 2003
Series 8	---	1,871,400	---	---	1,871,400	\$0.55 (C\$0.75)	December 4, 2004 and January 16, 2005
Series 9	---	374,280	---	---	374,280	\$0.27 (C\$0.37)	June 4, 2005 and July 16, 2005
Series 10	---	187,140	---	---	187,140	\$0.55 (C\$0.75)	December 4, 2004 and January 16, 2005
	5,183,693	2,432,820	3,368,850	733,025	3,514,638		

The Series 8 and 10 warrants were originally issued with an exercise price of C\$0.75 and an expiry date of June 4, 2004 and July 16, 2004. On February 5, 2004 the exercise price of the warrants was reduced to C\$0.60 and the expiry date was extended to December 4, 2004 and January 16, 2005.

[e] Earnings (loss) per share

	2004	2003
Basic earnings (loss) per share		
Earnings (loss) for the year	\$ 15,623	\$ (1,628,470)
Weighted average number of common shares outstanding	33,364,834	26,309,835
Basic earnings (loss) per share	\$0.00	(\$0.06)
Diluted earnings (loss) per share		
Earnings (loss) for the year	\$ 15,623	\$ (1,628,470)
Weighted average number of common shares outstanding	33,364,834	26,309,835
Dilutive effect of Series 3A Warrants	76,271	---
Dilutive effect of Series 9 Warrants	30,351	---
Dilutive effect of stock options	835,954	---
Adjusted weighted average number of common shares outstanding	34,307,410	26,309,835
Diluted earnings (loss) per share	\$0.00	(\$0.06)

9. Segmented Information

The Company operates in one industry segment and derives its revenue from the following services noted in the table below. The Company defines reportable operating segment as components of the Company about which separate financial information is available and which is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

	2004	2003
Public Company Disclosure and Awareness	\$ 3,129,930	\$ 1,851,489
Products and Advertising	1,693,297	1,168,910
Financial Software and Content Systems		
	4,823,227	3,020,399

Revenue from external customers, by country of origin, is as follows:

	2004	2003
Canada	\$ 2,861,489	\$ 1,405,910
United States	1,961,738	1,564,425
Australia	---	50,064
	4,823,227	3,020,399

During 2004 and 2003, the Company had no customers whose revenue represented greater than 10% of total revenue.

Substantially all of the Company's property and equipment is located in Canada. Its current and planned future operations are, and will be, located in Canada.

In the normal course of business, the Company entered into a non-monetary transaction with a bandwidth provider on March 27, 2003, in which

the Company received bandwidth in exchange for advertising services on the Company's Web sites. The agreement was for a one year term. The non-monetary transaction resulted in revenue of \$50,711 for the year ended December 31, 2004 [2003 - \$24,497], with a corresponding expense included in cost of revenues in each period. The non-monetary pricing was at market prices based on equivalent services paid for in cash during the same period. No other non-monetary transactions were recorded in the years ended December 31, 2004 and 2003.

10. Income Taxes

The Company is subject to United States federal and state income taxes at an approximate rate of 35%. The reconciliation of the provision (recovery) for income taxes at the United States federal statutory rate compared to the Company's income tax expense as reported is as follows:

	2004	2003
Tax expense (recovery) at U.S. statutory rates	\$ 5,000	\$ (570,000)
Lower (higher) effective income taxes of Canadian subsidiary	---	(12,000)
Change in valuation allowance	516,000	306,000
Change in foreign exchange rates	(441,000)	0
Non-deductible expenses	(57,000)	276,000
Other	(23,000)	---
Income tax provision (recovery)	---	---

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Significant components of the Company's deferred tax assets as of December 31 are as follows:

	2004	2003
Net operating loss carryforwards	\$ 3,231,000	\$ 2,933,000
Net capital loss carryforwards	110,000	82,000
Property and equipment	581,000	448,000
Other	298,000	241,000
Total deferred tax assets	4,220,000	3,704,000
Valuation allowance	(4,220,000)	(3,704,000)
Net deferred tax assets	---	---

The Company has recognized a valuation allowance for the deferred tax assets for which it is more likely than not that realization will not occur.

Canada	
2006	2,004,000
2007	2,998,000
2008	602,000
	5,604,000
U.S.	
2019	1,173,000
2020	1,494,000
2021	135,000
2022	237,000
2023	436,000
2024	58,000
	3,533,000
Total	13,086,000

The Company also has net capital losses of \$310,000 available to offset future taxable capital gains in Canada.

Pursuant to Section 382 of the Internal Revenue Code, use of the Company's net operating loss carryforwards may be limited if the Company experiences a cumulative change in ownership of greater than 50% in a moving three year period. Ownership changes could impact the Company's ability to utilize net operating losses and credit

carryforwards remaining at the ownership change date. The limitation will be determined by the fair market value of common stock outstanding prior to the ownership change, multiplied by the applicable federal rate. The Canadian non-capital loss carryforwards may also be limited by a change in Company ownership.

11. Commitments and Contingencies

[a] The Company has operating lease commitments with respect to office premises with minimum annual payments that expire in 2006 as follows:

2005	\$	307,000
2006		241,000
2007		93,000
2008		43,000
		684,000

Rental expense included in general and administrative expenses for the year ended December 31, 2004 was \$274,000 [2003 - \$202,000].

[b] The Company is currently involved in litigation with a customer to collect amounts owing pursuant to a contract entered into in September 2000. The defendant provided a C\$100,000 deposit and contracted the Company to provide certain lead generation services. The Company delivered the requested services throughout October and November 2000, however, the defendant defaulted on all additional payments. The Company is suing the defendant for the C\$351,800 balance owing, plus interest and costs. The defendant has filed a statement of defense and counterclaim to recover the C\$100,000 deposit. As of December 31, 2004, no further action had been taken by either party and no court date has been set. Although management currently believes the outcome of the litigation will be in the Company's favor, it has not elected to aggressively pursue the litigation at this time. The Company has made no provision for the counterclaim in the financial statements and any settlement or final award will

be reflected in the statement of operations as the litigation is resolved.

The Company is currently involved in litigation with a vendor to recover approximately C\$471,000 in unused advertising credits which were prepaid in 1999. The case is currently pending final resolution and there is considerable uncertainty as to what value, if any, will be derived if the Company wins the lawsuit. No provision has been made for recovery of these credits in the financial statements in any year.

In addition, the company is subject to various other legal matters in the ordinary course of business. It is not possible at this time to predict with any certainty the outcome of such litigation. Management believes that the ultimate resolution of these matters would not have a material effect on the Company's financial position or results of operations.

12. Supplemental Cash Flow Information

Net changes in operating assets and liabilities are as follows:

	2004	2003
Marketable securities	\$ (4,745)	\$ (1,418)
Accounts receivable	(333,119)	(159,532)
Prepaid expenses	(34,778)	22,470
Accounts payable and accrued liabilities	102,736	(96,161)
Accrued payroll liabilities	(10,978)	5,278
Accrued interest on notes payable	---	(13,371)
Deferred revenue	304,536	178,625
	23,652	(64,109)

Non-cash investing and financing activities are as follows:

	2004	2003
Asset acquisition completed with the issuance of common stock	\$ 290,700	\$ ---

	2004	2003
Cash paid for interest	\$ 2,083	\$ 35,519

13. Accounting for and Disclosure of Guarantees

The Company from time-to-time enters into certain types of contracts that contingently require the Company to indemnify parties against third party claims. These contracts primarily relate to: (i) service agreements, under which the Company may be required to indemnify clients for liabilities relating to data transmission and dissemination; and (ii) certain agreements with the Company's officers, directors and employees and third parties, under which the Company may be required to indemnify such persons for liabilities arising out of their duties to the Company.

The Company regularly enters into service level agreements with clients, under which the Company guarantees consistent streaming of data within certain pre-defined tolerances.

The terms of such obligations vary. Generally, a maximum obligation is not explicitly stated. Because the obligated amounts of these types of agreements often are not explicitly stated, the overall maximum amount of the obligations cannot be reasonably estimated. Historically, the Company has not been obligated to make significant payments for these obligations, and no liabilities have been recorded for these obligations on its balance sheet as of December 31, 2004 and December 31, 2003.

14. Subsequent Events

On January 27, 2005, the Company terminated the lease of its New York office. Under the terms of the termination agreement, the Company paid a \$40,000 termination fee, forfeited its right to a \$40,000 security deposit and paid 50% of back rent owing which totaled \$26,000. The termination fee and the security deposit forfeiture will be recorded in the financial statements for the quarter ending March 31, 2005.

