

TELEHOP COMMUNICATIONS INC.
Interim Consolidated Balance Sheets

Unaudited

	June 30, 2003	As at Dec 31, 2002
ASSETS		
Cash	\$ 1,926,168	\$ 1,464,079
Accounts receivable	1,453,890	1,675,372
Income taxes recoverable	-	38,719
Prepaid expenses	34,918	37,170
Advances to shareholders	26,101	26,101
Total current assets	3,441,077	3,241,441
Future income tax asset	22,271	25,271
Capital assets	837,923	838,773
Total assets	\$ 4,301,271	\$ 4,105,485
LIABILITIES		
Accounts payable and accrued charges	\$ 2,466,603	\$ 2,820,328
Income taxes payable	149,478	-
Obligations under capital lease - current portion	25,930	17,247
Total current liabilities	2,642,011	2,837,575
Obligations under capital lease	39,880	21,757
Total liabilities	2,681,891	2,859,332
SHAREHOLDERS' EQUITY		
Capital stock (note 2)	1,094,164	1,094,164
Retained earnings	525,216	151,989
Total shareholders' equity	1,619,380	1,246,153
Total liabilities and shareholders equity	\$ 4,301,271	\$ 4,105,485

See accompanying notes

TELEHOP COMMUNICATIONS INC.**Interim Consolidated Statements of Earnings and Retained Earnings****Unaudited**

	Three months ended		Six months ended	
	Jun 30, 2003	Jun 30, 2002	Jun 30, 2003	Jun 30, 2002
Revenue	\$ 4,054,886	\$ 2,974,047	\$ 7,962,833	\$ 5,867,273
Expenses				
Telecommunication costs	2,408,578	1,769,802	4,861,062	3,680,676
General and administration	705,383	464,633	1,297,556	830,642
Marketing and selling	476,539	396,549	793,163	728,252
Development and technical support	64,377	213,671	229,409	378,253
Depreciation and amortization	77,075	60,848	151,546	122,043
Interest expense	2,455	2,208	(2,349)	6,382
	3,734,407	2,907,711	7,330,387	5,746,248
Earnings before income taxes	320,479	66,336	632,446	121,025
Income tax expense	128,192	25,012	259,219	50,150
Net income for the period	192,287	41,324	373,227	70,875
Retained earnings, beginning of period	332,929	85,747	151,989	56,196
Retained earnings, end of period	\$ 525,216	\$ 127,071	\$ 525,216	\$ 127,071
Earnings per share (note 2)	\$ 0.02	\$ 0.00	\$ 0.03	\$ 0.01

See accompanying notes

TELEHOP COMMUNICATIONS INC.
Interim Consolidated Statements of Cash Flows

Unaudited

	Three months ended		Six months ended	
	Jun 30, 2003	Jun 30, 2002	Jun 30, 2003	Jun 30, 2002
CASH FLOW PROVIDED BY (USED FOR)				
Operating activities				
Net income for the period	\$ 192,288	\$ 41,324	\$ 373,228	\$ 70,874
Items not affecting cash				
Depreciation and amortization	77,075	60,848	151,546	122,043
Future income tax asset	3,000	5,719	3,000	5,720
	272,363	107,891	527,774	198,637
Changes in operating working capital				
Accounts receivable	(10,620)	(63,200)	221,482	335,040
Prepaid expenses	31,274	(300)	2,250	(1,300)
Accounts payable and accrued charges	(550,243)	(137,538)	(353,724)	(184,185)
Income taxes	76,272	19,292	188,196	44,432
	(180,954)	(73,855)	585,978	392,624
Investing activities				
Repayment of advances to shareholders	-	2,550	-	2,037
Additions to capital assets	(41,856)	(129,168)	(150,697)	(184,231)
	(41,856)	(126,618)	(150,697)	(182,194)
Financing activities				
Repayment of obligations under capital lease	(7,616)	2,778	26,808	(24,302)
	(7,616)	2,778	26,808	(24,302)
Increase (decrease) in cash	\$ (230,426)	\$ (197,695)	\$ 462,089	\$ 186,128
Cash, beginning of period	2,156,594	834,028	1,464,079	450,205
Cash, end of period	\$ 1,926,168	\$ 636,333	\$ 1,926,168	\$ 636,333

See accompanying notes

TELEHOP COMMUNICATIONS INC.

Notes to Consolidated Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim consolidated financial statements follow the same accounting policies as the consolidated financial statements for the year ended December 31, 2002. The interim financial statements do not contain all disclosures required by Canadian generally accepted accounting principles for annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2002.

2. CAPITAL STOCK

Earnings per share is the amount of earnings for the period available to each common share outstanding during the reporting period. Earnings per share was calculated using earnings of \$192,287 (Dec 31, 2002 – \$95,792) and weighted average number of common shares of 12,067,500 (Dec 31, 2002 – 12,067,500). There was no adjustment arising from the effect of dilutive securities on the adjusted weighted average number of shares outstanding.

Stock option plan

The Company's employee stock option plan ("ESOP") authorized the Company to reserve 1,500,000 common shares of the Company for issuance in accordance with the terms of the ESOP. Options granted vest over a period not exceeding five years and the purchase price is payable in full at the time the options are exercised.

The following table summarizes information about stock options outstanding at June 30, 2003:

Range of Exercise Price	Outstanding			Exercisable	
	Number Outstanding	Weighted Average Remaining Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$ 0.20	1,144,000	2.86	\$ 0.20	924,000	\$ 0.20

In June 2003 the Company's board of directors and shareholders approved the change of the exercise price of the options outstanding from \$0.40 to \$0.20 per option.

3. GUARANTEES

In 2003 the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants' Accounting Guideline 14, "Disclosure of Guarantees". In the normal course of business, the Company has guaranteed a portion of the residual values of certain assets under operating leases with expiry dates between June 2004 and November 2006, for the benefit of the lessor. If the Company elects not to purchase or release the assets at the end of their respective lease term, then the Company must, under certain conditions, compensate the lessor for a portion of any shortfall between the fair value and the residual value. The maximum exposure in respect of these guarantees is approximately \$5,000.

4. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the current presentation.