

TELEHOP COMMUNICATIONS INC.
Interim Consolidated Balance Sheets

Unaudited

	Sept 30, 2003	As at Dec 31, 2002
ASSETS		
Cash	\$ 1,523,939	\$ 1,464,079
Accounts receivable	2,190,508	1,675,372
Income taxes recoverable	-	38,719
Prepaid expenses	43,852	37,170
Advances to shareholders	26,101	26,101
Total current assets	3,784,399	3,241,441
Future income tax asset	22,271	25,271
Capital assets	782,631	838,773
Total assets	\$ 4,589,301	\$ 4,105,485
LIABILITIES		
Accounts payable and accrued charges	\$ 2,410,930	\$ 2,820,328
Income taxes payable	271,637	-
Obligations under capital lease - current portion	25,550	17,247
Total current liabilities	2,708,116	2,837,575
Obligations under capital lease	35,602	21,757
Total liabilities	2,743,718	2,859,332
SHAREHOLDERS' EQUITY		
Capital stock (note 2)	1,094,164	1,094,164
Retained earnings	751,419	151,989
Total shareholders' equity	1,845,583	1,246,153
Total liabilities and shareholders equity	\$ 4,589,301	\$ 4,105,485

See accompanying notes

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

	Three months ended		Nine months ended	
	Sep 30, 2003	Sep 30, 2002	Sep 30, 2003	Sep 30, 2002
Revenue	\$ 3,859,266	\$ 2,876,186	\$ 11,822,100	\$ 8,743,459
Expenses				
Telecommunication costs	2,157,156	1,378,596	7,018,218	5,059,272
General and administration	627,683	785,470	1,925,240	1,616,111
Marketing and selling	489,104	346,967	1,282,267	1,075,219
Development and technical support	132,419	291,503	361,827	669,756
Depreciation and amortization	78,188	66,421	229,734	188,463
Interest expense	3,584	3,900	1,234	10,283
Foreign exchange loss (gain)	3,363	-	3,363	-
	3,491,496	2,872,857	10,821,884	8,619,104
Earnings before income taxes	367,770	3,329	1,000,216	124,355
Income tax expense	141,568	1,248	400,786	51,399
Net income for the period	226,202	2,081	599,430	72,956
Retained earnings, beginning of period	525,216	127,071	151,989	56,196
Retained earnings, end of period	\$ 751,419	\$ 129,152	\$ 751,419	\$ 129,152
Earnings per share (note 2)	\$ 0.02	\$ 0.00	\$ 0.05	\$ 0.01

See accompanying notes

TELEHOP COMMUNICATIONS INC.
Interim Consolidated Statements of Cash Flows

Unaudited

	Three months ended		Nine months ended	
	Sep 30, 2003	Sep 30, 2002	Sep 30, 2003	Sep 30, 2002
CASH FLOW PROVIDED BY (USED FOR)				
Operating activities				
Net income for the period	\$ 226,202	\$ 2,081	\$ 599,430	\$ 72,956
Items not affecting cash				
Depreciation and amortization	78,188	66,420	229,734	188,463
Future income tax asset	-	-	3,000	5,720
	304,390	68,501	832,164	267,139
Changes in operating working capital				
Accounts receivable	(736,618)	233,742	(515,136)	578,782
Prepaid expenses	(8,934)	13,154	(6,683)	1,854
Accounts payable and accrued charges	(56,173)	(309,559)	(410,348)	(493,744)
Income taxes	122,659	(35,168)	311,307	9,263
	(374,675)	(29,330)	211,304	363,294
Investing activities				
Repayment of advances to shareholders	-	-	-	2,037
Additions to capital assets	(22,896)	(44,154)	(173,592)	(228,385)
	(22,896)	(44,154)	(173,592)	(226,348)
Financing activities				
Repayment of obligations under capital lease	(4,659)	(29,652)	22,148	(53,953)
	(4,659)	(29,652)	22,148	(53,953)
Increase (decrease) in cash	\$ (402,229)	\$ (103,136)	\$ 59,860	\$ 82,993
Cash, beginning of period	1,926,168	636,334	1,464,079	450,205
Cash, end of period	\$ 1,523,939	\$ 533,198	\$ 1,523,939	\$ 533,198

See accompanying notes

TELEHOP COMMUNICATIONS INC.

Notes to Consolidated Financial Statements for the three months and nine months ended September 30, 2003

Unaudited

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 \$226,202 (three months ended Sep 30, 2003 – \$2,081) and weighted average number of common shares of 12,067,500 (three months ended Sep 30, 2003 – 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 September 30, 2003:

Range of Exercise Price	Outstanding		Exercisable		
	Number Outstanding	Weighted Average Remaining Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$ 0.23	1,454,000	2.61	\$ 0.23	46,000	\$ 0.23

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.

On September 19, 2003, the Company granted an aggregate of 100,000 stock options to two independent contractors. The options vest over a period of eighteen months, are exercisable at \$0.35 per share and expire on September 19, 2006. The Company included less than \$1,000, representing the fair value of the options granted, as the related compensation expense for the three month period ended September 30, 2003.

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.