



STRIDE

Q2-2004 CX Financial Statements

Notice to Reader:

The accompanying unaudited interim consolidated financial statements of Cyberplex Inc. for the quarter ended June 30, 2004 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Corporation. These statements have not been reviewed by the Corporation's external auditors.

Dated July 30, 2004

(Signed) Dean Hopkins
President and Chief Executive Officer

(Signed) Geoffrey Rotstein
Chief Financial Officer



CELEBRATING TEN YEARS

CYBERPLEX INC.

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2004

The following discussion and analysis should be read in conjunction with the unaudited interim consolidated financial statements of the Company and notes thereto for the period ended June 30, 2004, as well as the Company's audited Consolidated Financial Statements, notes thereto and Management's Discussion and Analysis ("MD&A") for the fiscal year ended December 31, 2003, contained in the Company's 2003 Annual Report. The Company's December 31, 2003 MD&A was prepared in accordance with the new regulations for MD&A disclosure. This interim MD&A is an update to that disclosure.

RESULTS OF OPERATIONS

QUARTER ENDED JUNE 30, 2004 COMPARED TO QUARTER ENDED JUNE 30, 2003

Overview

Cyberplex was able to continue its trend of posting strong gross margins, realizing both operational and net profitability and generating cash from operations, during the second quarter of 2004. In addition to these strong operational results, the Company also completed a non-brokered private placement during the quarter for \$1 million, which further strengthened its balance sheet.

Revenue

Revenue for the second quarter of 2004 increased 14%, to \$2.21 million, up from \$1.93 million for the same period in 2003. The revenue increase is the result of increased work with existing clients combined with the addition of new clients during the quarter. Sequential, or quarter-over-quarter, revenue increased marginally when compared to the first quarter of 2004.

Direct Costs

Direct costs for the quarter were \$1.05 million, down \$180,000, or 21%, when compared to the second quarter of 2003. As with prior quarters, this reduction in direct costs was achieved by continuing to focus on billable utilization, increasing the use of contract-based personnel and improving project management across all engagements.

Sales & Marketing Expenses

Sales and marketing expenses were relatively consistent with those from the previous year, increasing by only \$6,000, or 4%, to \$176,000 from the \$170,000 from the second quarter of 2003. Expenses in this category consist primarily of salaries and other costs associated with our sales and marketing teams.



General & Administrative Expenses

General and administrative expenses for the quarter were \$637,000, an increase of \$21,000, or 3%, from the \$616,000 incurred during the same period last year. Continued focus on non-billable resources, facility costs, discretionary spending and other overhead items has enabled the Company to control its expenditures in this area, while continuing to grow its revenue over the past 12 months

Amortization

Amortization expense for the quarter was \$88,000, down from the \$101,000 recorded during the same quarter in 2003. The decline in amortization expense is a factor of the reduced carrying balances for previously amortized capital assets.

LIQUIDITY AND CASH POSITION

Operating Activities

Operating activities for the second quarter of 2004 provided a source of cash of \$161,000, compared with a source of cash of \$317,000 generated for the same period in 2003. Cash generated by the Company's strong operational results were partially offset by various non-cash working capital changes during the quarter.

Financing Activities

There were no financing activities for the quarter ended June 30, 2004, whereas, financing activities for the quarter ended June 30, 2003 consisted of a reduction in capital lease obligations of \$50,000, and a reduction in long-term liabilities of \$92,000.

Investing Activities

Investing activities for the second quarter of 2004 produced a net source of funds of \$966,000. During the quarter, the Company raised funds by way of private placement for net proceeds of \$992,000. The financing was a non-brokered transaction in which Cyberplex issued 1,923,076 common shares at a price of \$0.52 per share. Proceeds from this financing will be used for working capital and general corporate purposes, as the Company continues to grow its operations and pursue value creating acquisitions. Investing activities for the quarter also included a use of \$26,000 for the acquisition of capital assets. Investing activities for the quarter ended June 30, 2003 resulted in a use of cash of \$18,000 relating solely to the acquisition of capital assets.



CYBERPLEX INC.

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2004

Cash Position

The Company's cash position, consisting of cash, cash equivalents and short-term investments, at June 30, 2004 was \$4.21 million. This is up \$250,000 when compared to the cash balance of \$3.96 million held at June 30, 2003. This increase is the result of strong operational results over the past 12 months combined with the investing activity described above. These increases were offset primarily by a one-time payment made to a supplier, to settle a large outstanding account, as discussed in the Company's 2003 Annual Report. The Company continues to have a strong commitment to protecting and growing its cash position by remaining focused on profitability.

SIGNIFICANT ACCOUNTING POLICIES

On January 1, 2004, the Company adopted CICA Handbook Section 3870 regarding stock based compensation, and recorded a charge to its opening deficit of \$168,900 for stock options granted to employees on or after January 1, 2002. During the three months ended March 31, 2004, the Company recorded compensation expense of approximately \$26,691, and during the three months ended June 30, 2004 the Company recorded compensation expense of approximately \$34,783 related to stock options granted to employees. As a result of the above transactions, approximately \$230,374 was recorded in contributed surplus during the six months ended June 30, 2004.

RISKS AND UNCERTAINTIES

Cyberplex has not had any significant changes to its risks and uncertainties from those that were disclosed in the Company's 2003 MD&A.

OUTLOOK

Cyberplex has not had any significant changes to its outlook from those that were disclosed in the Company's 2003 MD&A.



CYBERPLEX INC.

CONSOLIDATED BALANCE SHEETS

	as at June 30, 2004	as at December 31, 2003
	(unaudited)	(unaudited)
ASSETS		
Current Assets:		
Cash, cash equivalents and short-term investments	\$ 4,208,641	\$ 3,077,930
Accounts receivable, net of allowance for doubtful accounts of \$212,235 (December 31, 2003 - \$208,935)	2,256,953	1,804,460
Prepaid expenses and sundry assets	168,421	294,300
	<u>6,634,015</u>	<u>5,176,690</u>
Capital assets	1,833,290	1,987,040
TOTAL ASSETS	<u>\$ 8,467,305</u>	<u>\$ 7,163,730</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 1,267,786	\$ 1,618,975
Deferred lease inducements	34,607	58,733
Unearned revenue	8,789	180,743
	<u>1,311,182</u>	<u>1,858,451</u>
Future income taxes	162,019	162,019
Other long-term liabilities	1,252,452	1,118,136
	<u>1,414,471</u>	<u>1,280,155</u>
SHAREHOLDERS' EQUITY		
Capital stock	70,065,319	68,843,158
Deficit	(64,323,667)	(64,818,034)
	<u>5,741,652</u>	<u>4,025,124</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 8,467,305</u>	<u>\$ 7,163,730</u>



CYBERPLEX INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

	Three Month Period Ended		Six Month Period Ended	
	June 30, 2004 (unaudited)	June 30, 2003 (unaudited)	June 30, 2004 (unaudited)	June 30, 2003 (unaudited)
Revenue	\$ 2,206,117	\$ 1,927,552	\$ 4,409,473	\$ 3,578,359
Cost of sales	1,045,129	864,940	2,033,990	1,668,819
Gross profit	1,160,988	1,062,612	2,375,483	1,909,540
Sales and marketing expenses	176,280	169,945	316,135	387,600
General and administrative expenses	637,432	615,635	1,246,079	1,160,177
	813,712	785,580	1,562,214	1,547,777
Income before the undernoted	347,276	277,032	813,269	361,763
Amortization	(88,109)	(101,223)	(183,023)	(201,732)
Write-down of short-term investment	-	-	-	(9,772)
Interest income	16,740	29,093	33,021	45,057
Interest on long-term debt	-	(2,709)	-	(7,139)
Income (Loss) before income taxes	275,907	202,193	663,267	188,177
Provision for income tax	-	-	-	-
Net income (Loss)	\$ 275,907	\$ 202,193	\$ 663,267	\$ 188,177
Deficit - beginning of the period	(64,599,574)	(65,949,211)	(64,818,034)	(65,935,195)
Adjustment for stock based compensation	-	-	(168,900)	-
Deficit - end of period	\$ (64,323,667)	\$ (65,747,018)	\$ (64,323,667)	\$ (65,747,018)
Weighted average number of common shares - basic	30,424,596	29,664,951	30,056,817	29,664,951
Weighted average number of common shares - diluted	31,692,800	32,012,619	31,325,021	32,012,619
Basic earnings (loss) per share	\$ 0.01	\$ 0.01	\$ 0.02	\$ 0.01
Diluted earnings (loss) per share	\$ 0.01	\$ 0.01	\$ 0.02	\$ 0.01



CYBERPLEX INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Month Period Ended		Six Month Period Ended	
	June 30, 2004 (unaudited)	June 30, 2003 (unaudited)	June 30, 2004 (unaudited)	June 30, 2003 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Income (Loss) from continuing operations	\$ 275,907	\$ 202,193	\$ 663,267	\$ 188,177
Items not involving cash:				
Amortization	88,109	101,223	183,023	201,732
Amortization of lease inducements	(12,063)	(12,063)	(24,125)	(24,125)
Stock based compensation	34,784	-	61,475	-
Unrealized foreign exchange (gain)/loss	(20,438)	3,269	(37,242)	8,941
Changes in non-cash working capital	(205,260)	21,866	(837,234)	138,637
Cash flows from (used in) operating activities	161,039	316,488	9,164	513,362
CASH FLOWS FROM FINANCING ACTIVITIES				
Change in long-term liabilities	-	(91,984)	134,316	(176,085)
Change in obligations under capital lease	-	(50,228)	-	(151,769)
	-	(142,212)	134,316	(327,854)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from private placement, net	991,786	-	991,786	-
Disposal/(addition) of capital assets, net	(25,976)	(17,635)	(29,273)	(17,635)
	965,810	(17,635)	962,513	(17,635)
Foreign exchange gain/(loss) on cash held in foreign currency	13,036	(89,707)	24,718	(124,479)
Change in cash, cash equivalents & short-term investments	1,139,885	66,934	1,130,711	43,394
Cash, cash equivalents & short-term investments, beginning of period	3,068,756	3,894,382	3,077,930	3,917,922
Cash, cash equivalents & short-term investments end of period	\$ 4,208,641	\$ 3,961,316	\$ 4,208,641	\$ 3,961,316



CYBERPLEX INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2004

1. Nature of business

The Company, through its subsidiaries, is an enterprise integration firm that helps its corporate and industrial clients consolidate and simplify their technology architecture to turn their existing investments in people, process and technology into a source of competitive advantage.

2. Significant accounting policies

The disclosures contained in these unaudited interim consolidated financial statements do not include all requirements of generally accepted accounting principles for annual financial statements. The unaudited interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements and notes thereto for the year ended December 31, 2003. These unaudited interim consolidated financial statements are based upon accounting principles consistent with those used and described in the annual audited consolidated financial statements, notes thereto, and Management Discussion and Analysis contained in the Company's Annual Report for the fiscal year ended December 31, 2003.

The unaudited interim consolidated financial statements reflect all adjustments, consisting only of normal recurring accruals, which are, in the opinion of management, necessary to present fairly the financial position of the Company as of June 30, 2004 and December 31, 2003, and the results of operations and cash flows for the three and six month periods ended June 30, 2004 and 2003. Interim results are not necessarily indicative of results for a full year.

3. Outstanding shares

As of June 30, 2004, there were 31,608,027 common shares issued and outstanding. In addition, there were 2,555,668 options outstanding to acquire common shares of the Company.

4. Stock-based compensation

On January 1, 2004, the Company adopted CICA Handbook Section 3870 and recorded a charge to its opening deficit of \$168,900 for stock options granted to employees on or after January 1, 2002. During the three months ended March 31, 2004, and June 30, 2004, the Company recorded compensation expense related to stock options granted to employees of approximately \$26,691 and \$34,783, respectively. As a result of the above transactions, approximately \$230,374 was recorded in contributed surplus during the six months ended June 30, 2004.



CYBERPLEX INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2004

4. Stock-based compensation (continued)

The Company's calculations for calculating the "fair value" of options granted were made using the Black Scholes option-pricing model with the following average assumptions:

	For the period ended June 30, 2004	
	Three Months	Six Months
Risk-free interest rate	3.45%	3.19%
Expected life (years)	3.06	2.88
Expected dividend yield	0%	0%
Expected volatility	62%	62%

5. Segmented Information

The Company operates in one business segment – technology consulting. Financial information by geographic segment is as follows:

Revenue by geographic location of customer:

	Three months ended	
	June 30, 2004	June 30, 2003
Canada	\$1,684,459	\$901,126
U.S.	521,658	1,026,426
	<u>\$2,206,117</u>	<u>\$1,927,552</u>

Capital Assets by geographic location:

	As at	
	June 30, 2004	December 31, 2003
Canada	\$1,814,987	\$1,965,873
U.S.	18,303	21,167
	<u>\$1,833,290</u>	<u>\$1,987,040</u>

