microforum

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First Quarter Report
May 31, 2003

Management's Discussion and Analysis of Financial Condition and Results of Operations First Quarter ending May 31, 2003

You should read the following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") for the first quarter ended May 31, 2003 in conjunction with the unaudited consolidated financial statements for the period ending May 31, 2003 and the audited consolidated financial statements for the year ending February 28, 2003. The following discussion also contains forward-looking statements and should be read in conjunction with the factors described in the "Forward-looking statements" section of the MD&A.

Business Overview

Microforum Inc. ("Microforum" or the "Company") has evolved into a technology company focusing on the development of proprietary software solutions and the Home-Link Services Canada Ltd. ("Home-Link") business unit. The Company's software development business units consists primarily of our co-ownership of the Credit Adjudication & Lending Management System ("CALMS") and the development of specific software applications on a client by client basis.

Significant Events

On June 25, 2002 both secured and unsecured creditors unanimously approved the restructuring of Microforum Inc. ("Microforum" or the "Company") under the Companies Creditors Arrangement Act ("CCAA"). Accordingly, on August 7, 2002 the protection from creditors provided to Microforum by the CCAA was lifted.

As part of the ongoing repositioning of Microforum, it was determined that the majority of business units would not be cash flow positive within a short period of time. As such the Company has disposed of substantially all of the operating assets of such businesses.

During the third quarter of 2003 the Company acquired 100% of the operations of Home-Link Services Canada Ltd. (see Home-Link Services Canada Investment below) for $5.7 million satisfied through share issuance of 41,322,628 common shares and 1,280,000 Series A Preferred shares.

On September 13, 2002, Brascan Financial Corporation ("Brascan Financial") subscribed for 20,000,000 Series B Preferred shares in exchange for cash proceeds of $20 million. The Company intends to invest its excess available cash in instruments that have the potential to generate a current yield that will offset, or partially offset, the dividend rate on the Preferred shares.

Home-Link Services Canada Investment

On September 13, 2002, the Company announced that it had purchased 49% of the shares of Home-Link Services Canada Ltd. ("Home-Link") in exchange for the issuance of 20,248,088 common shares and 627,200 Series A Preferred shares. The Home-Link shares were purchased from a subsidiary of Brascan Financial which, following this transaction had a 31% equity interest in the Company.

In addition and on the same date, the Company acquired from Brascan Financial the right to purchase the remaining 51% of the shares of Home-Link, subject to receipt of a third party consent, in exchange for the issuance of an additional 21,074,540 common shares and an additional 652,800 Series A Preferred shares.

On October 7, 2002, Home-Link received the third party consent and the Company purchased on October 21, 2002, the remaining 51% of the shares of Home-Link in exchange for the issuance of 21,074,540 common shares and 652,800 Series A Preferred shares. The Home-Link shares were purchased from a subsidiary of Brascan Financial which, following this transaction had a 48% equity interest in the Company.

Founded in 2000, Home-Link provides a one-stop shopping service for home buyers and sellers, offering real-estate related products and services throughout the customer's purchasing and selling cycle, coordinated by a proprietary CRM software system and call center. Home-Link aggregates clients and sells services to its customers through an established network of service suppliers. Products and services provided include moving services, home insurance, phone/connect, cleaning, painting, repairs, remodeling and services ancillary to a residential real estate sale.

During November 2002, Home-Link's U.S. licensor of its CARE II software applied for protection from its creditors under Chapter 11 of the U.S. Bankruptcy Code. On April 24, 2003 the U.S. licensor of the CARE II software was purchased by HomeCard Company Inc ("HomeCard").

Home-Link and HomeCard have entered into a revised agreement for the use of the CARE II software where Home-Link now has an exclusive, royalty-free, irrevocable, perpetual, sub-licensable, transferable license for use in Canada of the CARE II software in exchange for $US100,000. The Company has also received all Canadian Home-Link trademarks acquired by HomeCard.

Software Development

Microforum has been engaged by an affiliate of Brascan Financial to develop software applications and upgrade its computer systems. The total value of the contract is $2.2 million and is estimated to be completed during the second quarter of fiscal 2004.

Discussions with White Clark North America continue with respect to further developing the CALMS software solution. The Company plans to develop a CALMS application that may be used by the Home-Link business unit as well as for similar applications in businesses not directly served by White Clark North America.

First Quarter 2004 Compared to First Quarter 2003

Results of Operations

The Company reported a loss of $1 million ($0.02 per share) for the three months ended May 31, 2003 compared to a loss of $2.9 million ($0.07 per share) for the same period of last year. Of the loss reported for the three months ended May 31, 2003, $1.4 million is attributable to the operations of Home-Link offset by net income of $0.2 million from our software development business and $0.2 million in investment income.

Revenues were $0.7 million during the current quarter compared to $0.8 million for the same period of last year. The $0.7 million in revenues is comprised of $0.15 million from Home-Link and $0.55 million from our software development business.

Operating expenses were $1.2 million for the three months ended May 31, 2003. Of the $1.2 million, $1.15 million in expenses were attributable to Home-Link with the balance attributable to operating expenses associated with the software development business and ongoing corporate operating costs. Operating expenses during the same period of the previous year were $1.2 million.

Amortization and write-down of property, plant and equipment was $0.1 million for the three months ended May 31, 2003 as compared to $0.3 million for the same period last year. The amortization of $0.1 million for the current period relates to assets acquired as part of the purchase of Home-Link. Amortization from the prior year relates to the write-off of assets associated with the former business units of Microforum.

Amortization of intangible assets was $0.3 million for the three months ended May 31, 2003 compared with nil for the previous period. The amortization relates to the $5.5 million of intangible assets acquired in the purchase of Home-Link.

Liquidity and Capital Resources

As at May 31, 2003, the Company had positive working capital of $16 million compared to working capital of $17.3 million as at February 28, 2003. The decrease in working capital as at May 31, 2003 is the result of continuing to fund the operating losses of Home-Link and the purchase of a perpetual license for Home-Link's Care II software.

Cash and short-term investments on hand at May 31, 2003 was $18.2 million compared to $20 million as at February 28, 2003. The Company has invested its excess cash in investment grade corporate bonds as it continues to evaluate higher yield investment opportunities. The increase in cash is attributable to the investment in Series B Preferred shares of the Company by Brascan Financial.

Accounts receivable was $0.6 million at May 31, 2003 unchanged from the balances at February 28, 2003.

Accounts payable and accrued charges were $0.5 million as at May 31, 2003, unchanged from the balance at February 28, 2003.

Deferred revenue as at May 31, 2003 was $1 million compared to $1.7 million reported at February 28, 2003. The current deferred revenue balance is comprised of Relocation Service's prepayment to Microforum for the development and upgrade of their IRP and related computer systems and deferred service and marketing fee revenue of Home-Link. The decrease of $0.6 million is primarily the result of the recognition of revenue from Microforum delivering products and services to Relocation Services during the first quarter.

Microforum Inc. believes it has sufficient liquid assets to meet its obligations and continue to fund the operations of Home-Link for the foreseeable future.

Outlook

Forward-looking statements

Certain statements in this Annual Report, contain words such as “could,” “expects,” “may,” “anticipates,” “believes,” “intends,” “estimates,” “plans,” “envisions,” and other similar language and are considered forward-looking statements. These statements are based on our expectations, estimates, forecasts and projections about the operating environment and markets in which we operate. In addition, other written or oral statements, which are considered forward-looking, may be made by us or others on our behalf. These statements are subject to important risks, uncertainties and assumptions, which are difficult to predict, and the actual outcome may be materially different. Some of the factors, which could cause results or events to differ from current expectations include, but are not limited to, the factors described below. Unless required by applicable securities law, we do not have any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Future Capital Needs and Uncertainty of Additional Financing

The Company may need to raise additional funds in the future in order to take advantage of its growth opportunities. These opportunities may require a more rapid expansion or acquisitions of complementary businesses or technologies, the development of new products and other responses to competitive pressures. There can be no assurance that additional financing will be available on terms favourable to the Company, or at all. If adequate funds are not available or are not available on acceptable terms, the Company may not be able to take advantage of strategic opportunities, develop new products and services or otherwise respond to competitive pressures.

Competition

The U.S. market for the aggregation of real estate ancillary services is highly competitive. While the Company believes that there are no Canadian competitors who possess the same sophistication of model focused on home servicing as the Company with their Home-Link business, initiatives by large financial institutions could result in a significant competitive threat. These large financial institutions would be able to capture customers through their financial products and the level of trust, security, brand awareness and credibility these institutions enjoy in the marketplace. Existing or future competitors may develop or offer services that are comparable or superior to the Company’s at a lower price, which could have a material adverse effect on the Company's business, results of operations and financial condition.

Dependence on Key Customers & Suppliers

Sales cycles for adoption of the Home-Link service by real estate agents and brokers requires considerable time. Initial introduction of the Company’s Home-Link service was exclusively focussed on Royal LePage (“RLP”) real estate brokerages and accordingly, a significant amount of current revenue from real estate brokerages is generated from RLP. The loss of Royal LePage could have an adverse impact on the Company’s results of operations and may impede the Company’s ability to introduce this service across Canada. Sales efforts in 2003 have generated some momentum, but national supplier sales are still in start-up mode. There can be no assurances that such contracts will be entered and/or renewed on favourable terms or at all at their scheduled expiration, which could have a material adverse effect on the Company's business, results of operations and financial condition.

Dependence upon Key Personnel

The Company competes for qualified personnel and if qualified professionals cannot be attracted, motivated and retained, the business and results of operations and financial condition of the Company could be materially adversely affected.

Dependence on Proprietary Technology

The Company relies on a combination of copyright and trade secret laws and contractual provisions to establish and protect its rights in its software and proprietary technology, namely its Canadian licensing rights to Home-Link's CARE II software. The Company generally enters into non-disclosure agreements with employees and customers and historically has restricted access to its software products' source codes. The Company regards its source code as proprietary information, and attempts to protect the source code versions of its products as trade secrets and as unpublished copyrighted works. In a few cases, the Company has provided copies of source codes for certain products to customers and strategic partners, for the purpose of special customization for identified projects. In these cases, the Company relies on non-disclosure and other contractual provisions to protect its proprietary rights. Despite the Company's precautions, it may be possible for unauthorized parties to copy or otherwise reverse engineer portions of the Company's products or otherwise obtain and use information that the Company regards as proprietary.

There can be no assurance that the steps taken by the Company to protect its proprietary rights will be adequate to deter misappropriation of its technology or independent development by others of technologies that are substantially equivalent or superior to the Company's technology. The Company could incur substantial costs in protecting and enforcing its intellectual property rights. Moreover, from time to time, third parties may assert patent, trademark, copyright and other intellectual property rights to technologies that are important to the Company. There can be no assurance that the assertion of such claims will not result in litigation or that the Company would prevail in such litigation or be able to obtain a license for the use of any infringed intellectual property from a third party or, if such a license is required, that it would be available on terms acceptable to the Company. Furthermore, litigation, regardless of its outcome, could result in substantial cost to the Company and divert management's attention and resources from the Company's operations. Any infringement claim or litigation against the Company could, therefore, materially adversely affect the Company's business, results of operations and financial condition.

Limited Profitability

The Company has reported net losses and losses from continuing operations in each of the last three fiscal years. Home-Link is an early stage Company that is currently implementing its development strategy throughout major Canadian markets. There can be no assurance that cash flow from operations in future periods will be sufficient to fund operations or that Home-Link will be profitable.

Stock Listing

As a result of the Company's inability to meet the continued listing requirements, the TSX de-listed the Common Shares effective August 29, 2002. In connection with the Brascan Transaction, the Company indicated that it would seek a listing for the Common Shares on a recognized Canadian stock exchange with twelve to eighteen months of the closing date of the Brascan Transaction. There can be no assurance as to whether the Company will be able to list its Common Shares on a recognized Canadian stock exchange or, if Common Shares are listed, an active and liquid trading market will develop.

Microforum is currently comprised of two business units: Home-Link Services Canada Ltd and Software Development as well as investment operations.

Home-Link

Home-Link is a start up business involved in providing services to consumers during the home purchasing and selling cycle. Home-Link has never been profitable and has incurred significant losses since it started business in mid 2000. Home-Link continues to develop its service offerings and is in active negotiations with leading Canadian Financial Institutions to further its growth. While management believes that Home-Link will ultimately develop into a successful business it is expected that Home-Link will continue to incur losses for the foreseeable future.

Software Development

Our Software Development projects consist primarily of our ongoing development of CALMS, the further development and licensing of Home-Link's CRM Care II technology and subject to shareholder's approval, the purchase, development and licensing of Relocation Services' Relocation Management Software system called ICON.

CALMS represents an opportunity to provide additional products and services to Home-Link clients and to clients of companies affiliated with the Company, including banks, trust companies and other mortgage lenders.

Home-Link's Care II technology is a robust CRM software technology, which provides a number of application and licensing opportunities within the Canadian marketplace. Management believes that further analysis and resourcing against this market opportunity may yield profitable results for the Company.

As detailed in the Company's Information Circular subject to shareholder's approval, the Company intends to purchase the ICON software from an affiliate of Brascan Financial and then license the use of this software. The Company also plans to further develop and license this software to other companies who do not directly compete with the Brascan Financial affiliate in the North American marketplace . The Company will resource this purchase with a team of developers, programmers, analysts and marketing personnel to fully exploit the ICON market opportunity as well as those opportunities presented by the CALMS and Care II technology.

Investment Operations

The Company's existing investment portfolio of $15.7 million as at May 31, 2003 has a yield to maturity ranging from 4.8% to 6.2% while the Company's $20.280 million Preferred Shares have a 9% annual cumulative dividend requirement.

Management will continue to evaluate higher yield investment opportunities, which meets its risk and liquidity tolerances in conjunction with advice provided by Trilon Securities Corporation, a related company within the Brascan group of companies.

Microforum Inc.
Consolidated Balance Sheet

(thousands of dollars)	May 31 2003 (unaudited)	February 28 2003 (audited)
Assets		
Current Assets		
Cash and cash equivalents	2,635	4,062
Short-term investments	15,621	15,659
Accounts receivable	669	660
Prepaid expenses and other assets	443	371
	19,368	20,752
Property, plant and equipment	800	894
Intangible assets	5,057	5,144
	25,225	26,790
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts Payable and accrued liabilities	560	521
Income taxes payable	932	910
Due to related party	528	-
Dividends payable	321	310
Deferred revenue	1,010	1,674
	3,351	3,415
Shareholders' Equity		
Share capital	27,652	27,652
Deficit	(5,778)	(4,277)
	21,874	23,375
	25,225	26,790

Microforum Inc.
Unaudited
Consolidated Statement of Operations and
Statement of Retained Earnings and Deficit
Three months ended

(thousands of dollars - except per share amounts)	May 31 2003	May 31 2002
Sales	718	828
Cost of sales	323	1,625
Gross profit (loss)	395	(797)
Operating expenses		
Selling, general and administration	1,229	848
Severance and other costs	-	324
	1,229	1,172
Loss from continuing operations before the following	(834)	(1,969)
Investment income	(233)	(17)
Investment loss on marketable securities	-	606
Amortization and write-down of capital assets	120	300
Amortization of intangible assets	275	-
Loss from continuing operations before income taxes	(996)	(2,858)
Income tax expense	22	50
Loss from continuing operations	(1,018)	(2,908)
Deficit beginning of period	(4,277)	(22,731)
Preferred share dividends	(483)	-
Deficit, end of the period	(5,778)	(25,639)
Loss per share	(0.02)	(0.07)

Microforum Inc.
Unaudited
Consolidated Statement of Cash Flow
Three months ended

(thousands of dollars)	May 31 2003	May 31 2002
Cash provided by (used in):		
Operating Activities		
Loss from continuing operations	(1,018)	(2,908)
Items not affecting cash		
Amortization of premium on bond purchase	38	-
Amortization and write-down of capital assets	120	300
Amortization of intangible assets	275	-
	(585)	(2,608)
Increase (decrease) in non-cash working capital	(646)	826
	(1,231)	(1,782)
Investing Activities		
Purchase of property, plant and equipment	(26)	-
Purchase of intangible assets	(188)	-
	(214)	-
Financing Activities		
Amortization of premium on bond purchase	(38)	
Payment of preferred share dividends	(472)	-
Advances from related party	528	-
	18	-
Decrease in cash during the period	(1,427)	(1,782)
Cash and cash equivalents, beginning of period	4,062	5,853
Cash and cash equivalents, end of period	2,635	4,071
Supplemental Cash Flow Information		
Interest paid	$ -	$ 19
Income taxes paid	$ -	$ 153

1. BASIS OF PRESENTATION

The unaudited interim financial statements of Microforum Inc. ("Microforum" or the "Company") for the period ending May 31, 2003 should be read in conjunction with the consolidated financial statements for the year ended February 28, 2003 as interim financial statements do not conform in all respects to the note disclosure requirements of generally accepted accounting principles for annual financial statements.

Except as otherwise noted in this interim report, the unaudited interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the year ended February 28, 2003.

2. SEGMENTED REPORTING

General description

Microforum operates in two reportable operating segments, Home-Link and CRM Software Development.

Home-Link provides services to buyers and sellers throughout the home purchasing and selling cycle through a proprietary software solution. CRM Software Development includes the Company's co-ownership of the CALMS software solution and the ongoing development and application of proprietary software solutions.

Microforum President and Chief Executive Officer ["CEO"] has been identified as the chief operating decision maker in assessing the performance of the segments and the allocation of resources to the segments. Each reportable segment is managed separately with each segment manager reporting directly to the CEO. Contribution margin represents the primary financial measure used by the CEO in assessing performance and allocating resources, and includes cost of revenues, and selling, general and administrative expenses, for which the segment managers are held accountable. In addition, the CEO does not review asset information on a segmented basis in order to assess performance and allocate resources.

	May 31 2003 $	**May 31 2002** $
Revenues		
Home-Link	**143**	—
Software development	**575**	828
Total	**718**	828
Contribution margin		
Home-Link	**(1,026)**	—
Software development and licensing	**192**	(1,969)
Total	**(834)**	(1,969)
Investment loss on marketable securities	—	(606)
Investment income	**233**	17
Amortization and write-down of property, plant and equipment	**(120)**	(300)
Amortization of intangible assets	**(275)**	—
Loss from continuing operations before income taxes	**(996)**	(2,858)

3. INTANGIBLE ASSETS

On April 24, 2003 the Company purchased of an exclusive, royalty-free, irrevocable, perpetual, sub-licensable, transferable license for use in Canada of the CARE II software from HomeCard Company ("HomeCard") Inc. as well as the assignment from Home Card of any Canadian Home-Link trademarks.

The license has been recorded as an intangible asset and is being amortized over 5 years.

4. STOCK OPTIONS

For the quarter ended May 31, 2003, the Company did not grant any options under its stock-based compensation plan. As a result, the fair value method of valuing stock based compensation plans, applied prospectively in accordance with CICA 3870, resulted in no pro-forma compensation charge or pro-forma earnings per share adjustment.

As at May 31, 2003 189,550 (February 28, 2003 – 755,969) options were outstanding at a weighted average exercise price of $1.53 (February 28, 2003 - $2.94)

As a result of the divestiture and sale of substantially all of the Company's previous operating business units, substantially all of the stock options outstanding under both the fixed and performance based programs will expire by September 2003.

5. RELATED PARTY TRANSACTIONS

The amount due to the related part is unsecured, non-interest bearing and has no fixed terms of repayment.

The Company had the following transactions with a related party of a significant shareholder in the Company. These transactions have been recorded at the exchange amount agreed to between the parties except where noted otherwise.

(thousands of dollars)	Three months Ended May 31, 2003
a) Expenses	
Management fee	100
Rent expense	41
b) Revenue	616
c) Dividends paid	472

6. CONTINGENCIES

In the ordinary course of business, the Company may be contingently liable for litigation and claims with customers or suppliers. Management believes that adequate provisions have been recorded in the accounts where required. Although it is not possible to estimate the potential costs and losses, if any, management believes that the ultimate resolution of such contingencies will not have a material adverse effect on the financial position of the Company.

7. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's financial statement presentation.

Corporate Information

BOARD OF DIRECTORS

Joseph S. Freedman
Chairman of the Board
Microforum Inc.

Simon P. Dean
President &
Chief Executive Officer
Microforum Inc.

Jason D. Meretsky
Secretary
Microforum Inc.

Donald W. Paterson

Craig Wallace

SENIOR MANAGEMENT

Simon P. Dean
President &
Chief Executive Officer

Kevin Cash
Chief Financial Officer

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STOCK LISTING
On August 29, 2002, the Company's common shares ceased to be listed for trading on the Toronto Stock Exchange.

INVESTOR RELATIONS
Requests for a copy of the Annual Report or additional corporate materials should be directed to:

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Attention: Eliza Walsh

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