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SUITE 101 COM INC
Form 10QSB
August 14, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

(Mark One)

- Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended June 30, 2003; or
- Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____.

Commission file Number: 0-25136

SUITE101.COM INC.

(Exact name of small business issuer as specified in its charter)

DELAWARE

33-0464753

(State or other jurisdiction of incorporation of organization)

(I.R.S. employer identification no.)

347 BAY STREET - SUITE 301, TORONTO, ONTARIO, CANADA M5H 2R7

(Address of principal executive offices, zip code)

416-628-5902

(Issuer's Telephone Number, Including Area Code)

Check whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES

NO

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date.

| Class | Outstanding at July 1, 2003 |
|---|-----------------------------|
| COMMON STOCK, PAR VALUE \$.001 PER SHARE | 14,086,687 |

Transitional Small Business Disclosure Format

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YES []

NO [X]

=====

SUITE101.COM, INC.

QUARTERLY REPORT ON FORM 10-QSB

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Part I
Financial Information

Item 1. Financial Statements

SUITE101.COM, INC.
CONSOLIDATED BALANCE SHEETS
(EXPRESSED IN U.S. DOLLARS)

JUNE 30,
2003

(UNAUDITED)

DECEMBER

ASSETS

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| | | |
|--|--------------|-----------|
| CURRENT ASSETS | | |
| Cash | \$ 2,807,394 | \$ 3,030, |
| Accounts receivable | 3,899 | 22, |
| Prepaid expenses | 8,419 | 66, |
| Loan receivable (Note 8) | 75,000 | |
| | ----- | ----- |
| | 2,894,712 | 3,118, |
| | ----- | ----- |
| INVESTMENTS, at cost (Note 3(c)) | -- | |
| | ----- | ----- |
| TOTAL ASSETS | \$ 2,894,712 | \$ 3,118, |
| | ===== | ===== |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 23,315 | \$ 23, |
| | ----- | ----- |
| TOTAL LIABILITIES | 23,315 | 23, |
| | ----- | ----- |
| CAPITAL STOCK (Notes 4, 5 and 8) | | |
| Authorized: | | |
| 100,000,000 common shares with a par value of \$0.001 each | | |
| 1,000,000 preferred shares with a par value of \$0.01 each | | |
| Issued: | | |
| 14,086,687 common shares | 14,087 | 14, |
| ADDITIONAL PAID-IN CAPITAL | 10,618,715 | 10,618, |
| DEFICIT | (7,761,405) | (7,457, |
| EQUITY ADJUSTMENT FROM FOREIGN CURRENCY TRANSLATION | -- | (80, |
| | ----- | ----- |
| TOTAL STOCKHOLDERS' EQUITY | 2,871,397 | 3,095, |
| | ----- | ----- |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 2,894,712 | \$ 3,118, |
| | ===== | ===== |
| COMMITMENTS AND SUBSEQUENT EVENTS (NOTES 4 AND 8) | | |

The accompanying notes are an integral part of these consolidated financial statements.

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SUITE101.COM, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED
JUNE 30, 2003 AND JUNE 30, 2002
(UNAUDITED)

(EXPRESSED IN U.S. DOLLARS)

| | THREE MONTHS ENDED | | SIX MONTHS ENDED |
|-------------------------|--------------------|-----------------|------------------|
| | JUNE 30 2003 | JUNE 30 2002 | JUNE 30 2003 |
| | ----- | ----- | ----- |
| ADMINISTRATIVE EXPENSES | \$ 78,005 | \$ 75,325 | \$ 248,316 |

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| | | | |
|---|-------------|--------------|--------------|
| LOSS FROM OPERATIONS | (78,005) | (75,325) | (248,316) |
| OTHER INCOME (EXPENSES) | | | |
| Exchange gain (loss) | 1,370 | -- | (76,415) |
| Forfeited deposit | -- | 45,736 | -- |
| Other income, net | 22 | 12,817 | 13,501 |
| Gain on disposal of subsidiary company | 7,329 | -- | 7,329 |
| | 8,721 | 58,553 | (55,585) |
| NET LOSS FROM CONTINUING OPERATIONS | (69,284) | (16,772) | (303,901) |
| LOSS FROM DISCONTINUED OPERATIONS (NOTE 10) | -- | (102,412) | -- |
| NET LOSS | \$ (69,284) | \$ (119,184) | \$ (303,901) |
| INCOME (LOSS) PER SHARE FROM CONTINUING OPERATIONS | \$ -- | \$ -- | \$ (0.02) |
| INCOME (LOSS) PER SHARE | | | |
| Basic and Diluted | \$ -- | \$ (0.01) | \$ (0.02) |
| Weighted average common shares outstanding | 14,086,687 | 13,386,968 | 14,086,687 |

The accompanying notes are an integral part of these consolidated financial statements.

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SUITE101.COM, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2003 AND JUNE 30, 2002
(UNAUDITED)

(EXPRESSED IN U.S. DOLLARS)

| |
|---|
| CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES |
| Net loss |
| Adjustment to reconcile net loss to net cash used in operating activities |
| Stock-based compensation |
| Gain on disposal of subsidiary company |
| Amortization |
| Exchange loss |
| Changes in operating assets and liabilities |
| Loan receivable |
| Accounts receivable |
| Prepaid expenses and deposits |
| Accounts payable and accrued expenses |
| Net cash used in operating activities |

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CASH FLOWS USED IN INVESTING ACTIVITIES

Purchase of property, plant and equipment
Proceeds on disposal of property, plant and equipment

Net cash used in investing activities

CASH FLOWS PROVIDED BY FINANCING ACTIVITIES

Proceeds from issuance of common stock and warrants

Net cash provided by financing activities

EFFECT OF EXCHANGE RATES ON CASH

NET DECREASE IN CASH

CASH AT BEGINNING OF PERIOD

CASH AT END OF PERIOD

The accompanying notes are an integral part of these consolidated financial statements.

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SUITE101.COM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2003 AND JUNE 30, 2002
(UNAUDITED)

(EXPRESSED IN U.S. DOLLARS)

1. THE COMPANY

Suite101.com Inc. (formerly known as Kinetic Ventures Ltd. (the "Company")) was incorporated in the State of California, United States on May 20, 1991, and reincorporated in the State of Delaware, United States on December 31, 1993. By way of a reverse takeover on December 8, 1998, the Company acquired a wholly-owned subsidiary i5ive communications inc. ("i5ive"). Until operations ceased on May 31, 2002 (Note 9) i5ive was engaged in the creation, operation and maintenance of a World Wide Web based community. During the period ended June 30, 2003, the Company disposed of its interest in i5ive to a shareholder for proceeds of \$1.

Going Concern

The accompanying consolidated financial statements have been presented assuming the Company will continue as a going concern. Based on the current level of expenditures, the Company has sufficient funds to meet expenses for at least one year. At June 30, 2003, the Company had accumulated \$7,761,405 in losses and had no material revenue producing operations. At the date of this report, the Company's ability to continue as a going concern is dependent upon its ability to raise additional capital or merge with a revenue producing venture partner. These matters raise doubt about the Company's ability to continue as a going concern. No adjustments have been made in the accompanying consolidated financial statements to provide for this uncertainty.

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Basis of Presentation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Endovascular, Inc., a California corporation and i5ive communications inc., a Canadian company up to the date of disposition. All intercompany accounts and transactions have been eliminated in consolidation. As at June 30, 2003, there were no operations in Endovascular, Inc.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgment by management.

The consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

(a) Property, Plant and Equipment

Property, plant and equipment are capitalized at original cost and amortized over their estimated useful lives at the following annual bases and rates:

| | |
|------------------------|-----------------------|
| Computer equipment | 30% declining balance |
| Furniture and fixtures | 20% declining balance |
| Leasehold improvements | 20% straight-line |

One-half the normal amortization is taken in the year of acquisition.

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SUITE101.COM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2003 AND JUNE 30, 2002
(UNAUDITED)
(EXPRESSED IN U.S. DOLLARS)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Research and Development

Research and development costs had been expensed as incurred.

(c) Foreign Exchange

Unless otherwise stated, all amounts are in United States dollars. Until operations ceased, the functional currency of i5ive was the Canadian dollar. As the Company has disposed of its interest in i5ive, all foreign currency translation adjustments have been expensed in the current period. All asset and liability accounts have been translated using the exchange rate as at June 30, 2003 and December 31, 2002 and all revenues and expenses have been translated using the average exchange

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rate for each period. The rates as at June 30, 2003 and December 31, 2002 were as follows:

| (equivalent CDN \$ per U.S.\$) | June 30, 2003 | December 31, 2002 |
|--------------------------------|---------------|-------------------|
| | ----- | ----- |
| Exchange rate | .7421 | .6339 |

(d) Net Loss Per Common Share

The Company computes its loss per share in accordance with Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings Per Share" ("EPS") issued in February 1997. SFAS No. 128 requires dual presentation of basic EPS and diluted EPS on the face of the income statement for entities with complex capital structures. Basic EPS is computed as net income divided by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur from common shares issuable through stock options, warrants and other convertible securities.

3. RELATED PARTY TRANSACTIONS

- (a) The Company has incurred salaries, termination payments and consulting fees of \$ 0 (2002 - \$209,372) to three directors of the Company.
- (b) Management fees of \$ 0 (2002 - \$104,382) have been paid to a corporation controlled by a director of the Company.
- (c) During the prior year, i5ive sold its website assets, as defined in the sales agreement, to a corporation controlled by a director of the Company. In consideration for this sale, the Company received \$100 cash and 15% of the issued shares of the acquiring corporation. In addition, if any of these acquired assets are sold within one year of the closing date (July 17, 2002), the entire proceeds of that sale are payable to the Company. As security for this obligation, the acquiring corporation has issued a promissory note in the amount of \$120,000 to the Company payable on July 17, 2003. This note will be forgiven by the Company provided the acquiring corporation has complied with the condition concerning sale of any assets. The Company has recorded its 15% interest in the acquiring corporation at \$1 because there are no material assets in the acquiring corporation other than those acquired in this transaction.

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SUITE101.COM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2003 AND JUNE 30, 2002
(UNAUDITED)

(EXPRESSED IN U.S. DOLLARS)

3. RELATED PARTY TRANSACTIONS (CONTINUED)

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- d) During the current year, the Company has sold its interest in i5ive to a director for \$1. This transaction was completed as a requirement of the closing conditions for the GeoGlobal transaction (Note 8).

4. CAPITAL STOCK

- (a) During the year ended December 31, 2000, the Company issued 625,000 warrants as part of the private placement of Notes payable. Each warrant entitled the holder to purchase one common share at a price of \$5.00 up to July 15, 2002. In the event that at any time prior to July 15, 2002 (a) the shares of common stock issuable on exercise of the warrants have been registered under the Securities Act of 1933, as amended (the "Securities Act"), and (b) the average of the closing bid and asked prices for the Company's common stock as quoted on the OTC Bulletin Board (or such other automated trading system or national securities exchange as is the principal market for the Company's common stock) exceeds (U.S.) \$9.00 per share for a period of ten (10) business days, then the warrants will expire at 5:00 PM, New York City time, on a date sixty (60) days thereafter. During the second quarter of 2002, the exercise price of these warrants was changed to \$0.52 and the expiry date was changed to July 15, 2003. Subsequent to June 30, 2003, 570,000 of these warrants were exercised to net the Company \$296,400. The remainder expired unexercised.
- (b) During the current period, the authorized share capital was changed to increase the authorized number of common shares from 40,000,000 to 100,000,000.

5. STOCK OPTIONS

THE COMPANY'S 1998 STOCK INCENTIVE PLAN

In December 1998, the Company adopted the 1998 Stock Incentive Plan (the "Plan"). Under the Plan, as amended, 3,900,000 shares of common stock have been reserved for issuance on exercise of options granted under the Plan.

On the date of the closing of the transaction with i5ive, outstanding options granted under i5ive's 1998 Stock Incentive Plan were assumed by the Company under the Plan and no further option grants will be made under i5ive's Plan. The assumed options have substantially the same terms, subject to anti-dilution adjustment, as are in effect for grants made under the Company's Plan.

The Board of Directors of the Company may amend or modify the Plan at any time, subject to any required stockholder approval. The Plan will terminate on the earliest of (i) 10 years after the Plan Effective Date, (ii) the date on which all shares available for issuance under the Plan have been issued as fully-vested shares or (iii) the termination of all outstanding options in connection with certain changes in control or ownership of the Company.

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JUNE 30, 2003 AND JUNE 30, 2002

(UNAUDITED)

(EXPRESSED IN U.S. DOLLARS)

5. STOCK OPTIONS (CONTINUED)

THE COMPANY'S 1998 STOCK INCENTIVE PLAN (CONTINUED)

The following is a table of stock options under the Plan as at June 30, 2003:

| Option Exercise Price | Expiry Date (mm/dd/yy) | Vesting Date (mm/dd/yy) | Balance December 31, 2002 | Granted During the Period | Expired (Exp) Exercised (E) Cancelled (C) | B Ju |
|-----------------------------|------------------------------|-------------------------------|---------------------------------|---------------------------------|---|---------|
| \$ 1.50 | 02/13/03 | Vested | 60,000 | -- | 60,000 (Exp) | |
| 1.50 | 06/30/03 | Vested | 925,110 | -- | 925,110 (Exp) | |
| 1.50 | 02/23/09 | Vested | 50,000 | -- | -- | |
| 1.50 | 11/13/04 | Vested | 20,000 | -- | -- | |
| 1.50 | 06/11/09 | Vested | 5,000 | -- | -- | |
| 1.50 | 06/12/10 | Vested | 5,000 | -- | -- | |
| 0.25 | 01/04/06 | Vested | 20,000 | -- | -- | |
| 0.17 | 06/04/11 | Vested | 5,000 | -- | -- | |
| 0.27 | 02/25/12 | 50,001-02/25/03 | 150,000 | -- | -- | 1 |
| | | 50,001-02/25/04 | | | | |
| | | 49,998-02/25/05 | | | | |
| 0.27 | 02/27/07 | 16,667-02/27/03 | 50,000 | -- | -- | |
| | | 16,667-02/27/04 | | | | |
| | | 16,666-02/27/05 | | | | |
| 0.50 | 06/11/12 | 06/11/03 | 5,000 | -- | -- | |
| 0.25 | 11/27/07 | 01/01/03 | 300,000 | -- | -- | 3 |

The above option table reflects the changes made to the expiry dates and vesting dates as a result of a directors' resolution made during the prior year.

The above options are granted for services provided to the Company. Of the above options, the following options are to non-employees and have been reflected on the financial statements and valued, using the Black-Scholes model with a risk-free rate of 5% or 3% and no expected dividends:

| Number of Options | Exercise Price | Grant Date | Value | Volatility Assumption | Expected Options Life |
|----------------------|-------------------|-------------------|-----------|--------------------------|--------------------------|
| 100,000 | 1.50 | October 25, 1999 | \$ 99,750 | 272% | 5 years |
| 50,000 | 3.56 | January 6, 2000 | 99,635 | 60% | 5 years |
| 4,000 | 3.53 | January 31, 2000 | 5,120 | 60% | 2 years |
| 100,000 | 7.00 | February 15, 2000 | 203,970 | 20% | 5 years |
| 20,000 | 7.88 | March 21, 2000 | 45,922 | 20% | 5 years |
| 100,000 | 0.25 | January 4, 2001 | 23,390 | 275% | 5 years |
| 13,000 | 0.25 | October 3, 2001 | 3,041 | 275% | 5 years |
| 50,000 | 0.25 | November 27, 2002 | 9,160 | 220% | 1 year |

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SUITE101.COM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2003 AND JUNE 30, 2002
(UNAUDITED)

(EXPRESSED IN U.S. DOLLARS)

5. STOCK OPTIONS (CONTINUED)

THE COMPANY'S 1998 STOCK INCENTIVE PLAN (CONTINUED)

The remaining options issued were to officers, directors and employees. As the options were granted at exercise prices based on the market price of the Company's shares at the dates of the grant, no compensation cost is recognized. However, under SFAS 123, the impact on net income and net income per share of the fair value of stock options must be measured and disclosed on a fair value based method on a pro forma basis. The fair value of the employees' purchase rights under SFAS 123 was estimated 5% or 3% using the Black-Scholes model with the following assumptions used for options: risk-free rate was 5.0%, with an expected volatility of 279%, 272% 263% and 257% for the \$1.50 options, 275% or 220% for the \$0.25 and \$0.17 options, and 96% for the \$0.27 options, an expected option of 1 to 5 years and no expected dividends.

If compensation expense had been determined pursuant to SFAS 123, the Company's net loss and net loss per share for the period ended June 30, 2003 would have been as follows:

| | |
|--------------------------|--------------|
| Net loss | |
| As reported | \$ (303,901) |
| Pro forma | \$ (309,102) |
| Basic net loss per share | |
| As reported | \$ (0.02) |
| Pro forma | \$ (0.02) |

6. INCOME TAXES

At June 30, 2003, there were deferred income tax assets resulting primarily from operating loss carryforwards for U.S. income tax purposes totaling approximately \$3,320,000 less a valuation allowance of \$3,320,000. The valuation allowance on deferred tax assets increased by \$2,648,000 during the period ended June 30, 2003. The Company has approximately \$7,750,000 available in operating loss carryforwards, which may be carried forward and applied against U.S. operating income.

7. FINANCIAL INSTRUMENTS AND CONCENTRATIONS OF CREDIT RISK

The Company's financial instruments consist of cash, accounts receivable, loan receivable and accounts payable. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values.

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SUITE101.COM, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 JUNE 30, 2003 AND JUNE 30, 2002
 (UNAUDITED)

(EXPRESSED IN U.S. DOLLARS)

8. COMMITMENTS

During the current period, the Company signed a letter of agreement regarding a proposed business transaction. If the transaction is completed, the Company will purchase 100% of the issued and outstanding capital stock of GeoGlobal Resources (India) Inc. ("GeoGlobal"). In consideration, the Company will issue 34 million shares of common stock and a promissory note of \$2.0 million. Of the 34 million shares, 14.5 million will be issued upon closing of the transaction and 14.5 million shares will be held in escrow until the earlier of: i) the completion of a Work Programme on a specific oil and gas property owned by GeoGlobal provided the results in that Programme demonstrate a commercial basis for drilling and the commencement of a Drilling Programme or ii) the commencement of a Drilling Programme. An additional 5 million shares will be held in escrow subject to a Commercial Discovery on the oil and gas property. Of the \$2.0 million promissory note, \$1.0 million will be payable on closing, \$500,000 will be payable June 30, 2003 and \$500,000 will be payable June 30, 2004. As the transaction has not yet been completed as at the balance sheet date, there has been no advances made on this promissory note and no liabilities have been incurred to date.

If the transaction is completed, it will be accounted for as a reverse takeover, whereby the consolidated financial statements are issued under the name of the Company but described in the notes and elsewhere as a continuation of GeoGlobal and not the Company.

During the period, the Company made an unsecured loan of \$75,000 to GeoGlobal. The loan is repayable on demand and bears interest at the prime rate.

9. DISCONTINUED OPERATIONS

On May 31, 2002, the Company discontinued its internet-based activities. As at June 30, 2003, there were no assets or liabilities of this discontinued business.

Revenues from discontinued operations are as follows:

| JUNE 30, 2003 | JUNE 30, 2002 |
|------------------|------------------|
| ----- | ----- |
| \$ -- | \$ 6,799 |
| ===== | ===== |

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

GENERAL

The following discussion and analysis should be read in conjunction with, and is qualified in its entirety by, the more detailed information including our Financial Statements and the Notes thereto included in our Annual Report on Form 10-KSB for the year ended December 31, 2002. This Quarterly Report contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from the results discussed in the forward-looking statements. Factors that may cause or contribute to such differences include the Risk Factors set forth below as well as the "Risk Factors" contained in our Annual Report. See "Cautionary Statement for Purposes of the 'Safe Harbor' Provisions of the Private Securities Litigation Reform Act of 1995" herein.

A COMPARISON OF OUR OPERATING RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2003 AND THE SIX MONTHS ENDED JUNE 30, 2002

Administrative expenses were \$248,316 during the six months ended June 30, 2003 compared with \$183,158 during the six months ended June 30, 2002. This increase was primarily the result of an increase in professional fees and an increase in stockholder reporting costs.

Our Loss From Operations was \$248,316 during the six-month period ended June 30, 2003 compared with \$183,158 during the six-month period ended June 30, 2002. The increase in our Loss From Operations during the six-month period ended June 30, 2003 compared with the six-month period ended June 30, 2002 was the result of the increase in our administrative expenses.

Other net expenses were \$55,585 during the six-month period ended June 30, 2003 compared to other net income of \$70,672 during the six-month period ended June 30, 2002. Included in other net expenses is income attributable to interest earned on bank balances, an exchange loss of \$76,415 and a gain on the disposal of our subsidiary of \$7,329. During the six-month period ended June 30, 2003, net interest income was \$13,501 compared to net interest income of \$24,936 during the comparative six-month period ended June 30, 2002. The decrease in the net interest earned results from lower interest rates earned on lower cash balances carried through these periods. The exchange loss results from foreign currency translation adjustments. i5ive communications inc., a former wholly owned subsidiary of Suite101.com, Inc., was sold on June 26, 2003.

On May 31, 2002, the Company decided to discontinue its internet-based activities and sought to dispose of its web site assets. During the six months ended, June 30 2002 our revenue from discontinued operations was \$6,799. The revenue during the six-month period ended June 30, 2002 was primarily attributable to revenues generated from two service contracts that we entered into with Barnes&Noble.com to provide introductions for a series of e-books and to provide proofreading services for the related digitized books. The net loss during the six months ended June 30, 2002 from discontinued operations was \$870,100.

Our Net Loss was \$303,901 during the six-month period ended June 30, 2003 compared with \$982,586 during the six-month period ended June 30, 2002. The decrease in our Net Loss during this

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June 30, 2002 was primarily the result of the decrease in the loss from discontinued operations partially offset by the exchange loss in 2003.

Liquidity and Capital Resources

The report of our independent auditors on their audit of our financial statements as of December 31, 2002 contains an explanatory paragraph that describes an uncertainty as to our ability to continue as a going concern due to our recurring losses. At June 30, 2003, our cash balance was \$2,807,394. The majority of these funds are currently held as U.S funds in our bank accounts earning interest based on the Canadian prime rate. We believe these cash resources will be sufficient to meet our ongoing financial commitments through December 31, 2003. Currently, we have no source of revenues.

During the six months ended June 30, 2003 our cash balances decreased by \$223,113 of which approximately \$157,470 represents payments in respect of professional fees.

In December 2001, we announced that our Board of Directors was engaged in a review of our activities with a view to the possible redirection of our operations in an effort to enhance and maximize shareholder values. Thereafter, in a series of steps conducted through February 2002, we reduced our staff and revised our monthly compensation arrangements with our Contributing Editors by terminating the payment of the compensation to Contributing Editors. The changes we made in our staffing and compensation arrangements we believe were appropriate in the light of our limited revenues and enhance our ability to enter into a business combination or other restructuring transaction by reducing current levels of overhead. We believe that these revised compensation arrangements are in line with current practices of other Internet communities.

In place of our staff, on February 14, 2002, effective January 31, 2002, we entered into an agreement with Marketeam, a corporation wholly owned by Douglas Loblaw, our former chief operating officer and, from February 25, 2002, a Director of our company, to provide continuing management and operating services, at Marketeam's expense, for the day-to-day operations of the Suite101 Web site, known as Suite101.com. In consideration of the services performed by Marketeam, we paid Marketeam a fee of \$26,000 per month, plus an amount equal to our receipts from our contracts with BarnesandNoble.com. Our agreement with Marketeam was terminated by us effective May 31, 2002 and on July 17, 2002, our subsidiary sold its Website assets to Marketeam. We currently have no revenue-producing operations.

On April 4, 2003, we announced that we had signed a Stock Purchase Agreement to acquire all the outstanding capital stock of GeoGlobal Resources (India) Inc. (GeoGlobal) in exchange for shares of our common stock. GeoGlobal is a party to a Production Sharing Contract entered into on March 4, 2003, relating to the exploration, development and production of hydrocarbons, with the Government of India, Gujariat State Petroleum Corporation Limited ("GSPC") and Jubilant Enpro Limited ("Enpro") with respect to an approximately 457,000 acre area off the east coast of India, designated as Block KG - OSN - 2001/3 under National Exploration Licensing Policy III. Under the Production Sharing Contract, the Government of India has granted to the parties the right to engage in

oil and natural gas exploration activities on the exploration block for a term of up to 6.5 years. On August 13, 2003, we announced that we have received the necessary consent from the Government of India for us to proceed with the acquisition of all the outstanding capital stock of GeoGlobal. We anticipate

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that the remaining closing conditions, which include primarily the delivery of closing certificates and the continued accuracy as of the closing date of the parties' representations and warranties, will be met and the transaction completed shortly.

There can be no assurance that exploratory drilling intended to be conducted on the exploration block will result in any discovery of hydrocarbons or that any hydrocarbons as are discovered will be in commercially recoverable quantities. In addition, the realization of any revenues from commercially recoverable hydrocarbons is dependent upon the ability to deliver, store and market any hydrocarbons that are discovered. The presence of hydrocarbon reserves on contiguous properties is no assurance or necessary indication that hydrocarbons will be found on Block KG-OSN-2001/3. The block is a highly speculative exploration opportunity. Pursuing the transaction will involve material risks to us and will result in material dilution to our stockholders.

On June 26, 2003, we sold the outstanding stock of i5ive, which owned our remaining website assets, to Marketeam for a consideration of \$1.00. The sale of i5ive was a closing condition to the completion of our acquisition of the outstanding stock of GeoGlobal Resources (India) Inc.

We may seek to raise additional funds in order to fund the acquisition of revenue-producing operations. There can be no assurance that any additional financing will be available on terms favorable to us, or at all. If adequate funds are not available or not available on acceptable terms, we may not be able to fund our efforts to redirect our activities. Any such inability could have a material adverse effect on future success. Additional funds raised through the issuance of equity or convertible debt securities, will result in reducing the percentage ownership of our stockholders and, stockholders may experience additional dilution and such securities may have rights, preferences or privileges senior to those of the rights of our Common Stock.

CAUTIONARY STATEMENT FOR PURPOSES OF THE "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

With the exception of historical matters, the matters discussed in this quarterly report are "forward-looking statements" as defined under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, that involve risks and uncertainties. Forward-looking statements made herein include, but are not limited to, the statements in this quarterly report regarding our plans and objectives of management for our future operations, including plans or objectives relating to the redirection of our business activities, our efforts to enter into a transaction relating thereto, and our ability to limit or curtail our current expenses. These statements appear, among other places, under the following captions: "Risk Factors" and "Management's Discussion and Analysis of Financial Condition or Plan of Operation". Forward-looking statements made in this annual report include the assumptions made by management as to our future business direction and our ability to redirect our activities. We cannot assure you that our assumptions in this regard or our views as to the viability of

our business plans discussed herein will prove to be accurate. Likewise, we cannot assure you that we will be successful in acquiring any commercial activities. We cannot assure you that our transaction with GeoGlobal will be completed or that any commercially recoverable quantities of hydrocarbon reserves will be discovered on the exploration block in which GeoGlobal has an interest. Our ability to realize revenues cannot be assured. If our assumptions are incorrect or if our plans fail to materialize, we may be unsuccessful in

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developing as a viable business enterprise. Under such circumstance your investment will be in jeopardy. Our inability to meet our goals and objectives or the consequences to us from adverse developments in general economic or capital market conditions could have a material adverse effect on us. We caution you that various risk factors accompany those forward looking statements and are described, among other places, under the caption "Risk Factors" herein, beginning below. They are also described in our Annual Report on Form 10-KSB, our Quarterly Reports on Form 10-QSB, and our Current Reports on Form 8-K. These risk factors could cause our operating results, financial condition and ability to fulfill our plans to differ materially from those expressed in any forward-looking statements made in this annual report and could adversely affect our financial condition and our ability to pursue our business strategy and plans.

RISK FACTORS

An investment in shares of our Common Stock involves a high degree of risk. You should consider the following factors, in addition to the other information contained in this quarterly report, in evaluating our business and proposed activities before you purchase any shares of our common stock. You should also see the "Cautionary Statement for Purposes of the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1996" regarding risks and uncertainties relating to us and to forward looking statements in this quarterly report.

No Material Operations or Revenues. We have no current material operations or source of revenue. We will, in all likelihood, sustain continuing operating expenses maintaining our current activities and seeking to enter into a transaction without corresponding revenues at least until the consummation of a business acquisition. This can be expected to result in us incurring ongoing net operating losses and an outflow of our cash that could continue until we can consummate a business acquisition. There can be no assurance that we can identify a suitable business opportunity and consummate a business acquisition or that any transaction we consummate will be on favorable terms or result in profitable operations. We are unable to predict when any such transaction may be completed.

Risks Relating to Proposed GeoGlobal Transaction. As described above, on April 4, 2003 we entered into a Stock Purchase Agreement with Jean Paul Roy and GeoGlobal to purchase all of the outstanding shares of GeoGlobal. On August 13, 2003, we announced that we have received the necessary consent from the Government of India for us to proceed with the acquisition of all the outstanding capital stock of GeoGlobal. We anticipate that the remaining closing conditions, which include primarily the delivery of closing certificates and the continued accuracy as of the closing date of the parties' representations and warranties, will be met and the transaction completed shortly. There can be no assurance that all the conditions to the closing of the agreement to acquire GeoGlobal can or will be met and that the transaction will be consummated.

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Pursuing the transaction will involve material risks to our company and its stockholders and will result in material dilution to our stockholders.

There can be no assurance that exploratory drilling intended to be conducted on the exploration block will result in any discovery of hydrocarbons or that any hydrocarbons as are discovered will be in commercially recoverable quantities. In addition, the realization of any revenues from commercially recoverable hydrocarbons is dependent upon the ability to deliver, store and market any hydrocarbons that are discovered. The presence of hydrocarbon reserves on contiguous properties is no assurance or necessary indication that

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hydrocarbons will be found on Block KG-OSN-2001/3. The block is a highly speculative exploration opportunity. Pursuing the transaction will involve material risks to us and will result in material dilution to our stockholders.

Possible Future Dilution As A Result Of Business Transaction. Our business plan is based upon effectuating a business acquisition or other transaction. Any such acquisition transaction may and the GeoGlobal transaction will result in us issuing securities as part of the transaction. The issuance of previously authorized and un-issued common shares will result in substantial dilution to our existing stockholders which could possibly result in a change in control or management of our company. There can be no assurance that an acquisition can be completed. In the event the transaction with GeoGlobal is completed, our stockholders, prior to the closing of the transaction, will experience material dilution in their interests.

Issuance Of Additional Shares. Our corporation is currently authorized to issue, on action of our Board of Directors, up to 100,000,000 shares of Common Stock and 1,000,000 shares of Preferred Stock, of which, as of July 1, 2003, 14,086,687 shares of Common Stock are issued and outstanding and no shares of Preferred Stock are outstanding. The 85,913,313 shares of Common Stock and 1,000,000 shares of Preferred Stock that are authorized but are not issued or outstanding are able to be issued by action of our Board of Directors in a transaction resulting in the redirection of our activities without any requirement of further action being taken by our stockholders to authorize the issuance of the shares or to approve the transaction or the redirected business activities. Any additional issuances of any of our securities will not require the approval of our stockholders and may have the effect of further diluting the equity interest of stockholders.

Possible Need to Raise Additional Capital. Any transaction we enter into involving the redirection of our activities may require that we raise additional capital which may also involve the issuance of shares of our Common Stock and be dilutive to our existing stockholders.

In the event the transaction with GeoGlobal is completed, under the terms of the transaction and as part of the purchase price, we will make cash payments of \$1,500,000 to Jean Paul Roy. These payments will reduce materially our cash resources. These payments are in consideration of the purchase of the outstanding stock of GeoGlobal and are not recoverable if GeoGlobal's exploration activities are unsuccessful and no commercially recoverable reserves of hydrocarbons are discovered on the exploration block.

Our agreement with JPR and GeoGlobal provides that, subject to Board of Directors' approval, promptly subsequent to the closing a transaction with Mr. Roy and GeoGlobal, we intend to make an offering of shares of our Common Stock not registered under the U.S. Securities Act of 1933, as

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amended, with the amount of shares offered intended to raise a minimum of \$4.0 million. The intended purpose of the offering is to raise additional working capital. The securities intended to be offered will not be and have not been registered under the Securities Act and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act. There can be no assurance that we will be successful in selling these shares or that such transaction will not result in further material dilution to our stockholders.

No Requirement of Stockholder Approval. Any transaction we enter into in redirecting our business activities may be structured on terms whereby the

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approval of our existing stockholders is not required which would result in our existing stockholders being unable to vote in favor of or against the transaction and the redirection of our business activities. The completion of our transaction with GeoGlobal will not require the approval of our stockholders.

Any Business We May Possibly Acquire May Never Become Profitable. There can be no assurance that we will enter into an acquisition with or acquire an interest in a business having a significant or successful operating history. Any such business may have a history of losses, limited or no potential for earnings, limited assets, negative net worth or other characteristics that are indicative of development stage companies. There can be no assurance that after any acquisition of a business that the business will be operated so as to develop significant revenues and cash flow and become profitable. At present, GeoGlobal has no material operations and its sole material asset is its rights under the Production Sharing Contract.

Management May Not Devote a Sufficient Amount of Time to Seeking a Target Business. While seeking a business acquisition, our officers and Directors devote only a portion of their time to pursuing these activities. As a result, we may expend a considerable period of time identifying and negotiating with an acquisition candidate. This extended period of time may result in continuing losses to us and an outflow of our cash.

Dependence On Part-Time Management. Currently, we have no fulltime employees. Our officers and Directors devote only a portion of their time to our activities. It is our intention to continue to limit our employees until such time as we find a suitable business opportunity or we complete the acquisition of another business. Therefore, the day-to-day operations of any company or business that is acquired by us will have to be performed by outside management or management of the acquired company. We cannot assure investors that we will be able to obtain experienced and able outside management to run any company or business that we may acquire.

Continued Control by Existing Management. Our Directors retain significant control over our present and future activities and our stockholders and investors may be unable to meaningfully influence the course of our actions. Our existing management is able to control substantially all matters requiring stockholder approval, including nomination and election of directors and approval or rejection of significant corporate transactions. Any transaction we engage in resulting in a redirection of our business activities may be structured so as to not require the approval of our stockholders and, accordingly, our stockholders may have no opportunity to vote on or influence the redirection of our activities. Although management has no intention of engaging in such activities, there is also a risk that the existing management will be viewed as pursuing an agenda which is beneficial to themselves at the expense of other stockholders.

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In the event the transaction with JPR and GeoGlobal is completed, our company will experience a change in control.

There Is No Assurance Of An Active Public Market For Our Common Stock And The Price Of Our Common Stock May Be Volatile. Given the relatively minimal public float and trading activity in our securities, the price of our shares may be volatile. There can be no assurance that there will be an active and liquid market for our shares. Since the shares do not qualify to trade on any exchange or on NASDAQ, if they do actually trade, the only available market will continue to be through the OTC Bulletin Board or in the "pink sheets". It is possible that no active public market with significant liquidity will ever develop. Thus,

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investors run the risk that investors may never be able to sell their shares.

Accordingly, although quotations for shares of our Common Stock have been, and continue to be, published on the OTC Bulletin Board and the "pink sheets" published by the National Quotation Bureau, Inc., these quotations, in the light of our operating history, continuing losses and financial condition, are not necessarily indicative of our value. Such quotations are inter-dealer prices, without retail mark-up, mark-down or commissions and may not necessarily represent actual transactions.

In addition, the stock market in general has experienced extreme price and volume fluctuations which have affected the market price for many companies which have been unrelated to the operating performance of these companies. These market fluctuations, as well as general economic, political and market conditions, may have a material adverse effect on the market price of our Common Stock.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted against such companies. Such litigation, if instituted, and irrespective of the outcome of such litigation, could result in substantial costs and a diversion of management's attention and resources and have a material adverse effect on our business, results of operations and financial condition.

Possible Government Regulation. Although we are subject to the periodic reporting requirements under the Securities Exchange Act of 1934, as amended, and file annual, quarterly and other reports, management believes it will not be subject to regulation under the Investment Company Act of 1940, as amended (the "Investment Company Act"), since it will not be engaged in the business of investing or trading in securities. If we engage in a business acquisition which results in us holding passive investment interests in a number of entities, we could become subject to regulation under the Investment Company Act. If so, we would be required to register as an investment company and could be expected to incur significant registration and compliance costs. We have obtained no formal determination from the Securities and Exchange Commission (the "SEC" or "Commission") or any opinion of counsel as to our status under the Investment Company Act. A violation of the Act could subject us to material adverse consequences.

Our Shares Are Subject To Penny Stock Reform Act Of 1990. Our securities are subject to certain rules and regulations promulgated by the Commission pursuant to the U.S. Securities Enforcement Remedies and Penny Stock Reform Act of 1990 (the "Penny Stock Rules"). Such rules and regulations impose strict sales practice requirements on broker-dealers who sell such securities to persons other than

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established customers and certain "accredited investors." For transactions covered by the Penny Stock Rules, a broker-dealer must make a special suitability determination for the purchaser and must have received the purchaser's written consent for the transaction prior to sale. Consequently, such rule may affect the ability of broker-dealers to sell our securities and may affect investors' abilities to sell any shares they acquire.

The Penny Stock Rules generally define a "penny stock" to be any security not listed on an exchange or not authorized for quotation on the Nasdaq Stock Market and has a market price (as defined by the rules) less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain

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exceptions. For any transactions by broker-dealers involving a penny stock (unless exempt), the rules require delivery, prior to a transaction in a penny stock, of a risk disclosure document relating to the market for penny stocks. Disclosure is also required to be made about compensation payable to both the broker-dealer and the registered representative and current quotations for the securities. Finally, monthly statements are required to be sent disclosing recent price information for the penny stocks.

Control by Directors, Executive Officers, and Principal Stockholders. As of July 1, 2003, our Directors, executive officers, and stockholders who own beneficially 5% or more of our Common Stock, and their respective affiliates, in the aggregate, beneficially owned (including shares that the he or she has the right to acquire the beneficial ownership within 60 days following July 1, 2003) approximately 2,508,403 shares or 17.28% of our outstanding Common Stock. As a result, these stockholders possess significant influence over us, giving them the ability, among other things, to elect a majority of our Board of Directors and approve significant corporate transactions. Such share ownership and control may also have the effect of delaying or preventing a change in control of us, impeding a merger, consolidation, takeover or other business combination involving us, or discourage a potential acquiror from making a tender offer or otherwise attempting to obtain control of us which could have a material adverse effect on the market price of our Common Stock.

ITEM 3. CONTROLS AND PROCEDURES

Under the supervision and with the participation of the Company's management, including Mitchell G. Blumberg, its President and Chief Executive Officer, and Brent L. Peters, its Chief Financial Officer, the Company has evaluated our disclosure controls and procedures as of the end of the period covered by this report, and, based on their evaluation, Mr. Blumberg and Mr. Peters have concluded that these controls and procedures are effective. There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

Disclosure controls and procedures are the Company's controls and other procedures that are designed to ensure that information required to be disclosed by it in the reports that it files or submits under the Exchange Act are recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including Mr. Blumberg and Mr. Peters, as appropriate to allow timely decisions regarding required disclosure.

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PART II -- OTHER INFORMATION

ITEM 5. OTHER INFORMATION.

GeoGlobal Stock Purchase Agreement. Pursuant to a Stock Purchase Agreement dated April 4, 2003 among us, Jean Paul Roy ("JPR") and GeoGlobal Resources (India) Inc. ("GeoGlobal"), the Company agreed to acquire all the shares of GeoGlobal. This transaction was previously disclosed in Item 5. Other Information of our Quarterly Report on Form 10-QSB for the quarter ended March 31, 2003. The closing of the transaction is to occur on the third business day following the date on which all conditions to the parties' obligations under the Stock Purchase Agreement are met, but in no event later than 120 days after the date of submission of the application for consent of the Government of India to the

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transaction as required by the terms of the contract entered into by GeoGlobal with the Government of India, GSPC and Enpro. In April 2003, parties had submitted an application to the Government of India for its consent to the sale of the stock of GeoGlobal to us. On August 13, 2003, we announced that we have received the necessary consent from the Government of India for us to proceed with the acquisition of all the outstanding capital stock of GeoGlobal. We anticipate that the remaining closing conditions, which include primarily the delivery of closing certificates and the continued accuracy as of the closing date of the parties' representations and warranties, will be met and the transaction completed shortly.

There can be no assurance that exploratory drilling intended to be conducted on the exploration block will result in any discovery of hydrocarbons or that any hydrocarbons as are discovered will be in commercially recoverable quantities. In addition, the realization of any revenues from commercially recoverable hydrocarbons is dependent upon the ability to deliver, store and market any hydrocarbons that are discovered. The presence of hydrocarbon reserves on contiguous properties is no assurance or necessary indication that hydrocarbons will be found on Block KG-OSN-2001/3. The block is a highly speculative exploration opportunity. Pursuing the transaction will involve material risks to us and will result in material dilution to our stockholders.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

- 31.1 Certification of President and Chief Executive Officer Pursuant to Rule 13a-14(a)
- 31.2 Certification of Chief Financial Officer Pursuant to Rule 13a-14(a)
- 32.1 Certification of President and Chief Executive Officer Pursuant to Section 1350 (furnished, not filed)
- 32.2 Certification of Chief Financial Officer Pursuant to Section 1350 (furnished, not filed)

(b) Reports on Form 8-K

During the quarter ended June 30, 2003, we filed a Current Reports on Form 8-K as follows:

| | |
|---------------|--------|
| April 4, 2003 | Item 7 |
|---------------|--------|

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

SUITE101.COM, INC.

(Registrant)

Date: August 14, 2003

/s/ Mitchell G. Blumberg

Mitchell G. Blumberg

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President and Chief Executive Officer
(Principal Executive Officer, and Director)

/s/ Brent Peters

Brent J. Peters
(Principal Financial and Accounting Officer)