FILING STATEMENT

DATED OCTOBER 13, 2006

FOR

TRUE NORTH CORPORATION

(the "Company")

This filing statement is furnished by the Company in connection with the acquisition by the Company of all of the issued and outstanding shares of C3 Online Marketing Inc. (the "Acquisition"). No person has been authorized to give any information or make any representation in connection with the Acquisition, other than as contained in this filing statement and, if given or made, any such information or representation must not be relied upon as having been authorized.

Neither the TSX Venture Exchange Inc. nor any securities regulatory authority has in any way passed upon the merits of the Acquisition described in this Filing Statement.

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GLOSSARY OF TERMS

In this Filing Statement, the following terms shall have the meaning ascribed thereto as set out below:

"1636559" means 1636559 Ontario Inc.

"Affiliate" means a company that is affiliated with another company as follows:

(a) a company is an "Affiliate" of another company if:
  (i) one of them is the subsidiary of the other, or
  (ii) each of them is controlled by the same Person.

(b) a company is "controlled" by a Person if
  (i) voting securities of the company are held, other than by way of security only, by or for the benefit of that Person, and
  (ii) the voting securities, if voted, entitle the Person to elect a majority of the directors of the company.

(c) a Person beneficially owns securities that are beneficially owned by:
  (i) a company controlled by that Person, or
  (ii) an Affiliate of that Person or an Affiliate of any company controlled by that Person.

"Associate" when used to indicate a relationship with a Person, means:

(a) an issuer of which the Person beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of the issuer;
(b) any partner of the Person;
(c) any trust or estate in which a Person has a substantial beneficial interest or in respect of which a Person serves as trustee or in a similar capacity;
(d) in the case of an individual, a relative of that individual, including:
  (i) that individual's spouse or child, or
  (ii) any relative of the individual or of his spouse who has the same residence as that individual;

  but

(e) where the Exchange determines that two individuals shall, or shall not, be deemed to be associates with respect to a Member firm, Member corporation or holding company of a Member corporation, then such determination shall be determinative of their relationships in the application of Exchange Rule D with respect to that Member firm, Member corporation or holding company.

"Business Day" means a day other than a Saturday, Sunday or bank holiday in the City of Toronto, Ontario.

"C3" means C3 Online Marketing Inc.

"C3 Creditors" mean Terry Ham and Bohdan Pelech.

"C3 Debentures" means convertible debentures issued by C3 in the aggregate principal amount of $2.5 million to OSCC and QIP which is convertible into an aggregate of 1,533,333 C3 Shares.

"C3 Debt Settlement" means an agreement between C3 and the C3 Creditors whereby the C3 Creditors have agreed, upon Closing, to the cancellation of an aggregate of $411,001 in debt by the issuance of 2,935,721 Company Shares as described under "Part I – Information Concerning the Company - Debt Settlements."

"C3 Option" means an option to acquire one (1) non-voting common share at an exercise price of $0.25 per C3 Share at any time until September 14, 2012 and the C3 Options are subject to a vesting schedule of ⅓ in each of September 2006, 2007 and 2008.

"C3 Shareholders" means Green Eggs, 162 and Suthex.

"C3 Shares" means the common shares and Class A Shares in the capital of C3.

"Closing" means the closing of the Proposed Acquisition.

"Company" or **"True North"** means True North Corporation.

"Company Debt Settlement" means an agreement between the Company and Navigate Design Inc. whereby the Navigate Design Inc. has agreed, upon Closing, to the cancellation of an aggregate of $364,000 in debt by the issuance of 2,600,000 Company Shares as described under "Part I – Information Concerning the Company - Debt Settlements."

"Company Shareholders" means holders of common shares in the capital of the Company.

"Company Shares" means common shares in the capital of the Company and of the Resulting Issuer upon completion of the Proposed Acquisition.

"Company Warrants" means an aggregate of 1,000,000 warrants exercisable at $0.25 per share and expiring in July, 2007.

"Completion of the Proposed Acquisition" means the date upon which the Exchange issues the Final Exchange Bulletin.

"Control Person" means any person or company that holds or is one of a combination of persons or companies that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holder of those securities does not affect materially the control of the issuer.

"Creditors" means the C3 Creditors, Navigate Design Inc. and Quorum.

"Exchange" means the TSX Venture Exchange Inc.

"Exchange Requirements" means and includes the articles, by-laws, policies, circulars, rules, guidelines, orders, notices, rulings, forms, decisions and regulations of the Exchange as from time to time enacted, any instructions, decisions and directions of the Exchange (including those of any committee of the Exchange as appointed from time to time), and all applicable provisions of the securities laws of any jurisdiction.

"Final Exchange Bulletin" means the Exchange bulletin that is issued following Closing of the Proposed Acquisition and the submission of all required documentation and that evidences the final Exchange acceptance of the Proposed Acquisition.

"Green Eggs" means Green Eggs Investments Limited.

"Insider" if used in relation to an issuer, means:

(a) a director or senior officer of the issuer;
(b) a director or senior officer of the company that is an Insider or subsidiary of the issuer;
(c) a Person that beneficially owns or controls, directly or indirectly, voting shares carrying more than 10% of the voting rights attached to all outstanding voting shares of the issuer; or
(d) the issuer itself if it holds any of its own securities.

"Member" means a Person who has executed the Members' Agreement, as the Exchange defines that term, as amended from time to time, and is accepted as and becomes a member of the Exchange under the Exchange Requirements.

"Non-Arm's Length Party" means in relation to a company, a promoter, officer, director, other Insider or Control Person of that company (including an issuer) and any Associates or Affiliates of any such Persons. In relation to an individual, Non-Arm's Length Party means any Associate of the individual or any company of which the individual is a promoter, officer, director, Insider or Control Person.

"Non-Arm's Length Transaction" means a transaction where the same party or parties or their respective Associates or Affiliates control the Company and the C3 Shares which are to be the subject of the Proposed Acquisition.

"OSCC" means Ontario SME Capital Corporation.

"Person" means a company, individual, partnership, limited partnership, limited liability company, unincorporated association, unincorporated syndicate, unincorporated organization, trust, trustee, executor, administrator or other legal representative.

"Proposed Acquisition" means the proposed acquisition by the Company of all of the C3 Shares upon the terms and conditions described under "Summary of Filing Statement - Proposed Acquisition" herein, and includes completion of the Debt Settlement and Private Placement.

"QIP" means Quorum Investment Pool Limited Partnership.

"QSET" means Quorum Secured Equity Trust.

"QSET Debenture" means the convertible debenture in the principal aggregate amount of $1,550,000 issued by the Company which is convertible into 4,428,571 Company Shares.

"**Quorum**" means, collectively, QSET, OSCC and QIP.

"Quorum Debt Settlement" means an agreement between the Company and Quorum whereby Quorum has agreed, upon Closing, to the cancellation of an aggregate of $300,000 in debt by the issuance of 2,142,857 Company Shares as described under “Part I – Information Concerning the Company - Debt Settlements.”

"Quorum Security" means all security granted by the Company and C3 to Quorum in connection with the aggregate indebtedness of the Company and C3 to Quorum pursuant to the QSET Debenture and C3 Debentures.

"Related Parties" means the promoters, directors, officers or other Insiders of the Company and Associates or Affiliates of those parties.

"Resulting Issuer" means the Company, after giving effect to the Proposed Acquisition.

"Resulting Issuer Debentures" means the amended and restated convertible debentures to be issued to Quorum upon the Completion of the Proposed Acquisition in the principal aggregate amount of $4,350,000 which is convertible into an aggregate of 12,411,971 Company Shares of the Resulting Issuer.

"Securities Exchange Agreement" means the securities exchange agreement dated June 14, 2006 entered into between the Company, C3 and the C3 Shareholders.

"Suthex" means Suthex Inc.

TRUE NORTH CORPORATION

Reference is made to the Glossary of Terms for the definitions of certain abbreviations and terms used in this Filing Statement and in this summary.

SUMMARY OF FILING STATEMENT

The following is a summary of information relating to the Company and C3 and the Resulting Issuer (assuming Completion of the Proposed Acquisition), and should be read together with the more detailed information and financial data and statements contained elsewhere in this Filing Statement.

Proposed Acquisition

On June 14, 2006, the Company and C3 signed the Securities Exchange Agreement. Under the terms of the Securities Exchange Agreement, the Company will issue an aggregate of 12,750,607 Company Shares at a deemed value of $0.13 per Company Share for an aggregate deemed value of $1,657,578.90 in exchange for all of the issued and outstanding C3 Shares owned by the C3 Shareholders. The Company will seek written approval for the Proposed Acquisition from shareholders owning a minimum of 50.1% of the issued and outstanding Company Shares.

The 12,750,607 Company Shares will be issued as follows:

Name of C3 Shareholder	Number of Company Shares
Green Eggs (1)	4,250,211
1636559 (2)	8,245,384
Suthex (3)	255,012
Total	**12,750,607**

Notes:

1. A private Ontario company owned by the Ham Family Trust.
2. A private Ontario company owned by the Pelech Family Trust
3. A private Ontario company owned by Doug Sutherland

In addition, the Company will issuance an additional 3,187,651 Company Shares to acquire an additional 800,000 C3 Shares upon the exercise of the C3 Options. Each C3 Option is exercisable at a price of $0.01 per C3 Share. On Closing, all of the C3 Options will be exercised and an aggregate of 800,000 C3 Shares will be issued to the option holders and True North will issue an additional 3,187,651 Company Shares to acquire the 800,000 C3 Shares.

Debt Settlement

Concurrently with the Completion of the Proposed Acquisition, the Creditors will be issued an aggregate of 7,678,578 Company Shares in settlement of $1,075,001 in debt owed to them by the Company and C3. Refer to “Part I – Information Concerning the Company - Debt Settlements.”

Escrow

Of the 23,616,836 Company Shares to be issued to the Creditors and C3 Shareholders and option holders, 15,369,612 Company Shares will be held in escrow pursuant to the terms of the Value Security Escrow Agreement and 2,096,294 Company Shares will be subject to resale restrictions. The escrow and resale restrictions will be for a period of 36 months from Closing.

In addition, an aggregate of 11,004,000 Company Shares registered in the names of Mark Anthony and Salvatore Iantorno is subject to the terms of a lock-up agreement which has identical release terms as the Value Security Escrow Agreement. Refer to "Part III – Information Concerning the Resulting Issuer - Escrow Shares & Shares Subject to Resale Restrictions."

Private Placement

On September 19, 2006, True North issued an aggregate of 2,700,000 Company Shares pursuant to a non-brokered private placement (the "Company Private Placement"). The 2,700,000 Company Shares were issued at a price of $0.14 per Company Share for gross proceeds of $378,000. No commission or finder's fee was paid in connection with the Company Private Placement. The Exchange has given the Company approval to extend the Company Private Placement to permit the Company to issue an additional 2,700,000 Company Shares (the "Extended Private Placement") at deemed price of $0.14 per Company Share. No commission or finder's fee will be paid in connection with the Extended Private Placement. Closing of the Extended Private Placement is expected to occur concurrently with the Completion of the Proposed Acquisition.

Business of the Company

True North is a leading outsourced marketing services organization that delivers measurable sales results to Fortune 1000 companies through its four operating subsidiaries: TNAG/True North Advertising Group Inc., Essentia Marketing Inc., AVP Event Marketing Inc. and Artshouse Communications Inc. True North's in-house capabilities include: strategic consulting; creative and design services; event and project management; contest and incentives management; an inbound/outbound contact centre; and a 35,000 square foot fulfillment and distribution centre.

Business of C3

C3 Online Marketing provides online solutions for marketers designed to attract and retain online relationships. C3's online marketing infrastructure uniquely integrates programs and applications into our clients' business processes, or operates as an outsourced service. Utilizing C3 technology, web systems, promotions, contests, surveys, email deployments, loyalty programs and online training are easily migrated to customizable follow-on customer-touch campaigns. C3 is a privately held company based in Toronto. Please visit www.c3onlinemarketing.com

Not a Non-Arm's Length Acquisition

The Proposed Acquisition is not a Non-Arm's Length Transaction.

Interests of Insiders, Promoters or Control Persons of the Company

None of the Insiders, promoters or Control Persons of the Company or their respective Associates or Affiliates has any interest in the Proposed Transaction.

Available Funds and Proposed Use Thereof

As of June 30, 2006, the Company had a working capital deficit of $1,472,361 and C3 had a working capital deficit of $20,601 for a combined working capital deficit of $1,492,962. After completion of the Extended Private Placement, the C3 Debt Settlement, the Company Debt Settlement, the Quorum Debt Settlement, the Resulting Issuer will have a pro-forma working capital deficit as at June 30, 2006 of $19,360. In addition to the Quorum Debt Settlement, Quorum has agreed to extended the maturity date of the debenture granted to OSCC from February 28, 2007 to February 28, 2008. As a result, the Resulting Issuer will have pro-forma working capital as at June 30, 2006 of $961,225. It is anticipated that these funds will be expended as follows:

Completion of the Proposed Acquisition	$75,000
Expand Business of Resulting Issuer	$786,225
Unallocated Working Capital	$100,000
Total	**$961,225**

Management is of the opinion that the Resulting Issuer will be able to generate sufficient working capital through a combination of monthly revenue, tax credits and anticipated cost savings to fund its ongoing operations.

Pro Forma Consolidated Financial Information

The following table sets forth the pro forma share capital and loan capital of the Resulting Issuer as at June 30, 2006 on a consolidated basis. These figures are derived from the pro-forma consolidated financial statement of the Company as at June 30, 2006 which are attached to and form part of this Filing Statement.

Capital	Outstanding as at June 30, 2006 (after giving effect to the Proposed Acquisition) (unaudited)
Cash	$568,296
Short Term Investments	$1,162,140
Accounts Receivable	$2,632,259
Work in Progress	$369,033
Prepaid Expenses	$374,334
Payables and Accruals	$3,347,525
Convertible Debentures	$3,566,134
Working Capital Deficit	$284,625
Shareholders' Equity	$4,313,152
Deficit	$4,682,118

Company's Listing on the Exchange

The Company Shares are listed on Tier 2 of the Exchange and trade under the symbol "TN". There is no public market for the C3 Shares.

Market Price of Company's Shares

The closing price of the Company Shares on the Exchange on June 5, 2006, being the last trading date immediately preceding the announcement of the Proposed Acquisition was $0.13. The closing price of the Company Shares on the Exchange on *, 2006 was $*. The Company Shares were halted from trading from June 6, 2006 to June 27, 2006 pending the announcement of the Proposed Acquisition.

Risk Factors

An investment in the Resulting Issuer must be considered highly speculative due to the proposed nature of the Company's business and the relatively early stage of development. Consequently, an investment in the Resulting Issuer will be subject to certain risks and investors should not invest in securities of the Resulting Issuer unless they can afford to lose their entire investment. In addition to the factors disclosed elsewhere in this Filing Statement, investors should consider the following risk factors in assessing the investment merits of such securities:

- Reliance on Key Personnel
- Competition
- Rapid Growth
- Market Growth
- Operating Results
- Economic Conditions

See "Part III - Information concerning the Resulting Issuer, Section 15, Risk Factors"

PART I
INFORMATION CONCERNING THE COMPANY

1. Corporate Structure

The full corporate name of the Company is True North Corporation. The Company was incorporated under the laws of the Province of Alberta on May 29, 200. The registered and head office of the Company is located at 5610 Timberlea Blvd., Mississauga, Ontario L4W 4M6.

2. General Development of the Business

In 2000 the Company was a Capital Pool Company, listed on the CDNX under the name "Revolve Capital Corp." Revolve Capital Corp. did not have any business operations and derived its revenue from interest earned on funds raised through a public offering. The expenses incurred were costs related to maintaining its public company status.

On February 26, 2002 Revolve Capital Corp. acquired all of the issued and outstanding securities of TNAG/True North Advertising Group Inc. for the issuance of 10,000,000 common shares in the capital of Revolve Capital Corp. As part of the acquisition, Revolve Capital Corp. changed its name to True North Corporation.

During 2002, True North completed two (2) further acquisitions, PPL Marketing Services (a division of Microforum Inc.) and Local Knowledge Advertising and Promotions Inc., which resulted in the Company increasing its revenues from $2.8 million to $9.4 million.

In 2003, the performance of the Company was negatively affected by the combination of SARS and the Iraqi war. In addition, the North American marketing services industry experienced a significant downturn. As a result, management reorganized the Company’s operations and discontinued its out-of-province business unit. Because of the restructuring and discontinuation of the business unit, the Company wrote-down a portion of its goodwill which negatively impacted its financial statements.

The Company continued its restructuring efforts in 2004 through staff rationalization, the consolidation of facilities and the implementation of new processes and technology to assist in the long-term improvement of the business. In early 2004, the Company launched a new business unit, AVP Event Marketing. The net effect of these efforts was an increase in the Company’s revenue to $11.7 million.

During 2005 the Company continued to grow though organic and acquisitive means and was able to raise funds through the issuance of a convertible debenture.

3. Debt Settlements

C3 Debt Settlement

On October 6, 2006, the C3 Creditors entered into various debt conversion agreements with the Company whereby the C3 Creditors have agreed to the cancellation of an aggregate of $411,001 by the issuance of 2,935,721 Company Shares at a deemed price of $0.14 per Company Share. The Company Shares will be issued concurrently with the Completion of the Proposed Acquisition.

Company Debt Settlement

On October 6, 2006, Navigate Design Inc., a private company owned and/or controlled by Mark Anthony and Sal Iantorno, officers, directors and major shareholders of the Company, entered into a debt conversion agreement with the Company whereby Navigate Design Inc. has agreed to the cancellation of an aggregate of $364,00 by the issuance of 2,600,000 Company Shares at a deemed price of $0.14 per Company Share. The Company Shares will be issued concurrently with the Completion of the Proposed Acquisition.

Quorum Debt Settlement

On October 6, 2006, Quorum entered into a debt conversion agreement with the Company whereby Quorum has agreed to the cancellation of an aggregate of $300,000 by the issuance of 2,142,857 Company Shares at a deemed price of $0.14 per Company Share. The Company Shares will be issued concurrently with the Completion of the Proposed Acquisition.

4. Narrative Description of the Business

True North is a leading outsourced marketing services organization that delivers measurable sales results to Fortune 1000 companies through its four operating subsidiaries: TNAG/True North Advertising Group Inc., Essentia Marketing Inc., AVP Event Marketing Inc. and Artshouse Communications Inc. True North's in-house capabilities include: strategic consulting; creative and design services; event and project management; contest and incentives management; an inbound/outbound contact centre; and a 35,000 square foot fulfillment and distribution centre.

Services

True North's mission statement is *"to recommend and implement the best strategic, creative and tactical ideas and programs that generate immediate returns and build long term brand equity through effective marketing communications."*

The significance of True North's mission statement is three-fold. First it says that it believes its task is to build both short-term sales as well as long-term brand image. Management of True North is of the opinion that these are mutually exclusive. Second, it speaks to how True North achieves this - marketing discipline neutral. Third, it touches on the fact that True North provides "end-to-end" services, i.e. from strategic consultation to tactical implementation. Each of its clients use one, some or all of its services. True North does not force cross selling. The Company's approach has been to "cross solve". When the Company brings new ideas and tactics to a client it's because management of True North believes that it can solve their problems and make a positive difference. That can be making their processes more cost effective or improving turn-around times, in addition to its sales focus.

True North's Service Offerings are structured around two core groups: Marketing Services and Sales Channel Support.

Within Marketing Services it provides:

- Strategic Consulting
- Creative Development
- Branding & Design
- Advertising
- Event & Experiential Marketing
- Sales Promotions
- Direct Marketing
- Sales Conferences
- Contests & Incentives Development & Administration

In the area of Sales Channel Support it provides:

- Fulfillment & Distribution of promotional materials and point-of-sale collateral to national dealer and distributor organizations on behalf of OEMs and retailers.
- Complete Business Process Outsourcing where True North fulfills daily shipments and returns of consumer orders.
- Warehousing and Inventory management of client materials to reduce client inventory investment.
- A technology driven Customer Care Centre handling millions of customer calls each year. True North specializes in high-touch client requirements such as technical help desks.

Key Point of Difference

True North's philosophy has always been that both external (direct to consumer) communications and internal (sales channel) communications are critically important to achieve success in the market place. Together, they are the axis upon which a client's marketing and sales activity turns. In fact, True North believes that a client's marketing investment is not maximized unless its customer or external communications strategy is aligned and synergistic with its sales channel strategy. True North differs from its competitors in that it focuses on developing brand strategies and tactics that target all key audiences, creating a more holistic and consistent image, message and in the end better results. This means that while consumer advertising or direct marketing may be important, so to, for example, might be staff training, sales incentive programs or in-store merchandising.

5. Significant Acquisitions and Dispositions

True North, through a wholly owned subsidiary, purchased all of the issued and outstanding securities of Artshouse Communications Inc. ("Artshouse") for an aggregate purchase price of $1. In addition, True North paid in full a debt owing to the Royal Bank in the aggregate amount of $600,000 and paid an additional $100,000 to Artshouse's unsecured trade creditors. The vendor is owed approximately $100,000 as a shareholders loan advanced to the Company prior to the sale.

Established in 1992, Artshouse provides both strategic and tactical marketing services to its clients. From its offices located in downtown Toronto, Artshouse specializes in developing sales incentive programs, sales promotions, event and experiential marketing and design communications.

6. Selected Consolidated Financial Information and Management's Discussion and Analysis

Annual Information

The fiscal year end of the Company is December 31. The following table summarizes the Company's audited financial results during the 12-month periods ended December 31, 2005, December 31, 2004 and December 31, 2003.

	Year ended December 31, 2005 (audited) ($)	**Year ended December 31, 2004 (audited) ($)**	**Year ended December 31, 2003 (audited) ($)**
Balance Sheet			
Assets			
Current Assets	3,561,235	2,944,052	2,869,469
Capital Assets	521,158	375,721	391,109
Other	2,368,187	1,278,011	507,072
Total Assets	**6,450,580**	**4,597,784**	**3,767,650**
Liabilities			
Current Liabilities	4,725,717	3,234,881	2,828,547
Payable to Related Parties	903,446	1,031,492	1,225,468
Long Term Liabilities	1,585,000	285,000	285,000
Total Liabilities	**7,214,163**	**4,551,373**	**4,339,015**
Shareholders' Equity			
Share Capital	745,833	832,352	415,627
Contributed Surplus	429,251	145,470	-
Deficit	(1,938,667)	(931,411)	(986,992)
Total Liabilities and Shareholders' Deficiency	**6,450,580**	**4,597,784**	**3,767,650**
Statement of Earnings & Deficit			
Sales	14,533,543	11,750,456	9,573,222

Cost of Sales	8,338,780	5,854,492	4,507,932
Gross Profits	**6,194,763**	**5,895,964**	**5,065,290**
Operating Expenses	6,110,046	5,328,282	5,563,956
Net Operating Loss	**84,717**	**567,682**	**(498,666)**
Other	1,091,973	512,101	1,036,301
Net (Income)Loss	**(1,007,256)**	**55,581**	**(1,400,992)**

6.1 Management's Discussion and Analysis

Results of Operations

For the Six Months Ended June 30, 2006

Revenue

Revenue declined slightly for the three-month period ended June 30, 2006 compared to one year earlier. The Company experienced a significant reduction in business from its pharmaceutical clients as new legislation impacting expenditures on marketing caused many of the Company's clients, in this sector, to withhold spending. Additionally, as disclosed in the first quarter, Revenue reduction was also a result on loss of client business that existed in the same period one year ago.

Direct Costs

Direct costs declined by 6% resulting in an increase in the Company's gross profit. The Company's gross profit fluctuates due to the varying types of services that may be provided in any quarter. The Company generates its greatest margin from professional services and the smallest margin from mark-ups on procured products and services.

Gross Profit

Gross profit is a measure used by the Company to determine the gross amount of dollars available to run the Company's operations. This metric is important as it represents the net amount of revenue, after direct costs, generated through fees and mark-ups. Gross Profit was off by 1% over the previous year.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses encompass all costs related to running the Company, marketing and sales activities, client management and servicing as well as all fixed overhead and administrative expenses. SG&A costs increased by approximately 35% over the previous year. The increased costs were attributable to: the addition of Artshouse Communications Inc. in the second half of 2005; increased professional fees for audit and valuation services required for year end reporting and additional equipment lease costs. Subsequent to this period, the Company was able to negotiate a termination of its downtown office lease as well as a number of staff reductions. The Company expects to see a significant reduction in SG&A expenses beginning in the last quarter of 2006.

Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA")

EBITDA for the quarter was a loss of $472,005 compared to positive EBITDA of $8,415 one year prior. EBITDA decreased due to the increase in SG&A costs and the reduction in revenue. With the recent moves to reduce operating costs, the Company expects to see EBITDA improve in the upcoming quarters.

Interest

Interest expense increased by 36% over the previous year. This is a result of the Company's convertible debenture of $1.55 million. The Company incurred this debt at the end of the second quarter last year, so interest had not impacted the income statement in the comparable period a year ago.

Non-Recurring One Time Costs

Management believes it is important to separate costs incurred during the year that would not have been incurred in the normal course of business. During the quarter, the Company incurred costs for the following:

1. The largest portion of the non-recurring items is the provision for writing down of the investment in the Company's automotive event business due to the significant decline in business.
2. Acquisition of certain client lists from a competitive organization in December 2005. The costs associated with this small transaction were expensed and not capitalized as Goodwill.
3. Termination and severance costs associated with staff cuts.

Write Down of Good Will

The Company made provisions for the write down of good will associated with client business that had been lost or reduced and for non-active businesses. The Company took a provision of $457,625.

Net Profit/Loss

Net Loss of the six months ended June 30, 2006 was $1,585,164, compared to a net loss of $246,989 for the same period one year ago. Before non-cash items, the Company's loss for the quarter was $578,954.

Year Ended December 31, 2005

Revenue

Revenue for the fiscal year ended December 31, 2005 increased 24% over the previous year. The increase in revenue came from increased spending by existing clients, new clients purchasing its services, as well as the acquisition of Artshouse Communications Inc. Approximately 16% was represented by organic growth. Revenue was negatively impacted in the last quarter largely by the significant increase in Deferred Revenue at Year End. The Company recognizes revenue on a completed contract basis, which impacts both revenue and gross profit figures. At December 31, 2005 Deferred Revenue was $1,286,604 compared to $457,222 one-year prior. Revenue was also adversely affected by the reduction in spending by clients in the automotive sector and the Company terminating a contract with a client.

Direct Costs

Direct Costs increased, as a percentage of Revenue, due to business make-up during the year. The Company experienced growth in its promotional and incentive business, which tends to have lower margins than other types of programs that the Company provides.

Gross Profit

Gross Profit is a measure used by the Company to determine the gross amount of dollars available to run the Company's operations. This metric is important as it represents the net amount of revenue, after direct costs, generated through fees and mark-ups. Gross Profit grew by 5% over the previous year. Although Revenue grew by 24%, at the time of the Year End closing, a substantial amount of Deferred Revenue and Work In Progress existed. See Revenue section above for explanation.

Selling, General and Administrative Expenses

Selling, general and administrative expenses encompass all costs related to running the Company, marketing and sales activities, client management and servicing as well as all fixed overhead and administrative expenses. Selling, general and administrative expenses increased by approximately 10% over the previous year. The increased costs were primarily attributable to the addition of Artshouse Communications Inc. in the second half of 2005. Additionally, the Company added new sales and project staff in the last quarter of 2005 to increase capacity to handle new business.

EBITDA

EBITDA decreased to $346,377 from $644,918 one-year prior, primarily due to the substantial amount of deferred revenue carried at the end of the year. See Revenue section above for explanation.

Interest

During the fiscal years 2004 and 2005 the Company financed its working capital requirements through an asset based lending organization. Although effective, this method of financing Accounts Receivable was extremely costly. The base rate of interest was prime plus 8%. In addition, the Company paid monthly monitoring and standby fees. This source of financing accounted for approximately $262,485 in annual interest costs. At the end of the year, the Company had successfully negotiated a traditional operating line of credit with the Royal Bank of Canada. The new revolving line of credit carries an annual interest rate of prime plus 1.75%, a substantial savings over the previous facility. The Company estimates the annual savings to be in excess of $165,000.

Non-Recurring One Time Costs

Management believes it is important to separate costs incurred during the year that would not have been incurred in the normal course of business. During the year, the Company incurred costs for the following:

1. Termination Fee for uncompleted subordinated debt financing. The Company chose a substantially less costly alternative. The annualized interest savings over the cancelled financing more than offset the one-time cost to break the financing agreement;
2. Facility relocations of both the primary business operations as well as the Artshouse business. This was a significant move as it involved moving the Company's warehouse and call centre operations;
3. Costs associated with evaluating and completing due diligence of potential acquisitions that did not proceed or were aborted upon completion of due diligence; and
4. Acquisition of certain client lists from a competitive organization in December 2005. The costs associated with this small transaction were expensed and not capitalized as Goodwill. Revenue from these clients did not hit our books until January 2006.

Stock Options Expense

During the year, the Company issued stock options to officers, employees and contractors. The Company uses stock options as an incentive and reward. The Stock Option Expense is derived through the Black-Scholes option-pricing model. The Options Expense is a non-cash charge, but it does impact the Net Loss reported by the Company by $262,810. In 2004, the Option Expense was $64,710.

Net Profit

Net Loss of the Year Ended December 31, 2005 was $1,007,256, compared to a net profit of $55,581 for the same period one year ago. Non-cash items, such as amortization and stock option expenses, accounted for $603,599. Interest costs during 2005 were also extremely high, amounting to $397,285. Net loss before non-cash items was $403,657.

Year Ended December 31, 2004

Revenue

Revenue for the fiscal year ended December 31, 2004 increased 23% over the previous year. This was due in part to new clients retaining the services of the Company and to new services being offered. In early 2004, True North launched AVP Event Marketing. Within its first year of operation it has grown dramatically and become a recognized leader in its field.

Direct Costs

Direct Costs increased, as a percentage of Revenue, as a result of new event and experiential marketing activities. These programs typically utilize outside contracted personnel and travel related expenses. The Company regularly reviews and evaluates the cost benefit of outsourcing versus providing those services in-house. The Company views this as an area of future opportunity.

Gross Profit

Gross Profit is a measure used by the Company to determine the gross amount of dollars available to run the Company's operations. This number is important as it represents the net amount of revenue, after direct costs, generated through fees and mark-ups. Gross Profit grew by 16% over the previous year as a direct result of increased revenue levels.

Selling, General and Administrative Expenses

Selling, general and administrative expenses encompass all costs related to running the Company, marketing and sales activities, client management and servicing as well as all fixed overhead expenses. Selling, general and administrative expenses decreased by approximately 6% over the previous year, primarily driven by efficiencies gained through centralized purchasing, implementation of new technology across all business units and better overall use of Company resources.

EBITDA

EBITDA improved by $1,143,584 over the previous year's negative EBITDA. EBITDA for the fiscal year ended December 31, 2004 was $644,918 or $0.04 per share (basic) and $0.036 per share (fully diluted). This was a direct result of Management's cost control and marketing activities. During the year the Company was able to recover $150,519 from the business unit it closed at the end of 2003. This had a positive impact on the EBITDA in the fourth quarter.

Net Profit

For the fiscal year, True North returned to profitability, generating net earnings of $55,581. On a per share basis, the effective result is $0.004 earnings per share.

Year Ended December 31, 2003

Revenue

Revenue for the fiscal year ended December 31, 2003 remained flat in relation to 2002. Revenue did not increase due to the drop in business activity from the Company's Montreal subsidiary. Additionally, the entire marketing services industry continued to experience a general downturn post the events of September 11, 2001.

Direct Costs

In order to complete contracts, the Company will procure products and services from third parties. In 2003 Direct Costs represented 47% of total Revenue.

Gross Profit

Gross Profit is a measure used by the Company to determine the gross amount of dollars available to run the Company's operations. This metric is important as it represents the net amount of revenue, after direct costs, generated through fees and mark-ups.

Selling General & Administrative Expenses

Selling, general and administrative expenses encompass all costs related to running the Company, marketing and sales activities, client management and servicing as well as all fixed overhead and administrative expenses. Selling, general and administrative expenses costs increased over the previous year as the Company had additional operations in 2003 which did not exist in 2002.

EBITDA

EBITDA for the year ended 2003 was a loss of 498,666. The loss was a result of a number of factors including the economic climate and loss of business within the Montreal subsidiary.

Write Down of Goodwill

Management determined that the Goodwill associated with the acquisition of Local Knowledge Advertising and Promotions Inc. was impaired due to the loss of business experienced in 2003. As such, the Goodwill associated with this acquisition was written off.

Net Profit

Net Loss of the year ended December 31, 2003 was 1,400,992. The loss was a result of several factors including closure of the Company's Montreal subsidiary and overall economic weakness in the industry.

Liquidity and Capital Resources

Management believes that the Company has sufficient cash and cash equivalents to meet its current and long-term obligations and to meet the Company's working capital requirements for the foreseeable future. The Company entered into a new banking agreement in December 2005 and now has a revolving credit facility, which is secured by the assets of the Company and each one of its operating subsidiaries. The Company is allowed to draw up to $1.25 million based upon a margining formula. The Company pays an annual interest rate of prime plus 1.75%.

On September 19, 2006, True North issued an aggregate of 2,700,000 Company Shares pursuant to a non-brokered private placement (the "Company Private Placement"). The 2,700,000 Company Shares were issued at a price of $0.14 per Company Share for gross proceeds of $378,000. No commission or finder's fee was paid in connection with the Company Private Placement. The Exchange has given the Company approval to extend the Company Private Placement to permit the Company to issue an additional 2,700,000 Company Shares (the "Extended Private Placement") at deemed price of $0.14 per Company Share. No commission or finder's fee will be paid in connection with the Extended Private Placement. Closing of the Extended Private Placement is expected to occur concurrently with the Completion of the Proposed Acquisition.

Access to Capital

The Company accesses the capital markets from time to time to augment its capital requirements. On June 30, 2005 the Company completed a financing with Quorum Secured Equity Trust ("Quorum"), whereby Quorum provided a $1.3 million convertible debenture bearing annual interest of 8%, maturing December 15, 2009. The debenture principal may be converted into common shares of the Corporation at $0.35 per share in year one, $0.385 per share in year two, $0.4235 in year three, $0.46585 in year four and $0.512435 in year five. On April 27, 2006 the Company issued an additional $250,000 convertible secured debenture to Quorum Secured Equity Trust. This debenture bears an annual interest rate of 8%, maturing December 15, 2009. The debenture principal may be converted into common shares of the Company at $0.35 per share in year one, $0.385 per share in year two, $0.4235 in year three and $0.46585 in year four. The Company must maintain certain covenants during the course of the borrowing. At year end the Company did not meet those covenants.

The Company also utilizes a revolving line of credit, provided by the Royal Bank of Canada, which has a maximum availability of $1.25 million and carries an annual interest rate of prime plus 1.75%.

Subsequent to this period the Company issued an aggregate of 2,700,000 Company Shares pursuant to a non-brokered private placement (the "Company Private Placement"). The 2,700,000 Company Shares were issued at a price of $0.14 per Company Share for gross proceeds of $378,000. No commission or finder's fee was paid in connection with the Company Private Placement. The Exchange has given the Company approval for the Extended Private Placement at deemed price of $0.14 per Company Share. No commission or finder's fee will be paid in connection with the Extended Private Placement. Closing of the Extended Private Placement is expected to occur concurrently with the Completion of the Proposed Acquisition.

Long Term Liabilities & Related Party Transactions

	June 30, 2006
Promissory note payable	285,000
Due to related parties	403,123
Convertible Debenture	1,550,000

Total	**2,485,783**

As of June 30, 2006, the Company's long term debts were comprised of:

1. A promissory note for $285,000 that bears annual interest of 8%. The principal is due and payable on March 15, 2007.
2. A Secured Convertible Debenture of $1.3 million that bears an annual interest rate of 8% maturing December 15, 2009. The debenture principal may be converted into common shares of the Company at $0.35 per share in year one, $0.385 per share in year two, $0.4235 in year three, $0.46585 in year four and $0.512435 in year five. An additional $250,000 convertible secured debenture to Quorum Secured Equity Trust. This debenture bears an annual interest rate of 8%, maturing December 15, 2009. The debenture principal may be converted into common shares of the Corporation at $0.35 per share in year one, $0.385 per share in year two, $0.4235 in year three and $0.46585 in year four.

The Company was indebted to the following employees for the amounts itemized.

Employee	Principal	Interest
Mark Anthony *	19,561	variable
Sal Iantorno *	19,561	variable
Mark Anthony	182,000	0%
Sal Iantorno	182,000	0%

* The Company reimburses these employees for any interest expenses incurred to the extent that the employees paid interest on funds that they borrowed to lend to the Company. The funds borrowed were used for general working capital during 2003 and 2004.

7. Description of the Securities

The authorized capital of the Company consists of an unlimited number of Company Shares without nominal or par value. As of the date of this Filing Statement, 24,904,968 Company Shares are issued and outstanding as fully paid and non-assessable, and 2,960,248 Company Shares have been reserved for issuance pursuant to the exercise of stock options.

The Company Shares rank equally, are not subject to call or assessment, and contain no pre-emptive or conversion rights. The holders of Company Shares are entitled to dividends if, as and when declared by the Board of Directors of the Company, to one vote per share at meetings of shareholders of the Company and, upon liquidation, dissolution or winding up to receive such assets of the Company as are distributable to the holders of the Company Shares.

8. Company Warrants

An aggregate of 1,000,000 warrants are issued and outstanding in the capital of the Company. The Company Warrants are exercisable at a price of $0.25 and expire in July, 2007.

9. Convertible Debentures

In July, 2005, the Company issued the QSET Debenture in the principal amount of $1,300,000. The QSET Debenture bears annual interest of 8%, maturing December 15, 2009. The debenture principal may be converted into common shares of the Company at $0.35 per share in year one, $0.385 per share in year two, $0.4235 in year three, $0.46585 in year four and $0.512435 in year five. In April, 2006, QSET subscribed for an additional $250,000 in debentures and the Company amended the QSET Debenture by increasing the principal amount of the debenture by an additional $250,000.

Pursuant to the Quorum Debt Settlement, QSET has agreed to covert $100,000 of the principal amount of the QSET Debenture into 714,286 Company Shares upon the Completion of the Proposed Acquisition.

10. Private Placement

On September 19, 2006, True North issued an aggregate of 2,700,000 Company Shares pursuant to a non-brokered private placement (the "Company Private Placement"). The 2,700,000 Company Shares were issued at a price of $0.14 per Company Share for gross proceeds of $378,000. No commission or finder's fee was paid in connection with the Company Private Placement. The Exchange has given the Company approval to extend the Company Private Placement to permit the Company to issue an additional 2,700,000 Company Shares (the "Extended Private Placement") at deemed price of $0.14 per Company Share. No commission or finder's fee will be paid in connection with the Extended Private Placement. Closing of the Extended Private Placement is expected to occur concurrently with the Completion of the Proposed Acquisition.

11. Stock Options

11.1 Directors and Officers Options

On May 26, 2005, the shareholders of the Company approved the creation of a stock option plan (the "Plan") which reserves for issuance a number of options for issuance. Under the Plan the shares issuable pursuant to the exercise of granted options shall not exceed 2,960,248 Company Shares, calculated from time to time at the date options to purchase Company Shares are granted. As of the date hereof, an aggregate of 2,960,248 options have been issued to the directors, employees and contractors of the Company.

The Plan is intended to increase the interest in the Company's welfare of those directors, officers, employees and service providers who share primary responsibility for the management, growth and protection of the business of the Company and its subsidiaries, to furnish an incentive to such directors, officers, employees and service providers to continue their services for the Company and its subsidiaries and to provide a means through which the Company and its subsidiaries may attract able persons for employment.

Under the Plan: (a) the exercise price of an option is determined by the Board of Directors at the time it is granted, but cannot be less than the "discounted market price" of the Company Shares within the meaning of the applicable policies of the Exchange; (b) the maximum period during which an option may be exercised will be 10 years from the date on which it is granted, if the Company becomes a Tier 1 company on the Exchange and five (5) years from the date of grant if the Company remains a Tier 2 company on the Exchange, although the Board of Directors, at the time of granting an option, may fix a shorter period during which an option is exercisable; (c) at the time of granting an option, the Board of Directors, at its discretion, may set a "vesting schedule" (i.e. one or more dates from which an option may be exercised in whole or in part) if the Company becomes a Tier 1 company on the Exchange, provided, however, that all options will be subject to a minimum 18 month vesting schedule if the Company remains a Tier 2 company on the Exchange; and (d) each option granted under the Plan is personal to the optionee and is not assignable or transferable except by will or by the laws of succession of the place of domicile of the deceased optionee.

Under the Plan, upon an optionee's employment with the Company being terminated for cause, any option not exercised terminates immediately. If an optionee dies or becomes permanently disabled, any option may be exercised for that number of Company Shares which the optionee was entitled to acquire at the time of death or permanent disability. Such option may be exercised for a period of one (1) year after the date of death or permanent disability. Upon an optionee's employment, office or directorship or consulting services ending other than by reason of death, permanent disability or termination for cause, any option may be exercised for that number of Company Shares which the optionee was entitled to acquire at the time of such termination. Such option may be exercised for a period of 90 days after such termination. Under such circumstances, options held by a person performing "Investor Relations Activities" (as that term is defined in the policies of the Exchange) may be exercised for a period of 30 days after termination of such investor relation services.

Pursuant to the Plan, the number of Company Shares reserved for issuance to any individual director or officer may not exceed 5% of the issued and outstanding Company Shares and the number of Company Shares reserved for issuance to all consultants may not exceed 2% of the issued and outstanding Company Shares.

12. Prior Sales

Since 2004, 10,224,968 Company Shares have been issued as follows:

Date of Issue	Number of Shares	Issue Price per Share	Aggregate Issue Price	Nature of Consideration
June 23, 2004	3,999,968	$0.15	$599,995.20	Cash
January 5, 2005	400,000	$0.15	$60,000	Cash
March 31, 2006	3,125,000	$0.16	$500,000	Conversion of Debt
September 19, 2006	2,700,000	$0.14	$378,000	Cash

13. Executive Compensation

The following table summarizes compensation paid, during the periods indicated, by the Company to its Chief Executive Officer, Chief Financial Officer and such other executive officers ("Named Executive Officers") whose annual aggregate salary and bonus together exceeded $150,000.

		Annual Compensation			Long Term Compensation			
					Awards		Payouts	
Name and Principal Position	**Year Ended December 31**	**Salary ($)**	**Bonus ($)**	**Other Annual Compen-sation ($)**	**Securities Under Options/ SARs Granted (#)**	**Shares Subject to Resale Restrictions ($)**	**LTIP Payouts ($)**	**All Other Compen-sation ($)**
Mark Anthony [(1)] President & C.E.O.	2005 2004 2003	200,000 180,000 142,000	Nil Nil Nil	Nil Nil Nil	200,000 Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil
Salvatore Iantorno Secretary, Treasurer & Exec. Creative Director	2005 2004 2003	200,000 182,000 142,000	Nil Nil Nil	Nil Nil Nil	200,000 Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil
Hy Haberman Chief Operating Officer	2005 2004 2003	210,000 179,711 179,711	Nil Nil Nil	Nil Nil Nil	40,000 Nil 100,000	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil
Marie Peri V.P. Finance	2005 2004 2003	125,000 116,000 105,000	Nil Nil Nil	Nil Nil Nil	40,000 Nil 100,000	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil

1. Mr. Mark Anthony resigned as Chief Executive Officer and Mr. Richard C. Camilleri was appointed Chief Executive Officer on July 19, 2006.

Employment Agreements

The Company enters into employment agreements with all full time employees of the Company. The Company's standard contract embodies the guidelines set out in the *Employment Standards Act* (Ontario) as well as common law precedents. The employment agreements all contain non-competition and non-solicitation terms that range from twelve to twenty-four months. Outlined below is a summary of the terms of each of the Named Executive Officers:

<u>Richard Camilleri</u> – Mr. Camilleri has an employment agreement with the Company pursuant to which Mr. Camilleri is currently entitled to receive an annual base salary of $300,000 and is eligible to receive a bonus at the discretion of the Board of Directors. If Mr. Camilleri is terminated, other than for just cause, he is entitled to receive a severance payment equal to his then current base salary plus the equivalent in benefits.

<u>Mark Anthony</u> - Mr. Anthony has an employment agreement with the Company pursuant to which Mr. Anthony is currently entitled to receive an annual base salary of $200,000 and is eligible to receive a bonus at the discretion of the Board of Directors. Mr. Anthony is also entitled to receive a guarantee fee of 1% for providing personal guarantees on corporate loans. Mr. Anthony is provided with use of company vehicles and cell phone. If Mr. Anthony is terminated, other than for just cause, he is entitled to receive a severance payment equal to two years base salary plus the equivalent in benefits. Mr. Anthony is also entitled to receive a lump sum payment of one year's base salary in the event of a change in control of the Company.

Sal Iantorno - Mr. Iantorno has an employment agreement with the Company pursuant to which Mr. Iantorno is currently entitled to receive an annual base salary of $200,000 and is eligible to receive a bonus at the discretion of the Board of Directors. Mr. Iantorno is also entitled to receive a guarantee fee of 1% for providing personal guarantees on corporate loans. Mr. Iantorno is provided with use of company vehicles and cell phone. If Mr. Iantorno is terminated, other than for just cause, he is entitled to receive a severance payment equal to two years base salary plus the equivalent in benefits. Mr. Iantorno is also entitled to receive a lump sum payment of one year's base salary in the event of a change in control of the Company.

Hy Haberman - Mr. Haberman has an employment agreement with the Company pursuant to which Mr. Haberman is currently entitled to receive an annual base salary of $210,000 and is eligible to receive a bonus at the discretion of the Board of Directors. Mr. Haberman is also entitled to receive an aggregate monthly car and cell phone allowance of $900. If Mr. Haberman is terminated, other than for cause, he is entitled to receive a severance payment equal to one year's base salary.

Marie Peri - Ms. Peri has an employment agreement with the Company pursuant to which Ms. Peri is currently entitled to receive an annual base salary of $125,000 and is eligible to receive a bonus at the discretion of the Board of Directors. Ms. Peri is provided with use of a company vehicle and cell phone. If Ms. Peri is terminated, other than for cause, she is entitled to receive a severance payment equal to one year's base salary.

During the fiscal years 2003 and 2004 each of Mark Anthony, Sal Iantorno, Hy Haberman and Marie Peri voluntarily elected to reduce their annual compensation from the amount they were entitled to under their respective employment agreements.

14. Stock Exchange Price

The Company Shares have been listed on the Exchange under the symbol "TN" since March 15, 2002. The Exchange halted the trading of the Company Shares from June 6, 2006, at the request of the Company, until June 27, 2006, the date on which the Company issued a comprehensive news release regarding the Proposed Acquisition.

The following table sets forth the high and low sales prices and trading volumes of Company Shares as reported by the Exchange for the periods indicated:

Period	High	Low	Volume
September, 2006			
August, 2006	$0.18	$0.12	176,900
July, 2006	$0.18	$0.10	136,500
June, 2006	$0.14	$0.13	10,818
May, 2006	$0.18	$0.12	69,600
April, 2006	$0.215	$0.165	76,750
March, 2006	$0.25	$0.15	37,500
February, 2006	$0.225	$0.15	116,500
January, 2006	$0.20	$0.16	52,900
Fourth Quarter 2005	$0.25	$0.17	234,150
Third Quarter 2005	$0.315	$0.20	416,200
Second Quarter 2005	$0.40	$0.22	637,530
First Quarter 2005	$0.60	$0.35	739,957
Fourth Quarter 2004	$0.38	$0.15	1,708,300
Third Quarter 2004	$0.18	$0.12	187,950
Second Quarter 2004	$0.16	$0.11	300,000

15. Non-Arm's Length Party Transactions/Arm's Length Transactions

Except as otherwise disclosed herein, there have been no transactions during the past 24 months and there are no proposed transactions under which assets or services were acquired or provided by any director, officer or holder of more than 10% of the Company Shares or any of their respective associates or affiliates other than services provided by directors and officers in their capacity as such.

The Proposed Acquisition is not a Non-Arm's Length Acquisition.

16. Legal Proceedings

The Company has not been, and is not presently involved in, any legal proceedings material to it and insofar as it is aware, no such proceedings are contemplated.

17. Auditor, Transfer Agent and Registrar

17.1 Auditor

The Company's current auditors are Danziger & Hochman, Chartered Accountants, located at 202 Bentworth Avenue, Toronto, Ontario M6A1P8.

17.2 Transfer Agent and Registrar

The Company's current transfer agent and registrar is Olympia Trust Company at its principal office in Calgary, Alberta.

18. Material Contracts

The Company has not entered into any material contracts, outside of the ordinary course of business, prior to the date hereof, other than:

1. a facility lease dated October 1, 2005 with Investors Group;
2. the credit facility dated December 6, 2005 with the Royal Bank of Canada;
3. the QSET Debenture;
4. the Company Debt Settlement;
5. the C3 Debt Settlement;
6. the Quorum Debt Settlement;
7. the letter of intent dated June 6, 2006 entered into between the Company and C3; and
8. the Securities Exchange Agreement.

Copies of these material contracts will be available for inspection without charge at the registered office of the Company at 5610 Timberlea Blvd., Mississauga, Ontario L4W 4M6 during ordinary business hours from the date hereof until the completion of the Proposed Acquisition and for a period of 30 days thereafter.

PART II
INFORMATION CONCERNING C3 ONLINE MARKETING INC.

1. Corporate Structure

C3 Online Marketing Inc. ("C3") was incorporated under the *Business Corporations Act* (Ontario) by articles of incorporation dated September 19, 2003. The registered and head office of C3 is located at 219 Dufferin Street, Suite 4B, Toronto, Ontario M6K 3J1. C3 does not have any subsidiaries

2. General Development of the Business

C3 has positioned itself on the foundation of content, community and commerce, or what it refers to as the three "Cs" of eMarketing. Content is the basis for an online engagement, offering the poignant, relevant exchange of a two-way communication with customers ultimately evolving to a strong, personal, electronic channel relationship. Community is established by pushing the boundaries of customer dialogue, building an electronically connected community united in affinity for a brand, engaged in similar lifestyles or other relevant significant characteristics. Commerce is the final strategy for enhancing brand value by converting personalization, customer behaviour and experience into return on investment on the client's income statement, through greater numbers of committed customers, larger purchase volumes, and greater same-customer sales.

C3 has been focussed on a three prong growth strategy:

- Increase direct and indirect sales
- Productize the firms assets
- Reduce engagement operating costs

C3 offers its customers a wide array of products and solutions enabling the building of communities, communicating with those communities and turning community databases into commerce solutions. C3 adopts a modular approach towards its suite of products from single application to turn-key marketing solutions which include planning, execution, training and technical support.

C3 provides product-based solutions to a client base which can best be described as (i) boutique creative agencies; (ii) the front office and marketing departments of major sports teams; and (iii) the marketing departments of some of Canada's leading brand names. These organizations use the C3 product-based solutions for either once-of promotions or as the basis for their Direct Marketing promotions, and in some cases, C3 becomes their Direct Marketing Process Outsourcer ("DMPO") for content, context and programs, coordinating our mail, email, viral, catalogue, collateral, fulfillment, Internet and other promotional efforts to reach prospects at various touch points. C3's offering is generally offered as a hosted application, allowing for very quick speed to market for new promotions, and further entrenching the customer towards a DMPO service model.

C3 serve's some of Canada's most recognized brand names and include national law firms, entertainment companies, national and regional retailers and professional sports organizations.

C3's growth strategy is to efficiently move from custom-once-of engagement and target organizations seeking program based services to build long and lasting partnerships with larger agencies and affiliates, and to expand its technology to scale quickly and to cost effectively meet future online marketing needs.

3. Narrative Description of the Business

General

C3 delivers, directly and indirectly, online promotions and marketing solutions:

(i) *Promotions* – C3 has a suite of promotions products aimed for the agency marketplace and the marketing departments of mid-to-large sized organization. C3 has successfully delivered programs for contesting, surveys, email newsletters, viral marketing, consumer packaged goods couponing, banner advertising, and personalized microsite sales/registration.

(ii) *Loyalty* – C3 has established consumer, retail and trade-based loyalty systems that combine training, loyalty, shopping cart and redemption components to create customizable loyalty, rewards and incentives-based programs.

(iii) *Interactive Media* – C3 provides a range of creative services including Macromedia development, design, copy and implementation of content management systems, viral and personal communication systems and ecommerce websites, whether hosted or deployed on the customer's own infrastructure.

(iv) *Hosting Infrastructure* – C3 has built the delivery mechanisms for its product offering working to ensure a symbiotic relationship exists between the hosting infrastructure and the products themselves, providing high performance, highly available application service provider (ASP-based product) offerings.

Products

1. VECTOR Online Promotions

C3 has a suite of promotions products for the agency marketplace and the marketing departments of mid-to-large sized organizations. C3 has successfully delivered programs for contesting, surveys, email newsletters, viral marketing, consumer packaged goods couponing, banner advertising, and personalized microsite sales/registration.

VECTOR defines a new level of "self-serve" functionality in the marketplace and is ideal for companies that run multiple online campaigns and have internal resources that can be leveraged to achieve maximum response time and cost efficiency. The fully-online platform integrates a HTML editor with an email deployment engine, cumulative form functionality, including registration forms, online contests, surveys and polls together with reporting and database layers. The iteration of cumulative form based interactions, email communications and click tracking creates a deeper and richer profile of consumers allowing for a progressively increasing level of personalization and relevance.

VECTOR Online provides a flexible online marketing product that allows program administrators of varying skill sets to manipulate and produce a variety of online campaigns.

VECTOR Online delivers email, contest and survey platform capable of content management, contest management, survey creation and administration, facilitating email campaigns and email-based newsletter distribution.

2. Net Force – Training, Rewards and Loyalty

C3's Net Force product combines many of the features of Vector with training, loyalty, shopping cart and redemption components to create customizable loyalty, rewards and incentives-based programs. In an increasingly competitive, and global marketing landscape, the value of a strong and focused loyalty and rewards program has become an imperative. Given the resulting commoditization of products and services, customer churn rates are higher than ever.

Training solutions provide the features necessary for deploying and supporting small or large quantities of courses, programs and certifications. Rewards/Loyalty offering provides the ability to couple rewards with course completion and commissions/rewards based on training or sales success. Every element of the creation, content control, management, and administration of the program is performed online. Customers are able to use the system to deliver the first promotional outreach for program enrollment while building the overall program and its delivery. From rich content, content management, rewards, shopping carts and inventory management

3. Content and Interactive Media

C3 delivers deployable, interactive web marketing solutions though its proprietary content management system. Content and interactive media products and solutions are key to C3's ability to quickly deliver cost-effective, custom solutions to meet its clients' diverse needs. C3 has developed a small but powerful set of dynamic and flexible web marketing tools that form the foundation of its deployed solutions that combine leading edge strategy, technology and design to produce robust, easy to use products that scale to meet even the most ambitious client requirements.

4. Desktop Communicator

Desktop Communicator creates an interactive online community with customers to deliver regular information in a pervasive manner that customers will use and enjoy. The Desktop Communicator is a customized interactive Windows application branded with logos, images, and information. It is connected to the internet and automatically updates itself and displays new content as it becomes available in real-time. Users don't have to open a web browser or launch an email application to get the information. Once they've downloaded and installed the Desktop Communicator, they're automatically connected every time they turn on their computer.

Organizations have several different communities they want to communicate with, such as customers, prospects, suppliers, partners and staff, but the standard communication tools available today are cumbersome, outdated, and largely ineffective. Email, e-newsletters, and regular mail are too easily ignored. By contrast, the Desktop Communicator is pervasive but not invasive. It remains in the background until the company delivers new content and/or customers choose to access it.

Technology

Material components of C3's technology have been developed by employees or contractors of C3. The products have been architected to operate within a hosted environment, where the network framework is aware of the products and the products are aware of the network framework. This co-existence ensures the products function as quickly as possible on a cost-effective basis. Products are built on either C3's Java Framework (a proprietary environment which has been successfully deployed on a number of Java Application Servers, and currently operating on Macromedia's JRUN Java Application Server) or Microsoft's .NET Framework. Data is maintained in database tables housed on servers operating either MYSQL or Microsoft SQLServer 2000/2005. Web Services, managing the interaction with users of our products across the Internet, are based on either Apache or Microsoft Internet Information Server ("IIS").

Hosting

C3 maintains hosting facilities within a Tier 1 telecommunication company's collocation data centre in Toronto. This hosting facility has been designed with a number of safeguards and redundancies to ensure a high availability offering. Security, fire, smoke and water systems protect the environment from most perils, while natural gas and diesel power generation systems provide the facility with indefinite electrical back-up power.

C3 has layered firewall architecture and both inbound and outbound access is enforced at the perimeter firewalls (see Figure 1). All of C3's publicly accessed servers reside in a protected corporate zone, which is between these firewalls. Servers are scanned for network vulnerabilities when initially installed and on a regular basis. Web servers run Apache over Linux. Java Application Servers run JRUN over Linux. Database Servers run SQLServer 2000/2005 or MySQL over Windows 2000/2003.

Using C3's own monitoring tool, C3Check, the company is capable of monitoring user experience, the movement of data across the entire architecture, monitoring for consistent quality of service and providing online reporting. C3Check can monitor and evaluate the performance of each server under its control, including but not limited to disk usage, disk page rates, memory usage/swapping, run queues, network traffic and database activity. C3's application server architecture is scalable.

Market

According to a survey conducted by the Chief Marketing Officer ("CMO") Council and the Promotion Marketing Association, Inc. ("PMA") in the second half of 2004 of nearly 260 marketers from a variety of industry sectors, including consumer packaged goods, entertainment, financial services and IT, promotional marketing executives still lag in the building on the potential of digital technologies and lack of knowledge about what's possible despite heavy use of the Internet and e-mail. The study found technology is significantly impacting promotional marketing practices but that it also needs to overcome a host of problems before gaining greater traction, including SPAM, fears of lost privacy, fraud, and communications overload. And despite the importance the executives attribute to digital technologies, fully 55% of the respondents said they don't have a dedicated resource in their company to track and implement new technologies. The survey also found:

- 99% of the respondents say technology is impacting the promotional marketing industry
- 80% believe technology is improving or impacting their own business processes or campaigns

- 43% say they have a very good understanding of digital marketing
- 98% say they utilized web sites for promotions,
- 92% use e-mail campaigns
- 69% run some form of online advertising
- 73% feel that technology enables better communication and integration of online and offline efforts.

The Internet is fast becoming the most important customer relationship management ("CRM") tool, moving traditional marketing from offline to online. Email messages can be delivered at a fraction of the cost of direct mail pieces, and consumers who opt-in to receive a brand's e-mail newsletter or enter a sweepstakes leave behind valuable data for segmenting advertising campaigns, personalizing future offers and developing new products. Email ranks second only to direct mail as a direct marketing vehicle for consumer packaged goods companies, according to the Direct Marketing Association ("DMA"). The DMA report, released in October 2005, shows that direct-response email campaigns work best for products with higher price points rather than for low price-point products such as grocery items. Having the right mix of content and community will permit building relationships with current and future consumers. Moving beyond email open rates, personalization, relationship-building and lifestyle each offer unique opportunities to turn content and communities into commerce.

Marketing Plans and Strategies

C3 develops focused marketing programs on an annual basis in each of its three product groups to identify the value proposition for each of its product service offerings. These documents generally take the form of slideware coupled with project plan documents and include public relations, customer testimonials, distribution of product literature and targeted alliance partnerships. Both the Online Promotions and the Interactive Media groups employ a dedicated product manager who is responsible for integrating the overall corporate design, image and product message, in collaboration with the executive team which sets the overall corporate market priorities.

Competitive Conditions

Competitive threats to C3 come firstly from the information technology ("IT") departments of its direct and indirect customers; within the sports team environment competitive threats come from sponsors who are able to provide free or deeply discounted services in exchange to sponsorship or co-operative marketing funds and finally from its competitors who include online promotions companies, email deployment companies, interactive agencies, online training, loyalty and incentive/rewards companies.

C3 believes it has a competitive advantage over its competitors for the following reasons:

- C3 hosts the online marketing and customer databases of our direct and indirect clients.

- C3 has partnerships with boutique creative agencies and affiliate sales organizations. As C3 continue to solidify relationships with these partners, and as it establishes new relationships, C3's ability to compete will be strengthened and expanded.

- C3 is agile and quick-to-adapt, which gives it the ability to pursue opportunities as they are presented.

- C3 has a strong, experienced management team and has a workforce comprised of motivated, customer-focused employees.

- C3 has built a wide variety of solutions over a great number of years, and retains the rights to the assets. C3 is able to leverage these assets to meet the requirements of current and future customers without having to build solutions from scratch.

Proprietary Protection

C3 relies on a combination of contractual provisions and copyright, trademark, industrial design and trade secret protections to safeguard market position for its products and services. While the scope and duration of protection for these various types of intellectual property vary from country to country, C3 believes that such protection will be adequate to support C3's growth strategy; however there are no guarantees that this will be the case.

C3 licenses its products and services to its customers, agency and affiliate partners, rather than transferring title. These licences contain terms and conditions prohibiting the unauthorized reproduction, disclosure, reverse engineering, or transfer of C3's assets. The source code versions of C3's software products are protected as trade secrets and as unregistered copyrighted works. In addition, C3 attempts to protect its intellectual property through agreements with suppliers, employees and contractors in which such suppliers, employees and contractors agree to assign copyrights and all intellectual property to C3.

C3 has never filed for patent protection of its technologies or processes, although it feels patents could be awarded in Canada and the United States. While pursuing patent protection enhances C3's reputation and branding and could create more value in intellectual property which C3 may licence, such patent protection has been cost prohibitive to date.

Employees

As at December 31, 2005, C3 had 31 full-time employees. C3 has no unionized employees. All of C3 executive team members and almost all employees have been granted options under a Stock Option Plan dated September 9, 2005.

4. Significant Acquisitions and Dispositions

C3 entered into an asset purchase agreement (the "1636559 Asset Purchase Agreement") dated December 3, 2004 with 1636559 Ontario Inc. ("1636559"). Pursuant to the 1636559 Asset Purchase Agreement, C3 acquired all of the assets of 1636559, which consisted primarily of receivables, software, computer equipment and office equipment, for the issuance of 1,400,000 Class A shares.

C3 entered into an asset purchase agreement (the "Pomegranate Asset Purchase Agreement") dated January 9, 2006 but effective as of December 15, 2005 with Pomegranate Media Inc. ("Pomegranate"). Pursuant to the Pomegranate Asset Purchase Agreement, C3 acquired some of the assets of Pomegranate, which consisted primarily of all equipment, accounts receivable, intellectual property, trademarks, domain names, client files, and contracts of Pomegranate, for an aggregate purchase price of $260,000.

C3 entered into an asset purchase agreement (the "Canada 1 Asset Purchase Agreement") dated April 7, 2006 with Canada 1 Sales and Marketing Services Inc. ("Canada 1") as amended by an amending agreement dated May 16, 2006. Pursuant to the Canada 1 Asset Purchase Agreement, C3 acquired the majority of the assets of Canada 1, which consisted primarily of all equipment, accounts receivable, intellectual property, trademarks, domain names, client files, and contracts of Canada 1, for an aggregate purchase price of $50,000.

5. Selected Consolidated Financial Information and Management's Discussion and Analysis

Annual Information

The fiscal year end of C3 is December 31. The following table summarizes C3's audited financial results during the 12-month periods ended December 31, 2005, December 31, 2004, December 31, 2003 and December 31, 2002.

	Year ended December 31, 2005 (audited) ($)	**Year ended December 31, 2004 (audited) ($)**	**Year ended December 31, 2003 (audited) ($)**
Balance Sheet			
Assets			
Current Assets	1,487,692	509,402	49,498
Capital Assets	647,914	513,808	2,000
Total Assets	**2,135,606**	**1,023,210**	**51,498**
Liabilities			
Current Liabilities	1,231,984	697,469	80,575
Payable to Related Parties	-	-	-
Long Term Liabilities	984,251	39,986	

Total Liabilities	**2,216,235**	**737,455**	**80,575**
Shareholders' Equity			
Share Capital	510,724	510,724	8,002
Equity portion of convertible debenture	58,684	-	-
Deficit	(650,037)	(224,969)	(37,079)
Total Liabilities and Shareholders' Deficiency	**2,135,606**	**1,023,210**	**51,498**
Statement of Earnings & Deficit			
Revenue	2,960,580	747,105	17,128
Expenses	3,385,648	934,995	54,207
Net Loss	**(425,068)**	**(187,890)**	**(37,079)**

Quarterly Information

As of the date of this Filing Statement, C3 is not a reporting issuer. Accordingly, as C3 has not been a reporting issuer for the eight most recently completed quarters ending at the end of its most recently completed financial year, and since C3 did not prepare quarterly financial statements for any period up to the date of this Filing Statement, quarterly information is not available.

Management's Discussion and Analysis

The following discussion and analysis should be read in conjunction with the unaudited interim financial statements of C3 for the half of the fiscal year ended June 30 2006 and audited financial statements of C3 for the fiscal years ended December 31, 2005, 2004 and 2003 that are attached to this Filing Statement as Appendix "B" and notes thereto, which have been prepared in accordance with Canadian generally accepted accounting principals ("GAAP") using Canadian dollars as the reporting currency.

Significant Accounting Policies

C3 reports its financial statements in accordance with Canadian Generally Accepted Accounting Principals ("GAAP").

(a) *Revenue Recognition*

C3 recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and collectibility is probable. C3's revenues are derived presently from:

<u>Hosting fees</u> are generated from hosting computer hardware and software operations of customer's applications. Hosting fees are billed in advance and revenue is recognized when the service has been provided, on a monthly basis.

<u>Implementation fees</u> are generated from implementation services provided to customers in the set-up and management of the purchased software. Assistance in running contests is also offered when requested. Implementation fees are recognized as the services are provided.

<u>Subscription fees</u> are generated from software licensing arrangements. The license arrangements do not provide for the right of return and are offered on a subscription basis. Subscription fees are billed annually and revenue is recognized monthly.

<u>Software license fees</u> are generated from software licensing arrangements. The license arrangements do not provide for the right of return and are offered on a perpetual basis. Revenue from software license arrangements is recognized when the software products or services have been delivered to the customer. Delivery is considered to have occurred when electronic delivery of the software has occurred.

Domain registration fees are generated from the purchase and rental of domain URL's and SSL's. Domain registration fees are billed and revenue is recognized upon purchase.

(b) *Accounts receivable and deferred revenue*

C3 defers revenue recognition of advanced billings and prepayments and recognizes such amounts as revenues as services are delivered.

(c) *Income taxes*

C3 applies the asset and liability method of accounting for income taxes. Under this method, future income taxes assets and liabilities are determined based on "temporary differences" (differences between the accounting basis and the tax basis of the assets and liabilities), and are measured using the currently enacted, or substantially enacted, tax rates and laws expected to apply when these differences reverse. A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized.

(d) *Investment tax credits*

Investment tax credits, which are earned as a result of incurring qualifying research and development expenditures, are accounted for using the cost reduction method. Under this method, investment tax credits are treated as a reduction of the relevant asset account or of technology expenses in the period that the credits become available and there is reasonable assurance that they will be realized.

(e) *Property and equipment*

Property and equipment are recorded at cost. Amortization is provided over the expected useful lives of the property and equipment using the following methods and annual rates:

Computer software - 2 years straight-line
Computer hardware - 33 % declining balance
Office furniture and equipment - 20 % declining balance
Website development costs - 3 years straight-line

(f) *Impairment of long-lived assets*

Since January 1, 2004, C3 prospectively adopted the new accounting policy in regard to the impairment of long-lived assets. In December 2002, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Section 3063, Impairment of Long-lived Assets. This new section provides guidance on the recognition, measurement and disclosure of the impairment of long-lived assets. It replaces requirements for impairment in Property, Plant and Equipment, Section 3061. An impairment loss is recognized when the carrying amount of an asset to be held and used exceeds the projected future net cash flows expected from its use and disposal, and is measured as the amount by which the carrying amount of the assets exceeds its fair value. There has been no significant adjustment to the carrying value of C3's equipment as a result of this change in accounting policy.

(g) *Leases*

Leases are classified as capital or operating depending upon the terms and conditions of the contracts. Where C3 is the lessee, asset values recorded under capital leases are amortized over the period of expected use. Obligations recorded under capital leases are reduced by lease payments net of imputed interest.

(h) Foreign exchange

Monetary assets and liabilities in U.S. dollars are translated into Canadian dollars at the period end rate of exchange and non-monetary assets and liabilities in U.S. dollars are translated into Canadian dollars at their respective historical exchange rates. Any gains or losses are reflected in income. Revenues and expenses are translated into Canadian dollars at the rate of exchange prevailing at the time of the transaction.

(i) Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principals requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Liquidity and Financial Resources

As at June 30, 2006, C3 had cash and cash equivalents of $1,344,436. On March 17, 2006, the Company issued a Convertible Debenture ("Debenture-2") in the amount of $1,500,000, having a maturity date of March 17, 2011, or earlier subject to certain events. Debenture-2 bears an interest rate of 8.5% per annum calculated and payable quarterly in advance on the first day of March, June, September and December commencing June 1,2007. Interest for the period from March 17, 2006 to March 17, 2007 amounting to $127,500 was paid on March 17, 2006 in advance and accounted as prepaid interest (details are outlined in the Financial Statements for the first half of the year ended June 30, 2006.)

As at December 31, 2005, C3 had cash and cash equivalents of $803,015 and working capital of $255,708. On February 28, 2005, the Company issued a Convertible Debenture (the "Debenture") in the amount of $1,000,000 to Ontario SME Corporation ("SME"), which is managed by a wholly owned subsidiary of Quorum Funding Corporation. The Debenture has a maturity date of February 28, 2007, or earlier subject to certain events. The Debenture bears an interest rate of 10% per annum calculated and payable quarterly in advance on the first day of March, June, September and December commencing June 1, 2005. In the event of default, change of control, or on the maturity date of the debenture, if C3 has not completed certain events, the Debenture shall be due and payable and shall bear additional interest calculated at such a rate so as to provide SME a total return of 25% over a period of 2 years. Subject to certain conditions, SME will have the right, at its option, at any time up to and including the maturity date to convert the principal amount then due under the Debenture into common shares of C3 at a price of $1.25 per share. If C3 has not completed certain events at the time SME exercises its option to convert, and if none of the officers of C3 are aware of any bona fide offer from a third-party with respect to the shares or assets of C3, then C3 will have the option to repay the entire principal and interest due there under. Subject to certain exceptions, the Debenture is secured by first-ranking mortgage in the property and assets of C3. C3 has also covenanted to meet certain financial tests during the term. C3's investing activities consist of the purchase and sale of short-term investments. During the year ended December 31, 2005, cash earned by investing activities was $16,987.23.

As of June 30, 2006 C3 had cash and cash equivalents amounted to of $1,344,436 (Dec 31, 2005 - $803,015; Dec 31, 2004 - $78,244; Dec 31, 2003 - $36,933) and working capital of 255,708 in 2005 (2004 - $188,067; 2003 – $31,077).

Future Outlook

Management expects that revenues will continue to increase as a result of license fees, monthly service management fees, once-of and setup fees. These revenue increases are expected as a result of organic increases in sales and marketing efforts as well as additional merger and acquisition activities.

Risks and Uncertainties

Management expects certain factors, risks and uncertainties could cause actual results to differ materially including uncertainties related to the effect of general economic factors on the overall demand for our products and services; the timing of market adoption of new products; the timely introduction, availability and acceptance of new products and upgrades; the impact of competitive products and pricing; limited operating history and continuously evolving business model; loss of the services of any key technical, management and sales and marketing personnel; technology may change or specific components may require change; hardware and software may not be able to meet required performance thresholds; ability to continue to obtain improved operating efficiencies; and changes in the rules and regulations to which its customers are subject, particularly those affecting privacy.

Expenses

Total expenses for the year ended June 30, 2006 were $2,276,750 (2005 - $1,551,799). During this period, total expenses included the following:

Expenses	YE June 30, 2006	YE June 30, 2005
Wages and benefits	1,141,564	705,449
Bad Debts	226,511	43,272
Commissions	206,444	160,083
Subcontracting and consulting fees	124,150	167,797
Interest and Bank charges	121,150	58,200
Telephone and Internet	103,953	90,155
Office and General	88,059	34,098
Rent	45,852	52,899
Professional Fees	38,243	82,160
Entertainment and Travel	19,517	29,551
Loss on foreign exchange	2,402	1,573
Amortization	158,677	126,562
Total	**2,276,750**	**1,551,799**

The increase in expenses of approximately 47% can be attributed to the increase in wages and benefits, commissions, telephone and internet as C3 expanded its business.

Total expenses for the year ended December 31, 2004 were $934,995 (2003 - $39,413). During 2004, total expenses included the following:

Expenses	2004	2003
Wages and benefits	159,610	
Subcontracting and consulting fees	361,922	
Commissions	110,986	2,000
Telephone and Internet	32,128	263
Bad Debts	5,708	850
Interest and Bank charges	2,317	239
Professional Fees	54,001	30,900
Rent	49,513	5,000
Office and General	33,423	161
Entertainment and Travel	96,549	
Loss on foreign exchange	3,894	
Amortization	24,944	
Total	**934,995**	**39,413**

The increase in expenses of approximately 2,300% can be attributed to C3 commencing operations.

C3 generally anticipates that expenses in all categories will increase during 2006. Professional fees relating to legal and accounting are expected to increase relating to the Proposed Acquisition and to ongoing compliance as a public company. General and administrative costs will increase as the company will incur additional finance and administration costs with respect to quarterly reporting and other regulatory reporting. In addition, C3 will continue to incur costs with respect to its corporate headquarters in Toronto, Ontario that was leased in 2005.

Net Loss / Profit

Net loss for the year ended June 30, 2006 was (809,866), June 30, 2005- (222,606).

Off-Balance Sheet Arrangements

C3 has not entered into any material off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities, derivative instrument obligations, or with respect to any obligations under a variable interest entity arrangement.

Financial and Other Instruments

C3's financial instruments consist of cash and cash equivalents, amounts receivable and accounts payable. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risk arising from these financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

Transactions with Related Parties

For the period ended June 30, 2006 C3 was charged rent of Nil (June 30, 2005 - 48,000) by shareholders of C3. These transactions are in the normal course of business and are recorded at the exchange amounts which are the amounts established and agreed to by the related parties.

6. Description of the Securities

The authorized capital of C3 consists of an unlimited number of common shares, Class A Shares and non-voting common shares of which 1,000,000 common shares and 1,400,000 Class A Shares are issued and outstanding as of August 31, 2006.

Common Shares

Holders of common shares are entitled to receive notice of, attend and vote at all meetings of the shareholders of C3. Each common share carries one (1) vote at such meetings. Holders of common shares are entitled to dividends as and when declared by the directors. In the event of the voluntary or involuntary liquidation, dissolution or winding-up of C3, after payment of all outstanding debts, the remaining assets of C3 available for distribution will be distributed equally to the holders of the common and Class A shares.

Class A Shares

Holders of Class A shares are entitled to receive notice of, attend and vote at all meetings of the shareholders of C3 but are not permitted to vote as a class or dissent upon a proposal to amend the articles of C3 to (i) increase or decrease the maximum number of Class A shares or any shares having rights or privileges equal or superior to the Class A shares, (ii) effect an exchange, reclassification or cancellation of the Class A shares, and (iii) create a new class of shares superior to the Class A shares.

The Class A shares may be redeemed by C3 at a price of $0.001 per share at any time prior to December 3, 2006. The Class A shares will automatically be converted into common shares, without the payment of any additional consideration, on the basis of one (1) common share for each Class A share in the event of a conversion event, as that term is defined in the articles of C3.

In the event of the voluntary or involuntary liquidation, dissolution or winding-up of C3, after payment of all outstanding debts, the remaining assets of C3 available for distribution will be distributed equally to the holders of the common and Class A shares.

Non-Voting Common Shares

Holders of non-voting common shares are entitled to dividends as and when declared by the directors. In the event of the voluntary or involuntary liquidation, dissolution or winding-up of C3, after payment of all outstanding debts, the remaining assets of C3 available for distribution will be distributed equally to the holders of the common, non-voting common and Class A shares.

7. Consolidated Capitalization

The following table sets forth C3's share capital for and as of the end of the periods indicated. The information is derived from the financial statements of C3 that are included in this Filing Statement.

Capital	Authorized	Amount Outstanding as at December 31, 2005	Amount Outstanding as at June 30, 2006
Common Shares	Unlimited	1,000,000	1,000,000
Class A Shares	Unlimited	1,400,000	1,400,000
Non-Voting Common Shares	Unlimited	-	-

An aggregate of 2,333,333 C3 Shares are reserved for issuance upon the conversion of the C3 Debentures (1,533,333 C3 Shares) and C3 Options (800,000 C3 Shares).

8. C3 Debentures

In February, 2005, C3 issued a debenture in the principal amount of $1,000,000 to OSCC (the "OSCC Debenture"). The OSCC Debenture bears annual interest of 10%, maturing February 28, 2007. The debenture principal may be converted into common shares of C3 at $1.25 per share. Subject to certain exceptions, the Debenture is secured by first-ranking mortgage in the property and assets of C3. Pursuant to an agreement dated June, 2006, (the "Debenture Amending Agreement") entered into between C3 and OSCC, OSCC agreed to amend the maturity date of the OSCC Debenture from February 28, 2007 to February 28, 2008.

In March, 2006, C3 issued a debenture in the principal amount of $1,500,000 to QIP (the "QIP Debenture"). The QIP Debenture bears annual interest of 8.5%, maturing March 17, 2011. The debenture principal may be converted into common shares of C3 at $2.045455 per share. Subject to certain exceptions, the Debenture is secured by first-ranking mortgage in the property and assets of C3.

Pursuant to the Quorum Debt Settlement, each of OSCC and QIP have agreed to covert $100,000 of the principal amount of the OSCC and QIP Debenture into an aggregate of 1,428,571 Company Shares upon the Completion of the Proposed Acquisition.

9. Prior Sales

The following describes the issuance of all current issued and outstanding common shares and Class A shares in the capital of C3 since incorporation:

Date of Issue	Number of Shares	Issue Price per Share	Aggregate Issue Price	Nature of Consideration
September 19, 2003	800,000 Common Shares	$0.01	$8,000	Cash
December 12, 2003	200,000 Common Shares	$0.00001	$2	Cash
December 3, 2004	1,400,000 Class A Shares	$0.363	$507,722	Assets of 1636559

10. Stock Exchange Price

None of the securities of C3 are or have been, posted for trading on any stock exchange.

11. Executive Compensation

Compensation

The following table sets forth information concerning the compensation for the key management of C3 for the fiscal periods indicated. C3 has no other executive officers.

		Annual Compensation			Long Term Compensation			
					Awards		Payouts	
Name and Principal Position	Year Ended December 31	Salary ($)	Bonus ($)	Other Annual Compen-sation ($)	Securities Under Options/ SARs Granted (#)	Shares Subject to Resale Restrictions ($)	LTIP Payouts ($)	All Other Compen-sation ($)
Terry Ham President & C.E.O	2005 2004 2003	120,000 120,000 120,000	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil

Employment Contracts

On December 1, 2004, C3 entered into an employment agreement (the "Agreement") with Terry Ham. There is not set term for the employment agreement but will run until such time that either party provides 90 days notice of their intention to terminate the Agreement. Pursuant to the terms of the Agreement, Mr. Ham shall be paid a yearly salary of $120,000, exclusive of bonuses, benefits and other compensation. The yearly salary shall increase every year by a figure equal to any increase in the Consumer Price Index.

In the event of the death, retirement or disability of Mr. Ham, the Agreement provides for the lump sum payment of an amount equal to two (2) times the annual salary and (2) times the average annual bonus paid to Mr. Ham in the previous two (2) years. In the event that Mr. Ham's employment is terminated for any other reason or not for just cause, Mr. Ham will be entitled to a payment that, in the aggregate, equals the annual salary at time of termination and an amount equal to the lesser of: (i) three (3) times the annual salary; and (ii) an amount equal to the result obtained when the annual salary is multiplied by a fraction, the numerator of which is the number of days between the date of termination and Mr. Ham's retirement date and the denominator of which is 365. In addition, C3 will purchase from Mr. Ham, at fair market value, all common shares in the capital of C3 owned by Mr. Ham and shall pay him the difference between the exercise price and the fair market value of all shares subject to issuance pursuant to any options or warrants held by Mr. Ham.

12. Stock Option Plan

In December 2005, the directors of C3 approved the creation of a stock option plan (the "C3 Plan") which reserves for issuance a number of options for issuance. Under the C3 Plan the options available for granting shall not exceed 800,000 non-voting common shares, calculated from time to time at the date options to purchase Company Shares are granted. As of the date hereof, an aggregate of 800,000 options have been issued to the directors and employees of C3.

Each option entitles the holder thereof to acquire one (1) non-voting common share in the capital of C3 at an exercise price of $0.01 per share at any time until September 14, 2012. On Closing, all issued and outstanding C3 Options will be exercised and 800,000 C3 Shares will be issued to the option holders.

13. Non-Arm's Length Party Transactions/Arm's Length Transactions

Except as disclosed below, there have been no transactions during the past 24 months and there are no proposed transactions under which assets or services were acquired or provided by any director, officer or holder of more than 10% of the Company Shares or any of their respective associates or affiliates other than services provided by directors and officers in their capacity as such.

1. In December 3, 2004, C3 entered into an asset purchase agreement with 1636559, a corporation owned and/or controlled by Bohdan Pelech, an officer of C3, whereby C3 acquired all of the assets of 1636559, which consisted primarily of receivables, software, computer equipment and office equipment, for the issuance of 1,400,000 Class A shares.

The Proposed Acquisition is not a Non-Arm's Length Acquisition.

14. Legal Proceedings

C3 has not been, and is not presently involved in, any legal proceedings material to it and to its knowledge, no such proceedings are contemplated or threatened.

15. Material Contracts

C3 has not entered into any material contracts, outside of the ordinary course of business, prior to the date hereof, other than the following:

1. the Securities Exchange Agreement;
2. the C3 Debentures;
3. the Debenture Amending Agreement;

4. the 1636559 Asset Purchase Agreement;

5. the Pomegranate Asset Purchase Agreement;

6. the Canada 1 Asset Purchase Agreement; and

7. the letter of intent dated June 6, 2006 entered into between the Company and C3.

Copies of the material contracts will be available for inspection without charge at the registered office of C3 located at 219 Dufferin Street, Suite 4B, Toronto, Ontario M6K 3J1 during ordinary business hours from the date hereof until the closing of the Proposed Acquisition and for a period of 30 days thereafter.

PART III
INFORMATION CONCERNING THE RESULTING ISSUER

1. Corporate Structure

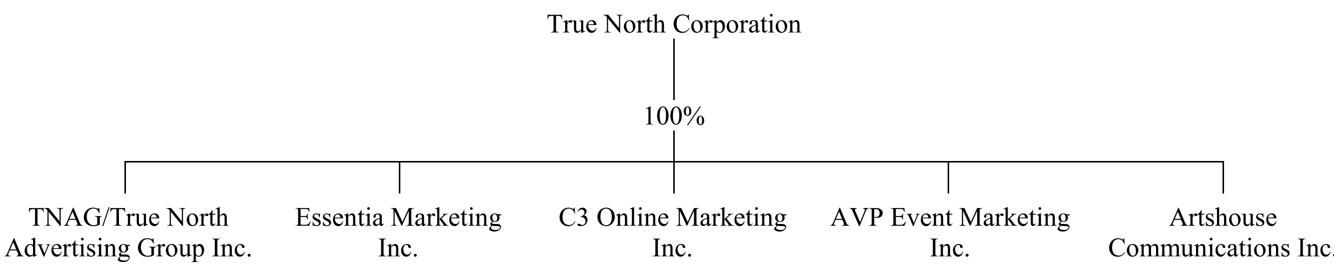
1.1 Name and Incorporation

Following the Completion of the Proposed Acquisition, the Resulting Issuer, formerly identified as the Company, will own all of the issued and outstanding shares of C3 and the Resulting Issuer will continue to exist under the *Business Corporations Act* (Ontario). The Resulting Issuer intends to manage C3's assets and continue its businesses. Upon Closing of the Proposed Acquisition, C3 will become a wholly-owned subsidiary of the Resulting Issuer. It is anticipated that the Resulting Issuer will change its name to Empirical Inc. and will seek shareholder approval at its next annual shareholders' meeting.

It is expected that the head office of the Resulting Issuer will remain as the Company's head office, 5610 Timberlea Blvd., Mississauga, Ontario L4W 4M6. C3 will remain at its current location in Toronto, Ontario.

1.2 Intercorporate Relationships

Following Completion of the Proposed Acquisition, the proposed corporate structure of the Resulting Issuer will be as follows:



2. Narrative Description of the Business

2.1 The Business

Following Completion of the Proposed Acquisition, as described herein, it is expected that the Resulting Issuer will carry on the business of the Company and C3 as described herein.

The Resulting Issuer will strive to become a global marketing services organization. It will operate as a marketing services firm and an online marketing company that delivers, directly and indirectly, online promotions and marketing solutions to a list of premier brands.

The Resulting Issuer will offer marketing services and strategy to design, build and run the marketing engines that enable customer acquisition, cross-sell, loyalty, affinity, and care operations across digital and traditional channels. The Resulting Issuer will offer infrastructure and technology enablement services, including customer relationship management infrastructure work, such as customer strategy, research and planning, analytics and market data, and technology enablement; and digital and direct agency services, including digital marketing, Internet solutions, live channels, promotions, and direct marketing/direct response. It serves various industries, including automotive, media and entertainment, health care and pharmaceuticals, business products and services, technology, telecommunications, and consumer products.

The business strategy of the Resulting Issuer is to build a global marketing services organization that integrates online and offline marketing campaigns. Its objective is to offer clients a single source vendor for all of its marketing activities. In order to achieve this objective the company plans to grow its current client as well as seek acquisition targets.

Key milestones in achieving this objective will be:

1. Integration of the Company and C3 - Successful integration will have occurred when the two companies have implemented fully integrated campaigns for 25% of the Resulting Issuer's client base. The anticipated cost of these

activities will be borne by existing staff resources and no additional funds will be required. Management of the Resulting Issuer believes that it will be able to generate sufficient cash flow from existing operations to fund these activities.

2. Attracting and retaining a new Chief Financial Officer - Management of the Resulting Issuer is of the opinion that in order to succeed, a CFO with significant public company expertise and knowledge will be necessary to assist in the attraction of institutional and retail investors as well as identifying potential acquisition targets. The Resulting Issuer expects the annual cost of this new position will be approximately $250,000 per annum. The Resulting Issuer will only retain the services of a new Chief Financial Officer once it is able to generate the necessary funds either through increased sales or through equity or debt financing.

3. Sourcing, negotiating and closing future acquisitions - The Resulting Issuer's strategy will include the acquisition of complementary and synergistic companies that will allow its business to expand its capabilities and geography. The costs associated with sourcing, reviewing, negotiating and closing future acquisitions are unknown until the acquisition targets have been identified. In order to achieve this objective, the Resulting Issuer will be looking to secure additional investment capital through private and public financings. As of the date hereof, no acquisitions have been identified.

2.2 Fiscal Year

The Proposed Acquisition will result in an "acquisition of control" of the Company and hence, according to the provisions of the *Income Tax Act* (Canada), result in a fiscal year end of ● for the Company. Thereafter, the fiscal year end will be December 31.

3. Description of the Securities

The authorized capital of the Resulting Issuer will consist of an unlimited number of common shares, without nominal or par value. Each common share of the Resulting Issuer carries one vote at all meetings of shareholders and carries the right to receive a proportionate share, on a per share basis, of the assets of the Resulting Issuer available for distribution in the event of a liquidation, dissolution or winding-up of the Resulting Issuer.

4. Pro Forma Consolidated Capitalization

4.1 Pro Forma Consolidated Capitalization

The following table sets forth the pro forma share and loan capital of the Resulting Issuer, on a consolidated basis as at June 30, 2006 after giving effect to the Completion of the Proposed Acquisition. This information is derived from the consolidated pro-forma financial statements of the Company as at June 30, 2006 which are attached to and form part of this Filing Statement.

Designation of Security	Amount	Amount Outstanding after giving effect to the Proposed Acquisition and Company Private Placement (unaudited) (1) (2)
Common Shares	Unlimited	51,221,804 ($5,256,929)
Payables and Accruals	N/A	$3,347,525

Notes:

1. An aggregate of 15,496,080 Company Shares will be reserved for issuance pursuant to the exercise of the 2,960,248 stock options issued to the directors of the Company, 11,535,832 Company Shares to be issued pursuant to the exercise of the Resulting Issuer Debentures and 1,000,000 Company Shares to be issued upon the exercise of the Company Warrants.
2. As at June 30, 2006 the Resulting Issuer has a pro-forma deficit of $4,682,118.

4.2 Fully Diluted Share Capital

The following table summarizes the securities of the Company currently issued and outstanding and the securities to be issued and outstanding following Completion of the Proposed Acquisition:

	Number of Securities Assuming the Minimum Company Placement	**Percentage of Total Number of Company Shares Outstanding Following Completion of the Proposed Acquisition on a Fully Diluted Basis**
Company Shares outstanding as of the date of this Filing Statement	24,904,968	37.31%
Company Shares to be issued in connection with the completion of the Proposed Acquisition	12,750,607	19.09%
Company Shares to be issued in connection with the completion of the Extended Private Placement	2,700,000	4.05%
Company Shares to be issued in connection with the Company Debt Settlement	2,600,000	3.89%
Company Shares to be issued in connection with the C3 Debt Settlement	2,935,721	4.39%
Company Shares to be issued in connection with the Quorum Debt Settlement	2,142,857	3.22%
Company Shares to be issued upon the exercise of the C3 Options	3,187,651	4.78%
Total Company Shares (non-diluted)	**51,221,804**	
Company Shares issuable to Quorum upon the conversion of the Resulting Issuer Debentures	11,535,832	17.27%
Company Shares issuable upon the exercise of the Company Warrants	1,000,000	1.51%
Company Shares issuable upon the exercise of the Company options	2,960,248	4.49%
Company Shares (fully diluted)	**66,717,884**	**100%**

5. Available Funds and Principal Purposes

5.1 Funds Available and Principal Purposes

As of June 30, 2006, the Company had a working capital deficit of $1,472,361 and C3 had a working capital deficit of $20,601 for a combined working capital deficit of $1,492,962. After completion of the Extended Private Placement, the C3 Debt Settlement, the Company Debt Settlement, the Quorum Debt Settlement, the Resulting Issuer will have a pro-forma working capital deficit as at June 30, 2006 of $19,360. In addition to the Quorum Debt Settlement, Quorum has agreed to extended the maturity date of the debenture granted to OSCC from February 28, 2007 to February 28, 2008. As a result, the Resulting Issuer will have pro-forma working capital as at June 30, 2006 of $961,225. It is anticipated that these funds will be expended as follows:

Completion of the Proposed Acquisition	$75,000
Expand Business of Resulting Issuer	$786,225
Unallocated Working Capital	$100,000
Total	**$961,225**

Management is of the opinion that the Resulting Issuer will be able to generate sufficient working capital through a combination of monthly revenue, tax credits and anticipated cost savings to fund its ongoing operations.

5.2 Dividends

There are no restrictions that could prevent the Resulting Issuer from paying dividends subsequent to the Completion of the Proposed Acquisition. It is not contemplated that any dividends will be paid on any shares of the Resulting Issuer in the immediate future subsequent to the Completion of the Acquisition.

It is anticipated that all available funds will be invested to finance the growth of the Resulting Issuer's business. The directors of the Resulting Issuer will determine if, and when, dividends will be declared and paid in the future from funds properly applicable to the payment of dividends based on the Resulting Issuer's financial position at the relevant time. All of the common shares of the Resulting Issuer will be entitled to an equal share in any dividends declared and paid.

6. Convertible Debentures

Upon Completion of the Proposed Acquisition, the C3 Debentures and the QSET Debenture will be replaced with the following debentures of the Resulting Issuer (collectively, the "Resulting Issuer Debentures"):

The C3 Debentures will be replaced by the following debentures:

1. The Resulting Issuer will issue a debenture in the principal amount of $1,400,000 to QIP. The debenture will bear annual interest of 8% and it is anticipated the debenture will mature on March 17, 2011. The debenture principal will be convertible into common shares of the Resulting Issuer at $0.4630 per share. Upon the occurrence of certain events the Resulting Issuer may force the conversion of the debenture. The debenture will be guaranteed by C3 Online Marketing Inc., Essentia Marketing Inc., AVP Event Marketing Inc., TNAG True North Advertising Group Inc., Ross David Smith Enterprises Ltd. and Artshouse Communications Inc.

1. The Resulting Issuer will issue a debenture in the principal amount of $1,200,000 to OSCC. The principal amount of the debenture was increased by $300,000 to account for accrued interest under the original debenture and as a result of the interest rate being reduced. The debenture will bear annual interest of 8% and it is anticipated the debenture will mature on February 28, 2008. The debenture principal will be converted into common shares of the Resulting Issuer at $02314 per share on the first $1,000,000 of principal and at $0.4630 on the remaining $300,000 in principal. Upon the occurrence of certain events the Resulting Issuer may force the conversion of the debenture. The debenture will be guaranteed by C3 Online Marketing Inc., Essentia Marketing Inc., AVP Event Marketing Inc., TNAG True North Advertising Group Inc., Ross David Smith Enterprises Ltd. and Artshouse Communications Inc.

The QSET Debenture will be replaced by the following debenture:

1. The Resulting Issuer will issue a debenture in the principal amount of $1,450,000 to QSET. The debenture will bear annual interest of 8% and it is anticipated the debenture will mature on December 15, 2009. The debenture principal will be converted into common shares of the Resulting Issuer at $0.385 per share in the first year following the Completion of the Proposed Acquisition, $0.4235 in the second year following the Completion of the Proposed Acquisition, and $0.46585 in the third year following the Completion of the Proposed Acquisition. Upon the occurrence of certain events the Resulting Issuer may force the conversion of the debenture. The debenture will be guaranteed by C3 Online Marketing Inc., Essentia Marketing Inc., AVP Event Marketing Inc., TNAG True North Advertising Group Inc., Ross David Smith Enterprises Ltd. and Artshouse Communications Inc.

In addition to the guarantees, the debentures will be secured by the Quorum Security. Assuming the conversion of the Resulting Issuer Debentures, Quorum will own an aggregate of 13,678,689 shares of the Resulting Issuer or 26.7% of the 51,221,804 shares then issued and outstanding assuming the Completion of the Proposed Acquisition, Company Debt Settlement, C3 Debt Settlement, Quorum Debt Settlement and Extended Private Placement.

Quorum Funding Corporation owns and/or controls each of QSET, OSCC and QIP. Through its ownership and/or control of these entities, the Quorum Funding Corporation may become a controlling shareholder of the Resulting Issuer upon the conversion of the Resulting Issuer Debentures. The Quorum Funding Corporation is owned and/or controlled by Wanda Dorosz. Ms. Dorosz, through Quorum Funding Corporation, is a creditor of the Company and C3 and will become a creditor of the Resulting Issuer. In addition, a nominee of Quorum Funding Corporation sits on the board of directors of the Company and C3. Ms. Dorosz and Michael Goffin, a nominee of Quorum Funding Corporation, will become directors of the Resulting Issuer.

7. Principal Securityholders of the Resulting Issuer after Completion of Proposed Acquisition

To the best of the knowledge of management of the Company and C3, the only Persons who will beneficially own, directly or indirectly, or exercise control or direction over, more than 10% of the voting rights attached to all of the outstanding shares of the Resulting Issuer after Completion of the Proposed Acquisition is as follows:

Shareholder	Current	Number of Common Shares Beneficially Owned After Completion of the Proposed Acquisition	Percentage of Common Shares Beneficially Owned After Completion of the Proposed Acquisition
Non Diluted:			
Mark Anthony	5,504,000	5,504,000	10.75%
Salvatore Iantorno	5,500,000	5,500,000	10.74%
1636559 (1)	-	8,245,384	16.09%
Fully Diluted:			
Mark Anthony	5,504,000	5,504,000	8.24%
Salvatore Iantorno	5,500,000	5,500,000	8.23%
1636559	-	8,245,384	12.35%

Notes:

1. 1636559 is a private Ontario company controlled by the Pelech Family Trust with its head office located in Toronto, Ontario.
2. Assuming the conversion of the Resulting Issuer Debentures, Quorum will own an aggregate of 13,678,689 shares of the Resulting Issuer of 26.91% of the 51,221,804 shares then issued and outstanding assuming the Completion of the Proposed Acquisition, Company Debt Settlement, C3 Debt Settlement, Quorum Debt Settlement and Extended Private Placement.

8. Directors, Officers and Promoters

8.1 Name, Address, Occupation and Securityholdings

Effective upon the Completion of the Proposed Acquisition, the individuals disclosed in the table below will be the directors and officers of the Resulting Issuer with the term of office of the directors to expire on the date of the next annual general meeting of the shareholders of the Resulting Issuer.

Name, Age and Municipality of Residence	Position with Company	Number of Shares of Company to be owned after completion of the Proposed Acquisition and Minimum Company Private Placement	Percentage of Shares of the Company to be owned after completion of the Proposed Acquisition and Minimum Company Private Placement
Richard Camilleri, 46 Toronto, Ontario	Chief Executive Officer and Director	-	-
Mark Anthony, 37 Toronto, Ontario	President and Director	5,504,000	10.75%
Frank Peri, 46 Toronto, Ontario	Director	704,500	1.38%
Wanda Dorosz, 55 Caledon, Ontario	Director	-	-
Michael Goffin,35 Toronto, Ontario	Director	-	-

Terry Ham, 48 Toronto, Ontario	Chef Operating Officer	2,619,005	5.11%
Marie Peri, 46 Toronto, Ontario	Chief Financial Officer	1,562,500	3.05%

Upon Completion of the Proposed Acquisition, the promoters, directors and officers of the Resulting Issuer, as a group, will own, directly and indirectly 10,390,005 Company Shares or 20.28% of the 51,221,804 Company Shares then issued and outstanding.

Management of the Company

Richard Camilleri – Mr. Camilleri is currently and has been since 2006 the Chief Executive Officer of the Company. From 2002 to 2005, Mr. Camilleri held various senior management positions with CanWest Mediaworks including Chief Operating Officer and President. From 2000 to 2002, Mr. Camilleri was Chairman and Chief Executive Officer of ARIUS3D Inc, a technology startup. It is anticipated that Mr. Camilleri's role with the Resulting Issuer will be to manage the growth of the Resulting Issuer. Mr. Camilleri will devote his full time to the Resulting Issuer.

Mark Anthony – Mr. Anthony is currently and has been for the past five (5) years the President of the Company. It is anticipated that Mr. Anthony's role with the Resulting Issuer will be to research, identify and evaluate potential acquisition targets. Mr. Anthony will devote his full time to the Resulting Issuer.

Frank Peri – Mr. Peri is currently and has been for the past five (5) years the President of Arrow Asset Management.

Wanda Dorosz – Ms. Dorosz is currently and has been for the past five (5) years the President and Chief Executive Officer of Quorum Group of Companies.

Michael Goffin – Mr. Goffin is currently and has been for the past five (5) years Senior Vice President of Quorum Group of Companies.

Terry Ham – Mr. Ham is currently and has been since 2003 the President of C3 Online Marketing Inc. From 1999 to 2003, Mr. Ham held several executive positions with BCE Emergis including Senior Vice President for the Finance Industry, President for BCE Emergis – U.S. and Chief Business Development Officer. It is anticipated that Mr. Ham's role with the Resulting Issuer will be to manage the internal operations of the Resulting Issuer's operating subsidiaries. Mr. Ham will devote his full-time to the resulting issuer.

Marie Peri – Ms. Peri is currently and has been for the past five (5) years the Vice President, Finance of the Company. It is anticipated that Ms. Peri's role with the Resulting Issuer will be Vice President, Finance. In this capacity she will be responsible for all of the Resulting Issuer's financial reporting, controls and systems. Ms. Peri will devote her full time to the resulting issuer's business. Ms. Peri received her Chartered Accountant designation from McGill University.

Following the Completion of the Proposed Acquisition, it is expected that the audit committee of the Resulting Issuer will be comprised of Frank Peri, Wanda Dorosz and Michael Goffin.

8.2 Corporate Cease Trade Orders or Bankruptcies

Within the past ten years, none of the individuals proposed for appointment as a director, officer, promoter or other member of management of the Resulting Issuer has been a director, officer or promoter of any other issuer that:

(a) was the subject of a cease trade or similar order or an order that denied the issuer access to any statutory exemptions for a period of more than thirty consecutive days; or

(b) was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

8.3 Penalties or Sanctions

No individual proposed for appointment as a director or officer of the Resulting Issuer, nor any shareholder who will hold sufficient securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, has:

(a) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

8.4 Personal Bankruptcies

No individual proposed for appointment as a director or officer of the Resulting Issuer, nor any shareholder who will hold sufficient securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, nor any personal holding company of any such person has, within the ten years before the date of this Filing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangements or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that person.

8.5 Conflicts of Interest

Some of the individuals proposed for appointment as directors or officers of the Resulting Issuer are also directors, officers and/or promoters of other reporting and non-reporting issuers. Accordingly, conflicts of interest may arise which could influence these persons in evaluating possible acquisitions or in generally acting on behalf of the Company, notwithstanding that they are bound by the provisions of the *Business Corporations Act* (Ontario) to act at all times in good faith in the interests of the Company and to disclose such conflicts to the Company if and when they arise. To the best of their knowledge, the Company and C3 are not aware of the existence of any conflicts of interest between the Company and C3 and any of their directors and officers as of the date of this Filing Statement. Company Shareholders will be required to rely on the judgment and good faith of the Company's directors and officers, as well as on the judgment and good faith of the directors and officers of C3, in resolving any conflicts of interest that may arise.

8.6 Other Reporting Issuer Experience

The following individuals who are proposed for appointment as directors or officers of the Resulting Issuer have been directors, officers and/or promoters of other reporting issuers within the past five years, as follows:

Name	Name of Reporting Issuer	Exchange	Position	Period
Michael Goffin	True North Company	TSXV	Director	07.02 - present
	Globel Direct, Inc.	TSXV	Director	11.05 - present
Wanda Dorosz	Wellpoint Systems Inc.	TSXV	Director	06.05 - present
	Noveko Echograph Inc.	TSXV	Director	04.05 – present
	CCR Technologies Inc.	TSXV	Director	05.05 - present

8.7 Promoters

Mark Anthony and Terry Ham may be considered promoters of the Resulting Issuer upon the Completion of the Proposed Acquisition. Details of their share holdings are disclosed under "Part III – Information Concerning the Resulting Issuer, Section 6." In addition to their share holdings, Messieurs Anthony and Ham will be paid salaries of $200,000 per annum and will be eligible to receive stock options pursuant to the Resulting Issuer's stock option plan if and when declared by the board of directors.

9. Proposed Executive Compensation

Richard Camilleri will be appointed Chief Executive Officer of the Resulting Issuer and Mark Anthony the President, Terry Ham the Chief Operating Officer, and Marie Peri the Chief Financial Officer of the Resulting Issuer. It is anticipated that

Messieurs Camilleri and Anthony and Ms. Peri will continue to be paid their annual salaries as currently being paid by the Company and Mr. Ham is expected to be paid an annual salary of $200,000. The Resulting Issuer expects to enter into employment agreements with each of these individuals following the Completion of the Proposed Acquisition.

All of the executive officers of the Resulting Issuer will be eligible to receive stock options pursuant to the Resulting Issuer's stock option plan if and when declared by the board of directors.

10. Indebtedness of Directors and Officers

Upon Completion of the Proposed Acquisition, no person who is, or who was at any time since the beginning of the most recently completed financial year of C3 or the Company, a director, executive officer or senior officer of C3 or the Company thereof, and no person who will be a director, executive officer or senior officer of the Resulting Issuer, and no Associate of such persons, is, or was at any time since the beginning of the most recently completed financial year of C3 or the Company, indebted to C3 or the Company, nor has any such person been indebted at any time since the beginning of the most recently completed financial year of C3 or the Company to any other entity where such indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by C3 or the Company.

11. Investor Relations Arrangements

In July 2006, the Company entered into an agreement with Investor Cubed Business Development Corporation ("I(3)"). I(3) will provide the Resulting Issuer with investor and financial relations services. Under the terms of the agreement, I(3) will be paid certain fees and will be entitled to receive options to acquire 500,000 common shares of the Company at an exercise price of $0.15 per share. The Company and I(3) act at arm's length to each other and I(3) has no direct or indirect interest in the Company, C3 or their securities, other than the grant of the options. The common shares issuable on exercise of the options will be subject to the current terms of the Company's option plan.

C3 has not entered into any written or oral agreement or understanding with any person to provide promotional or investor relations' services to it, or to engage in activities for the purposes of stabilizing the market, either now or in the future.

12. Options to Purchase Securities

Upon Completion of the Proposed Acquisition, the following options to purchase common shares of the Resulting Issuer will be outstanding:

Optionees	Amount	Exercise Price	Expiry Date
Proposed officers of Resulting Issuer	1,390,248	200,000 at $0.15 80,000 at $0.30 1,110,248 at $0.10	200,000 in 2008 80,000 in 2008 1,110,248 in 2011
Proposed directors of Resulting Issuer	380,000	$0.30	180,000 in 2009 200,000 in 2010
All other persons	1,190,000	340,000 at $0.225 300,000 at $0.30 50,000 at $024 500,000 at $0.15	340,000 in 2009 300,000 in 2010 50,000 in 2007 500,000 in 2011
Total	**2,960,248**		

1. Refer to "Part I - Information Regarding the Company, Section 1, Stock Options" for complete details regarding the stock options.

After completion of the Proposed Acquisition, the following warrants to purchase common shares of the Resulting Issuer will be outstanding:

Warrant Holders	Amount	Exercise Price	Expiry Date
Proposed officers of Resulting Issuer	-	-	-
Proposed directors of Resulting Issuer	-	-	-

All other persons	1,000,000	$0.25	July 31, 2007
Total	**1,000,000**		

13. Stock Option Plan

On May 26, 2005, the shareholders of the Company approved the creation of a stock option plan (the "Plan") which reserves for issuance a number of options for issuance. Under the Plan the options available for granting shall not exceed 3,775,990 Company Shares, calculated from time to time at the date options to purchase Company Shares are granted. As of the date hereof, an aggregate of 2,960248 options have been issued to the directors, employees and contractors of the Company.

The Plan is intended to increase the interest in the Company's welfare of those directors, officers, employees and service providers who share primary responsibility for the management, growth and protection of the business of the Company and its subsidiaries, to furnish an incentive to such directors, officers, employees and service providers to continue their services for the Company and its subsidiaries and to provide a means through which the Company and its subsidiaries may attract able persons for employment.

Under the Plan: (a) the exercise price of an option is determined by the Board of Directors at the time it is granted, but cannot be less than the "discounted market price" of the Company Shares within the meaning of the applicable policies of the Exchange; (b) the maximum period during which an option may be exercised will be 10 years from the date on which it is granted, if the Company becomes a Tier 1 company on the Exchange and five (5) years from the date of grant if the Company remains a Tier 2 company on the Exchange, although the Board of Directors, at the time of granting an option, may fix a shorter period during which an option is exercisable; (c) at the time of granting an option, the Board of Directors, at its discretion, may set a "vesting schedule" (i.e. one or more dates from which an option may be exercised in whole or in part) if the Company becomes a Tier 1 company on the Exchange, provided, however, that all options will be subject to a minimum 18 month vesting schedule if the Company remains a Tier 2 company on the Exchange; and (d) each option granted under the Plan is personal to the optionee and is not assignable or transferable except by will or by the laws of succession of the place of domicile of the deceased optionee.

Under the Plan, upon an optionee's employment with the Company being terminated for cause, any option not exercised terminates immediately. If an optionee dies or becomes permanently disabled, any option may be exercised for that number of Company Shares which the optionee was entitled to acquire at the time of death or permanent disability. Such option may be exercised for a period of one (1) year after the date of death or permanent disability. Upon an optionee's employment, office or directorship or consulting services ending other than by reason of death, permanent disability or termination for cause, any option may be exercised for that number of Company Shares which the optionee was entitled to acquire at the time of such termination. Such option may be exercised for a period of 90 days after such termination. Under such circumstances, options held by a person performing "Investor Relations Activities" (as that term is defined in the policies of the Exchange) may be exercised for a period of 30 days after termination of such investor relation services.

Pursuant to the Plan, the number of Company Shares reserved for issuance to any individual director or officer may not exceed 5% of the issued and outstanding Company Shares and the number of Company Shares reserved for issuance to all consultants may not exceed 2% of the issued and outstanding Company Shares.

14. Escrowed Shares and Shares Subject to Resale Restrictions

As of the date of this Filing Statement, to the best knowledge of the Company and C3, the following table sets forth details of Company Shares currently held in escrow and anticipated to be held in escrow (the "Escrowed Shares") upon Completion of the Proposed Acquisition:

		Prior to Giving Effect to the Proposed Acquisition		After Giving Effect to the Proposed Acquisition	
Name and Municipality of Securityholder	**Designation of class**	**Number of securities to be held in escrow**	**Percentage of class**	**Number of shares to be held in escrow**	**Percentage of class**
Green Eggs Toronto, Ontario	Common Shares	-	-	4,250,211	8.29%
1636559 Toronto, Ontario	Common Shares	-	-	8,245,384	16.09%
Suthex Toronto, Ontario	Common Shares	-	-	255,012	0.49%
Terry Ham Toronto, Ontario	Common Shares	-	-	2,619,005	5.11%

Notes:

1. Pursuant to TSX Venture Policy 5.4 – Escrow, Vendor Consideration and Resale Restrictions ("Policy 5.4"), these shares will be deposited in escrow with Equity Transfer Services Inc. to be held in escrow pursuant to the terms of the Value Security Escrow Agreement. Policy 5.4 and the Value Security Escrow Agreement provides for automatic releases of the common shares escrowed at the following rates:

   (i) ten percent (10%) of the escrowed shares will be released on the date of the Final Exchange Bulletin;
   (ii) fifteen percent (15%) of the escrowed shares will be released on the six (6) month anniversary of the date of the Final Exchange Bulletin;
   (iii) fifteen percent (15%) of the escrowed shares will be released on the twelve (12) month anniversary of the date of the Final Exchange Bulletin;
   (iv) fifteen percent (15%) of the escrowed shares will be released on the eighteen (18) month anniversary of the date of the Final Exchange Bulletin;
   (v) fifteen percent (15%) of the escrowed shares will be released on the twenty four (24) month anniversary of the date of the Final Exchange Bulletin;
   (vi) fifteen percent (15%) of the escrowed shares will be released on the thirty (30) month anniversary of the date of the Final Exchange Bulletin; and
   (vii) fifteen percent (15%) of the escrowed shares will be released on the thirty six (36) month anniversary of the date of the Final Exchange Bulletin.

2,096,294 Company Shares to be issued to the certain C3 option holders will be subject to restrictions on resale and may not be sold, transferred or otherwise disposed of except as follows:

(i) 10% of the shares may be sold on the date of the Final Exchange Bulletin;
(ii) 15% of the shares may be sold on the six (6) month anniversary of the date of the Final Exchange Bulletin;
(iii) 15% of the shares may be sold on the twelve (12) month anniversary of the date of the Final Exchange Bulletin;
(iii) 15% of the shares may be sold on the eighteen (18) month anniversary of the date of the Final Exchange Bulletin;
(iv) 15% of the shares may be sold on the twenty four (24) month anniversary of the date of the Final Exchange Bulletin;
(v) 15% of the shares may be sold on the thirty (30) month anniversary of the date of the Final Exchange Bulletin; and
(vi) 15% of the shares may be sold on the thirty six (36) month anniversary of the date of the Final Exchange Bulletin.

Messieurs Anthony and Iantorno have agreed not to sell, offer, assign, transfer, encumber, contract to sell, secure, pledge, grant or sell any option, right or warrant to purchase, or otherwise lend, transfer or dispose of (the "Transfer Restrictions") all of the Company Shares owned or controlled, directly or indirectly, by them (the "Consideration Shares") during the period that the Escrowed Shares are subject to the terms of the Value Security Escrow Agreement. Upon the release of the Escrowed Shares from the Value Security Escrow Agreement, a percentage of the Consideration Shares, similar to that of the Escrow Shares, will become free of the Transfer Restrictions. Mr. Anthony owns and/or controls an aggregate of 5,504,000 Company Shares and Mr. Iantorno owns and/or controls an aggregate of 5,500,000 Company Shares.

15. Auditors, Transfer Agent and Registrar

15.1 Auditor

It is expected that Danziger & Hochman, Chartered Accountants, the current auditors of the Company, will be the auditors of the Resulting Issuer.

15.2 Transfer Agent and Registrar

The Resulting Issuer's transfer agent and registrar will be Olympia Trust Company at its principal office in Calgary, Alberta.

16. Risk Factors

An investment in the Resulting Issuer is speculative and subject to a number of risks. In addition to risks described elsewhere in this Filing Statement, including the notes to the financial statements attached hereto, prospective investors should give careful consideration to each of the following factors:

General

There are trends and factors that may be beyond the Resulting Issuer's control which affect its operations and business. Such trends and factors include adverse changes in the conditions in the specific markets for the Resulting Issuer's products and services, the conditions in the broader market for personal computers, consumer financing, prepaid telecommunications services and the conditions in the domestic or global economy generally. It is not possible for management to accurately predict economic fluctuations and the impact of such fluctuations on its performance.

After the completion of the Proposed Acquisition, the business of the Resulting Issuer will be subject to numerous risks currently affecting its businesses including:

- competition with other online marketing software and services companies;
- changes in customer demand;
- ability to continue to obtain improved operating efficiencies;
- ability to continue to develop new solutions for customers;
- the general condition of the Canadian economy and the economies of other countries in which the company may operate;
- ability to manage any impact from slowing economic conditions or customer spending;
- war or acts of terrorism affecting the overall business climate;
- changes in law, rules, regulations or industry standards to which the company is subject that would require significant product redevelopment efforts, reduce the market for or value of its products or render products obsolete and the cost of complying with such laws, rules, regulations and industry standards, including privacy regulations;
- changes in the costs of benefits provided to its employees; and
- changes in the rules and regulations to which its customers are subject, particularly those affecting privacy.

True North Risk Factors

Economic Risk

The marketing services industry is subject to economic risks, as clients tend to reduce budgets during economic downturns. As a result, the Company's business and operating results may be affected adversely.

Access to Capital Resources

Although the Company has been able to generate sufficient cash flow from operations or through the incurrence of short and long term debt, there is no guarantee that the Company will be able to continue to do so. Additionally, the incurrence of future debt will increase the Company's interest expense.

Competition

The industry in which True North operates in is highly competitive. The Company faces competition from larger and smaller competitors that provide similar services, either as stand alone or full service offerings. The factors that could impact the Company are: reduced margins, loss of clients and key personnel. The Company endeavours to mitigate this risk by providing a high level of quality and customer service.

Dependence Upon Clients

The Company has a significant number of large clients. The Company's largest five (5) clients represent approximately 59% of the total revenue. As part of its business strategy, the Company intends to grow relationships with its key clients. This may increase our risk. The Company mitigates this risk by entering into long term contractual agreements with its key clients and by maintaining strong relationships and adherence to preferred supplier status within client organizations. There is no assurance that the Company will be able to maintain its relationships with its large clients.

Dependence Upon Key Personnel

The success of the Company is largely dependent on the senior management team. If any of these individuals leave the Company, it may impact the relationship with certain clients and employees. The Company reduces the risk by entering into employment agreements. The employment agreements contain non-solicitation and non-competition clauses following a severance in the relationship between the Company and the respective employee. These agreements may not be effective in retaining employees or in preventing them from continued employment within the industry.

C3 Risk Factors

Limited Operating History and Evolving Business Model

C3 has a limited operating history and its business model is continuously evolving. C3 has not earned operating profits and there can be no assurance that C3 will achieve profitability.

Reliance on Partnerships

More than 50% of C3's revenue is derived from services provided to its agency and affiliate partners. There can be no assurance that these partners will continue to use C3's products and services, nor can there be any assurance that these partners will continue or increase their involvement with the company.

Key Management Personnel

C3 depends on the services of its key technical, management and sales and marketing personnel. The loss of the services of any of these persons could have a material adverse effect on C3's business, results of operations and financial condition. C3's success is also highly dependent on its continuing ability to identify, hire, train, motivate and retain highly qualified management, technical, sales and marketing personnel. Competition for such personnel can be intense, and C3 cannot assure you that it will be able to attract or retain highly qualified technical, managerial, sales and marketing personnel in the future. C3's inability to attract and retain the necessary management, technical, sales and marketing personnel may adversely affect its future growth and profitability.

Intense Competition

The online marketing industry has seen many new competitors in the past 24 months, and the industry is quickly becoming highly competitive and C3 may face additional competition from small-to-medium sizes competitors and from competitors that are better funded than C3. Barriers to entry into the lower end of this market may be relatively low, and C3 expects that competition will intensify in the future for email deployment and content provisioning. Specific factors upon which C3 competes include, but are not limited to, functionality of its applications, technological sophistication, ease of use, timing for implementation, hosting of its offering, quality of support and services, and fees.

Technology and Development

There can be no assurances that C3 will meet its targeted development or integration timelines, secure licenses for key aspects of its solution such that it will be able to offer the C3 Products and Services at competitive pricing, or that C3 can continue to enhance and improve the responsiveness, functionality and features of its technology and enable the solution to scale at a reasonable cost.

The C3 Products and Services incorporate complex technology and software. Accordingly, they may contain errors, or "bugs", that could be detected at any point. Such errors could materially and adversely affect C3's reputation, or that of its customers and partners, resulting in claims and/or significant costs to C3, and/or cause customers and other parties to abandon the C3 Products and Services and impair C3's ability to market and sell the C3 Products and Services in the future. The costs incurred in correcting any errors and satisfying any such claims may be substantial and could adversely affect C3's operating margins. While C3 plans to continually test the C3 Products and Services for errors and work with customers to identify and correct bugs, errors may be found in the future.

Protection of Intellectual Property

C3 depends on its ability to develop and maintain proprietary aspects of its technology. It seeks to protect its software, documentation and other written materials under trade secret and copyright law, as well as with confidentiality provisions in contracts with its customers, suppliers, contractors and employees all of which afford limited protection. Despite the measures C3 has taken to protect its intellectual property, there can be no assurance that these steps will be adequate or that third parties will not breach the confidentiality provisions in C3's contracts or infringe or misappropriate its copyrights, patents, trademarks and other proprietary rights. In the event that a third party breaches the confidentiality provisions in contracts or misappropriates or infringes C3's intellectual property, C3 may not have adequate remedies. In addition, third parties may independently discover or invent competing technologies or reverse engineer C3's software or other technology. Moreover, the laws of some foreign countries may not protect C3's proprietary rights to the same extent as do the laws of the U.S. and Canada. Therefore, the measures which C3 is taking to protect its proprietary rights may not be adequate.

Third Party Claims that C3's Solution Infringes on their Intellectual Property

C3 is not currently aware of any claims asserted by third parties that C3 infringes on their intellectual property. However, in the future, a third party may assert a claim that C3 infringes on their intellectual property. C3 cannot predict whether third parties will assert these types of claims against it or against the licensors of technology to C3, or whether those claims will harm its business. If C3 is forced to defend against these types of claims, whether they are with or without any merit or whether they are resolved in favor of or against C3 or its customers, C3 may face costly litigation and diversion of management's attention and resources. As a result of these disputes, C3 may have to develop costly non-infringing technology or enter into licensing agreements. These agreements, if necessary, may not be available on terms acceptable to C3, or at all, which could increase its expenses or make its solution less attractive.

Fraud

C3 stores confidential information, including credit card numbers of its customers' customers. There is a possibility of fraud that cannot be wholly guarded against. For example, fraud may be introduced through malicious software deposited within the C3 hosted environment; however, this would require access to C3's secure systems and to C3's algorithms for protecting such information. With any Internet-based service, attempts will be made to circumvent the system for fraudulent purposes. While C3 has made efforts to protect such information against fraud, it is difficult to anticipate every aspect of fraud.

Privacy Concerns

Although C3 intends to comply with all relevant privacy legislation, there is the possibility that a lawsuit could be brought against C3 with respect to the proper handling and use of confidential information obtained by C3 through the hosting of customer databases and the collection of personal information.

Technological and Network Problems

C3 products and services are entirely dependant on specific technologies and networks. Despite redundancy built into the hosting operations, there is a risk of a disaster at the hosting facility, the penetration of the host system by a hacker, the failure of internal systems or infrastructure or a tier-1 ISP failure.

Reliance on Software Licensed From Other Parties

C3 relies on software licences from various suppliers, including publicly available software libraries. If these software licences are terminated or otherwise questioned, substitute software may not be available or may not be available at comparable prices.

Significant Change to the Technology

C3's technology may change or specific components which C3 may require may change and not be readily available and therefore inhibit C3's ability to deliver the C3 Products and Services or cost C3 significant capital to find an alternative technology solution.

Capacity and Performance

The proper operation of the C3 Products and Services rely on the effective operation of computer hardware and software and on such hardware and software to have sufficient capacity to handle the loads placed on them and perform properly under these loads, however, there is no assurance, especially at peak transaction times, that such hardware and software will be able to meet required performance thresholds.

Indemnities

C3 has provided various indemnities, including without limitation, under lease agreements for the use of various operating facilities and under agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, license agreements, employment agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, underwriting and agency agreements, information technology agreements and service agreements. Under the terms of these agreements, C3 agrees to indemnify the counterparties for various items including, but not limited to, all liabilities, losses, suits, and damages arising in connection with the agreements as a result of breaches of the agreements or representations or as a result of litigation, claims or sanctions that may be suffered by the counterparty as a consequence of the transaction. The maximum amount of any potential future payments under these indemnities cannot be reasonably estimated, but could materially adversely affect your investment in C3.

Integration

C3 may be unable to integrate the operations of True North and C3 successfully and may not achieve the cost savings and increased revenues anticipated for the combined company.

Achieving the anticipated benefits of the transaction will depend in part upon C3's ability to integrate the two companies' businesses in an efficient and effective manner. C3's attempt to integrate two companies that have previously operated independently may result in significant challenges, and it may be unable to accomplish the integration smoothly or successfully. In particular, the necessity of coordinating geographically dispersed organizations and addressing possible differences in corporate cultures and management philosophies may increase the difficulties of integration. The integration will require the dedication of significant management resources, which may temporarily distract management's attention from the day-to-day operations of the businesses of the combined company. The process of integrating operations after the transaction could cause an interruption of, or loss of momentum in, the activities of one or more of the combined company's businesses and the loss of key personnel. Employee uncertainty and lack of focus during the integration process may also disrupt the businesses of the combined company. Any inability of management to integrate the operations of and C3 successfully could have a material adverse effect on the business and financial condition of the combined company.

Restructuring Costs

It is expected that C3 will incur significant transaction-related and restructuring costs in connection with the Proposed Acquisition. C3 will be obligated to pay transaction fees and other expenses related to the transaction of approximately $75,000, including financial advisors' fees, legal and accounting fees, soliciting fees, regulatory fees and mailing costs. Furthermore, C3 expects to incur significant costs associated with combining the operations of the two companies, and it will be difficult to predict the specific size of those charges before it begins the integration process. The combined company may incur additional unanticipated costs as a consequence of difficulties arising from the efforts to integrate the operations of the two companies. Although C3 expects that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the businesses, can offset incremental transaction-related and restructuring costs over time, C3 cannot give any assurance that this net benefit will be achieved in the near future, or at all.

PART IV
GENERAL MATTERS

1. Other Material Facts

There are no other material facts about the Company, C3, the Resulting Issuer or the Proposed Acquisition that are not disclosed elsewhere in this Filing Statement and which are necessary in order for this Filing Statement to contain full, true and plain disclosure of all material facts relating to the Company, C3 and the Resulting Issuer, assuming Completion of the Proposed Acquisition.

2. Board Approval

The Board of Directors of each of the Company and C3 have approved the contents of this Filing Statement.

3. Experts

There are no persons or companies whose professional business gives authority to a statement made by the person or company who is named as having prepared or certified a part of this Filing Statement or prepared or certified a report or valuation described in this Filing Statement.

APPENDIX A
PRO-FORMA FINANCIAL STATEMENTS

TRUE NORTH CORPORATION

Unaudited Pro Forma Consolidated Balance Sheet and Statement of Loss

June 30, 2006

Danziger & Hochman
CHARTERED ACCOUNTANTS

TRUE NORTH CORPORATION

INDEX

December 31, 2005 and June 30, 2006

INDEX

Danziger & Hochman
CHARTERED ACCOUNTANTS

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To the Directors of
True North Corporation

We have read the accompanying unaudited pro forma consolidated balance sheet of True North Corporation and C3 Online Marketing Inc. as at June 30, 2006 and the unaudited pro forma consolidated statement of operations for the year ended December 31, 2005 and for the six month period ended June 30, 2006, and have performed the following procedures:

1. Compared the figures in the columns captioned "True North Corporation" and "C3 Online Marketing Inc." to the audited consolidated financial statements of operations of True North Corporation and C3 Online Marketing Inc. for the year ended December 31, 2005, and found them to be in agreement.

2. Compared the figures in the columns captioned "True North Corporation" and "C3 Online Marketing Inc." to the unaudited interim consolidated financials of True North Corporation and C3 Online Marketing Inc. for the six month period ended June 30, 2006 and found them to be in agreement.

3. Made enquiries of certain officials of True North Corporation who have responsibility for financial and accounting matters about:

   (a) The basis for determination of the pro forma adjustments; and

   (b) Whether the unaudited pro forma consolidated financial statements comply as to form in all material respects with the requirements of the parties involved in the acquisition of C3 Online Management Inc.

   The officials:

   (a) Described to us the basis for determination of the pro forma adjustments;

   (b) Stated that the unaudited pro forma consolidated financial statements comply as to form in all material respects with the requirements of the parties involved in the acquisition of C3 Online Marketing Inc.

4. Recalculated the application of the pro forma adjustments to the aggregate of the amounts in the columns captioned "True North Corporation" and "C3 Online Marketing Inc." as at June 30, 2006 and for the period then ended and found the amounts in the column captioned "Pro Forma Consolidated" to be arithmetically correct.

A pro forma financial statement is based on management's assumptions and adjustments, which are inherently subjective. The foregoing procedures are substantially less than either an audit or review, the objective of which is the expression of assurance with respect to management's assumptions, the pro forma adjustments and the application of the adjustments to the historical financial information. Accordingly, we express no such assurance. The foregoing procedures would not necessarily reveal matters of significance to the unaudited pro forma consolidated financial statements, and we therefore, make no representations about the sufficiency of the procedures for the purposes of a reader of such statements.

Danziger & Hochman
Chartered Accountants
September 19, 2006
Toronto, Ontario

TRUE NORTH CORPORATION

Unaudited Pro Forma Consolidation of True North Corporation and C3 Online Marketing Inc.
Statement of Loss for the Year Ended December 31, 2005

	True North Corporation	C3 Online Marketing Inc.	Consolidation Adjustment Dr	Consolidation Adjustment Cr	Pro Forma Consolidated
REVENUE	$14,533,543	$2,960,580			$17,494,123
Less: Direct costs	8,338,780	1,549,892			9,888,672
GROSS MARGIN	6,194,763	1,410,688			7,605,451
EXPENSES					
Interest and finance costs	606,237	128,626			734,863
Selling, general and administrative	6,372,856	1,455,611			7,828,467
Amortization	222,926	251,519			474,445
	7,202,019	1,835,756			9,037,775
NET (LOSS) FOR THE YEAR	($ 1,007,256)	($ 425,068)			($ 1,432,324)

(See accompanying notes)

TRUE NORTH CORPORATION

Unaudited Pro Forma Consolidation of True North Corporation and C3 Online Marketing Inc.

Balance Sheet as at June 30, 2006

	True North Corporation	C3 Online Marketing Inc.	Notes	Consolidation Adjustment Dr	Consolidation Adjustment Cr	Pro Forma Consolidated
ASSETS						
CURRENT						
Bank	$ -	$ 182,296	(b)(c)	$ 386,000	$ -	$ 568,296
Short-term investments	-	1,162,140		-	-	1,162,140
Receivables	2,143,911	488,348		-	-	2,632,259
Work in progress	369,033	-		-	-	369,033
Prepaid expenses and deposits	258,404	115,930		-	-	374,334
Loan receivable	513,151	150,000	(d)	-	150,000	513,151
Taxes receivable	38,130	-		-	-	38,130
	3,322,629	2,098,714		386,000	150,000	5,657,343
Property and equipment	473,374	572,714		-	-	1,046,088
Deferred debt financing costs	108,169	74,175		-	-	182,344
Intangibles	880,511	-	(a)	1,657,579	80,629	2,457,461
	$4,784,683	$2,745,603		$2,043,579	$ 230,629	$ 9,343,236
LIABILITIES						
CURRENT						
Bank indebtedness	$1,250,000	$ -		$ -	$ -	$ 1,250,000
Payables and accruals	2,909,859	823,666	(d)(i)	386,000	-	3,347,525
Deferred revenue	635,131	111,090		-	-	746,221
Capital lease obligation	-	28,972		-	-	28,972
Convertible debenture	-	980,585	(e)	980,585	-	-
Notes payable and loans	-	175,002	(h)	175,002	-	-
	4,794,990	2,119,315		1,541,587	-	5,372,718
Long term						
Capital lease obligation	-	6,594		-	-	6,594
Promissory notes payable	285,000	-		-	-	285,000
Due to related parties	403,123	-	(k)	364,000	-	39,123
Convertible debentures	1,550,000	1,335,549	(e)(j)	300,000	980,585	3,566,134
	2,238,123	1,342,143		664,000	980,585	3,896,851
	7,033,113	3,461,458		2,205,587	980,585	9,269,569
SHAREHOLDERS' EQUITY						
SHARE CAPITAL	1,194,571	510,724	(a)(b)(c)(f) (h)(j)(k)(i)	510,724	3,118,581	4,313,152
EQUITY PORTION OF CONVERTIBLE DEBENTURE	-	233,324		-	-	233,324
CONTRIBUTED SURPLUS	429,251	-	(g)	219,942	-	209,309
(DEFICIT)	(3,872,252)	(1,459,903)	(f)	-	650,037	(4,682,118)
	(2,248,430)	(715,855)		730,666	3,768,618	(73,667)
	$4,784,683	$2,745,603		$4,979,832	$4,979,832	$ 9,343,236

(See accompanying notes)

TRUE NORTH CORPORATION

Unaudited Pro Forma Consolidation of True North Corporation and C3 Online Marketing Inc.
Statement of Loss for the Six Months Ended June 30, 2006

	True North Corporation	C3 Online Marketing Inc.	Consolidation Adjustment Dr	Consolidation Adjustment Cr	Pro Forma Consolidated
REVENUE	$6,249,238	$1,768,534			$8,017,772
Less: Direct costs	3,514,490	1,141,564			4,656,054
GROSS MARGIN	2,734,748	626,970			3,361,718
EXPENSES					
Interest and finance costs	200,404	121,378			321,782
Bad debt and restructuring costs	560,354	-			560,354
Selling, general and administrative	3,359,357	855,131			4,214,488
Amortization	90,593	158,677			249,270
Write down of intangibles	457,625	301,650			759,275
	4,668,333	1,436,836			6,105,169
NET (LOSS) FOR THE PERIOD	($1,933,585)	($ 809,866)			($2,743,451)

(See accompanying notes)

1. BASIS OF PRESENTATION

The accompanying unaudited pro forma consolidated balance sheet as at June 30, 2006 and the unaudited pro forma statement of loss of True North Corporation for the six months ended June 30, 2006 have been prepared to show the effect of a purchase of C3 Online Marketing Inc. on January 1, 2006. In the opinion of True North Corporation's management, the unaudited pro forma consolidated balance sheets and unaudited pro forma statements of loss include all adjustments necessary for the fair presentation of the transactions in accordance with generally accepted accounting principles.

The unaudited pro forma consolidated financial statements are prepared for illustrative purposes only and may not be indicative of the financial position or operating results that would have occurred if the acquisition had been actually completed on January 1, 2006.

Furthermore, the reported unaudited pro forma consolidated statement of loss is not necessarily indicative of the operating results that may be obtained by True North Corporation.

2. PRO FORMA ADJUSTMENTS AND EXPLANATIONS

a) The following table summarizes the assets acquired and liabilities assumed as at December 31, 2005 of C3 Online Marketing Inc. by True North Corporation.

Current assets	$1,487,692
Property and equipment	647,914
Total assets acquired	2,135,606
Less: Liabilities assumed	2,216,235
Net assets acquired	($ 80,629)

The aggregate purchase price of the net assets acquired is $1,657,579 compensated by issuing 12,750,607 common shares of True North valued at $0.13 per share.

b) Option holders of C3 Online Marketing Inc. have exercised 800,000 options in C3 Online Marketing Inc. for a total consideration of $8,000. These shares have been exchanged for 3,187,651 shares in True North Corporation. As a result, there is an adjustment to the cash and share capital on this proforma statement in the amount of $8,000. The accompanying unaudited proforma statement of loss for the year ended December 31, 2005 assumes a combining of the operations of True North Corporation and C3 Online Marketing Inc. for the entire year.

2. PRO FORMA ADJUSTMENTS AND EXPLANATIONS (continued)

c) A private placement for up to 5,400,000 common shares at $0.14 per share was announced on July 19, 2006. As of September 18, 2006 an aggregate of 2,700,000 shares for gross proceeds of $378,000 was subscribed for and closed. The adjustment is reflected in cash and share capital

d) C3 Online Marketing Inc. paid $150,000 to True North Corporation as an advance against a contract. This amount is eliminated upon consolidation. Senior management has agreed to convert $236,000 of bonuses included in accounts payable to common stock subject to successful completion of the transaction. See item (i) below:

e) The debenture agreement between C3 Online Marketing Inc. and Ontario SME Capital Corporation was amended to defer the maturity date of the debenture to February 28, 2008 upon successful completion of the transaction.

f) The share capital and the opening deficit of C3 Online Marketing Inc. is eliminated upon consolidation.

g) The difference between the net assets acquired and the total shares issued is reflected as an adjustment to contributed surplus.

h) The related parties holding notes and loans payable from C3 Online Marketing Inc. have agreed to convert $175,002 owed to them at $0.14 per share into 1,250,015 shares of True North Corporation upon successful completion of the transaction.

i) Deferred senior management bonuses (subject to successful completion of the transaction) in the amount of $236,000 have been converted at $0.14 per share into 1,685,714 shares of True North Corporation.

j) The debenture holders have agreed to convert $114,815 of True North Corporation convertible debentures and $185,185 of C3 Online Marketing Inc. convertible debentures at $0.14 per share into 2,142,857 shares of True North Corporation upon successful completion of the transaction.

k) A corporation related to True North Corporation has agreed to convert $364,000 owed to it at $0.14 per share into 2,600,000 shares of True North Corporation upon successful completion of the transaction.

3. SHAREHOLDERS' EQUITY

	Common Shares Number	Common Shares Amount	Contributed Surplus	Debenture Equity	Deficit	Total Shareholders' Equity (Deficit)
Balance, January 1, 2006	18,699,698	$ 745,832	$ 429,251	$ -	($1,938,667)	($ 763,584)
Shares issued for cash	9,012,651	886,000	-	-	-	886,000
Debentures converted	2,142,857	300,000	-	-	-	300,000
Shares issued for debt	5,535,721	775,002	-	-	-	775,002
Stock issued for assets	12,750,607	1,657,579	-	-	-	1,657,579
Share issuance costs	-	(51,261)	-	-	-	(51,261)
Equity portion of convertible debenture	-	-	-	233,324	-	233,324
Contributed surplus	-	-	(219,942)	-	-	(219,942)
Loss for the period	-	-	-	-	(2,743,451)	(2,743,451)
Balance, June 30, 2006	48,141,534	$4,313,152	$ 209,309	$ 233,324	($4,682,118)	$ 73,667

APPENDIX B
FINANCIAL STATEMENTS FOR TRUE NORTH CORPORATION

TRUE NORTH CORPORATION

Consolidated Financial Statements

For the Six Months Ended June 30, 2006
and for the Years Ended December 31, 2005, 2004 and 2003

Danziger & Hochman
CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To the Shareholders of:
TRUE NORTH CORPORATION

We have audited the consolidated balance sheets of **TRUE NORTH CORPORATION** as at December 31, 2005 and 2004, and the consolidated statements of operations, deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation, as at December 31, 2005 and 2004, and the results of its operations and cash flows for the years then ended, in accordance with Canadian generally accepted accounting principles.

The financial statements as at December 31, 2003 and for the year then ended were audited by another firm of Chartered Accountants who expressed an opinion without reservation on these statements in their report dated March 19, 2004.

Danziger & Hochman

Chartered Accountants

Toronto, Ontario
April 4, 2006
(Except for note 15 which is dated September 19, 2006)

TRUE NORTH CORPORATION **Statement I**

Consolidated Balance Sheets

	June 30, 2006	2005	December 31, 2004	2003
	(Unaudited)			(Restated)
ASSETS				
CURRENT				
Cash	$ -	$ -	$ 325,554	$ 466,685
Temporary investments	-	-	-	254,339
Accounts receivable	2,143,911	2,273,894	1,905,897	1,825,431
Income taxes receivable	38,130	68,685	22,675	20,062
Work in progress	369,033	1,045,649	511,098	273,452
Prepaid expenses and deposits	258,404	173,007	178,828	29,500
Loan receivable (note 3)	513,151	-	-	60,832
	3,322,629	3,561,235	2,944,052	2,930,301
OTHER				
Loan receivable (note 3)	-	910,734	657,274	-
Property and equipment (note 4)	473,374	521,158	375,721	391,109
Deferred debt financing costs	108,169	93,193	103,362	106,615
Intangible assets (note 5)	880,511	1,364,260	517,375	339,625
	$4,784,683	$6,450,580	$4,597,784	$3,767,650

TRUE NORTH CORPORATION
Consolidated Balance Sheets

Statement I

	June 30, 2006 (Unaudited)	2005	December 31, 2004	2003 (Restated)
LIABILITIES				
CURRENT				
Bank indebtedness (note 6)	$1,250,000	$1,169,830	$ -	$ -
Operating line of credit	-	-	1,397,668	1,010,883
Accounts payable and accrued liabilities	2,909,859	2,269,283	1,305,884	1,116,934
Deferred revenue	635,131	1,286,604	457,222	642,230
Due to related parties (note 9)	-	500,000	-	-
Promissory notes payable (note 7)	-	-	74,107	58,500
	4,794,990	5,225,717	3,234,881	2,828,547
LONG TERM				
Promissory notes payable (note 7)	285,000	285,000	285,000	285,000
Due to related parties (note 9)	-	-	500,000	500,000
Convertible debenture (note 8)	1,550,000	1,300,000	-	-
Due to related parties (note 9)	403,123	403,446	531,492	725,468
	2,238,123	1,988,446	1,316,492	1,510,468
	7,033,113	7,214,163	4,551,373	4,339,015
SHAREHOLDERS' EQUITY				
SHARE CAPITAL (note 10)	1,194,571	745,833	832,352	415,627
CONTRIBUTED SURPLUS	429,251	429,251	145,470	-
(DEFICIT) – Statement II	(3,872,252)	(1,938,667)	(931,411)	(986,992)
	(2,248,430)	(763,583)	46,411	(571,365)
	$4,784,683	$6,450,580	$4,597,784	$3,767,650

Commitments (note 12)

Approved on behalf of the Board:

Qualifying transaction (note 15)

	June 30, 2006 (Unaudited)	December 31, 2005	2004	2003 (Restated)
RETAINED EARNINGS (DEFICIT), beginning of period	($1,938,667)	($ 931,411)	($ 986,992)	$ 414,000
NET INCOME (LOSS) FOR THE PERIOD – Statement III	(1,933,585)	(1,007,256)	55,581	(1,400,992)
(DEFICIT), end of period	($3,872,252)	($1,938,667)	($ 931,411)	($ 986,992)

TRUE NORTH CORPORATION
Consolidated Statement of Operations

Statement III

	June 30, 2006 (Unaudited)	2005	December 31, 2004	2003 (Restated)
REVENUE	$6,249,238	$14,533,543	$11,750,456	$ 9,573,222
DIRECT COSTS	3,514,490	8,338,780	5,854,492	4,507,932
GROSS PROFIT	2,734,748	6,194,763	5,895,964	5,065,290
Selling, administrative and general expenses	3,359,357	6,110,046	5,328,282	5,563,956
	(624,609)	84,717	567,682	(498,666)
Amortization of property and equipment	64,469	170,676	113,105	71,060
Amortization of intangible assets	26,124	52,250	124,803	139,920
Interest and finance charges	200,404	606,237	360,002	134,874
Non-recurring one-time costs	560,354	-	-	22,660
Write down of goodwill	457,625	-	-	667,787
Recovery on discontinued operations (note 14)	-	-	(150,519)	-
Stock based compensation	-	262,810	64,710	-
	1,308,976	1,091,973	512,101	1,036,301
(LOSS) INCOME BEFORE INCOME TAXES	(1,933,585)	(1,007,256)	55,581	(1,534,967)
Provision for income taxes (recovered)	-	-	-	(133,975)
NET (LOSS) INCOME FOR THE PERIOD	($1,933,585)	($ 1,007,256)	$ 55,581	($ 1,400,992)
BASIC EARNINGS PER SHARE	($ 0.10)	($ 0.05)	$ 0.00	($ 0.10)
DILUTED EARNINGS PER SHARE	($ 0.07)	($ 0.05)	$ 0.00	($ 0.10)
AVERAGE NUMBE OF BASIC SHARES OUTSTANDING	18,973,973	18,973,973	15,715,000	14,000,000
AVERAGE NUMBER OF FULLY DILUTED SHARES	26,356,540	26,356,540	18,138,333	14,660,000

TRUE NORTH CORPORATION. Statement IV

Consolidated Statement of Cash Flows

	June 30, 2006 (Unaudited)	2005	December 31, 2004	2003 (Restated)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Net (loss) income for the year – Statement III	($1,933,585)	($1,007,256)	$ 55,581	($1,400,992)
Items not involving cash:				
Amortization	64,469	170,676	115,605	123,310
Write down of goodwill	457,625	-	-	667,787
Loss on disposal of equipment	-	-	-	22,660
Amortization of intangibles	26,124	52,250	52,250	-
Future income tax recovery	-	-	-	(54,997)
Stock option expense	-	262,810	64,710	-
	(1,385,367)	(521,520)	288,146	(642,232)
Changes in non-cash working capital items				
(Increase) decrease in accounts receivable	129,983	(69,129)	(80,466)	238,516
(Increase) in income taxes receivable	30,555	66	(2,613)	(20,062)
(Increase) in work in progress	676,616	(534,551)	(237,646)	(118,355)
(Increase) decrease in prepaid and sundry	(85,397)	(80,410)	(151,828)	31,610
Decrease (increase) in deferred debt financing costs	(14,976)	10,170	3,253	(19,525)
Increase (decrease) in accounts payable	640,576	963,399	188,949	(459,740)
(Decrease) in income taxes payable	-	-	-	(98,992)
(Decrease) increase in deferred revenue	(651,473)	580,340	(185,008)	602,485
	725,884	869,885	(465,359)	155,937
Cash provided by (used in) operating activities	(659,483)	348,365	(177,213)	(486,295)
FINANCING ACTIVITIES				
(Decrease) increase in operating line of credit	-	(2,048,310)	386,784	743,349
Issue of convertible debenture	250,000	1,300,000	-	-
Increase in promissory note payable	-	(74,107)	15,607	(306,770)
(Decrease) increase in amounts due to related parties	(500,323)	(310,758)	(193,976)	530,725
Issuance of warrants	-	20,971	80,760	-
Share issue costs	(51,262)	(172,548)	(165,509)	-
Issuance of common shares	500,000	86,029	582,234	-
Cash provided by (used in) financing activities	198,415	(1,198,723)	705,900	967,304
INVESTING ACTIVITIES				
(Increase) decrease in loan receivable	397,583	(253,460)	(596,442)	-
Acquisition of property and equipment	(16,685)	(184,708)	(97,715)	(311,997)
(Increase) decrease in temporary investments	-	-	254,339	(254,339)
(Purchase) of intangible assets	-	(206,858)	(230,000)	-
Cash (used in) investing activities	380,898	(645,026)	(669,818)	(566,336)
DECREASE IN CASH	(80,170)	(1,495,384)	(141,131)	(85,327)
(BANK INDEBTEDNESS)CASH, BEGINNING OF PERIOD	(1,169,830)	325,554	466,685	552,012
(BANK INDEBTEDNESS) CASH, END OF PERIOD	($1,250,000)	($1,169,830)	$ 325,554	$ 466,685
Supplemental cash flow disclosures:				
Interest paid	$ 200,404	$ 658,237	$ 268,013	$ 138,860
Income taxes paid	$ -	$ -	$ 4,100	$ 38,574

1. BACKGROUND INFORMATION

Nature of Operations

True North Corporation is a leading outsourced marketing services organization that provides sales, marketing and advertising agency services to numerous industries in Canada.

Basis of Presentation

These consolidated financial statements present the accounts of True North Corporation and its' wholly-owned subsidiaries Ross David Smith Enterprises Ltd., TNAG True North Advertising Group Inc., Essentia Marketing Inc., 1170995 Ontario Ltd., Local Knowledge Advertising & Promotions Inc., Majestic Investments Limited and 1269483 Ontario Limited. The consolidated entities will hereinafter be referred to as the Company. All significant intercompany accounts and transactions have been eliminated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The most significant accounting policies are as follows:

(a) *Use of estimates*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles require management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. Although these estimates are based on management's best knowledge of current events, actual results could differ from these estimates.

(b) *Revenue recognition and work in progress*

Sales are recognized on a completed contract basis. Work in progress is recorded at the lower of cost and net realizable value. Cost is calculated as the sum of billable labour hours at standard cost rates plus material costs for projects in progress.

(c) *Property and equipment*

Property and equipment are recorded at cost less accumulated amortization. Amortization is provided over the estimated useful lives of the assets using the following annual rates and methods:

Computer software	100% declining balance
Computer equipment	30% declining balance
Furniture and fixtures	20% declining balance
Leasehold improvements	3 years straight line
Machinery and equipment	20% declining balance
Office equipment	20% declining balance

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) *Deferred debt financing costs*

Costs incurred to obtain debt financing, including finance and legal fees, are deferred and amortized to earnings over the term of the related debt financing.

(e) *Deferred revenue*

Funds received from customers in advance of delivery of services are recorded as deferred revenue until the project has been completed, as sales are recognized on a completed contract basis.

(f) *Income Taxes*

The company utilizes the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined on temporary differences, and are measured using the currently enacted, or substantively enacted, tax rates and laws expected to apply when these differences reverse. A valuation allowance is recorded against any future tax asset if it is more likely than not that the asset will not be realized. Income tax expense or benefit is the sum of the Company's provision for current income taxes and the difference between the opening and ending balances of the future income tax assets and liabilities.

(g) *Earnings per share*

Basic earnings per share is computed by dividing the net income for the period by the weighted average number of common shares outstanding during the period. Fully diluted earnings per share is computed using the treasury method.

(h) *Intangible assets*

i) Customer lists

Customer lists are recorded at cost. Amortization is provided over a ten year term on a straight line basis. Customer lists are reviewed annually for impairment. When evaluating whether or not a customer list is impaired, the Company compares the fair market value of the reporting unit to which the asset is assigned to its' carrying amount. If the carrying amount exceeds its' fair value, then the amount of the impaired loss must be measured. The impairment loss would be calculated by comparing the implied fair value of the reporting unit to its' carrying amount. The customer list was evaluated as at June 30, 2006 and the Company determined that there was impairment of one of the units and, therefore, provided for its write down.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

ii) Vendor code

The vendor code is recorded at cost and reviewed annually for impairment. When evaluating whether or not the asset is impaired, the Company compares the fair value of the reporting unit to which the asset is assigned to its' carrying amount. If the carrying amount of a reporting unit exceeds its' fair value, then the amount of the impairment loss must be measured. The impairment loss would be calculated by comparing the implied fair value of the reporting unit to its' carrying amount. The vendor code was evaluated as at June 30, 2006 and the Company determined that there was impairment and, therefore, provided for its write down.

iii) ***Stock based compensation***

Stock-based payments to non-employees and direct awards of stock to employees and non-employees are accounted for using a fair-value method of accounting. This method requires the estimated fair value of the stock-based compensation to be recognized in earnings.

Grants of stock options to employees are recognized in earnings as a compensation expense, based on the estimated fair value at the date of the grant. This accounting policy is effective for all options granted to employees on or after January 1, 2003.

(iv) ***Financial Instruments***

The Company's financial instruments consist of cash, accounts receivable, income taxes receivable, prepaid expenses and deposits, work in progress, loans receivable, accounts payable, deferred revenue, loans payable, promissory note payable, bank indebtedness and loans due to related parties. Unless otherwise noted, 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 approximate their carrying values, unless otherwise noted.

3. **LOAN RECEIVABLE**

The Company advanced funds to Automotive Video Productions Inc. to fund outstanding liabilities and operating cash flow needs. True North started providing services to their customers under the True North operating entity. The two companies are in final negotiations to finalize a business arrangement, but as of the financial statement report date, no agreement had been signed.

The loan receivable is non-interest bearing and has no fixed repayment terms. Management expects the loan to be repaid during the year. An allowance was taken at June 30, 2006 for the estimated uncollectible portion

4. **PROPERTY AND EQUIPMENT**

	Cost	Accumulated Amortization	June 30, 2006 Net Book Value	Dec. 31, 2005 Net Book Value	Dec. 31, 2004 Net Book Value	Dec. 31, 2003 Net Book Value
Computer software	$ 45,647	$ 44,211	$ 1,436	$ 3,800	$ 18,537	$ -
Computer equipment	209,030	116,603	92,427	107,704	78,932	82,192
Furniture and fixtures	278,094	150,842	127,252	141,421	155,271	197,214
Leasehold improvements	36,578	6,528	30,050	24,147	18,721	16,896
Machinery and equipment	427,475	263,602	163,873	179,270	86,726	78,759
Office equipment	111,372	53,036	58,336	64,816	17,534	16,048
	$1,108,196	$ 634,822	$ 473,374	$ 521,158	$375,721	$ 391,109

5. **INTANGIBLE ASSETS**

The intangible assets include client lists and a vendor code.

	June 30, 2006	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2003
Opening balance	$1,364,260	$ 569,625	$ 339,625	$ 391,875
Acquisition during the year				
- vendor code	-	-	230,000	-
- customer lists	-	899,135	-	-
	1,364,260	1,468,760	569,625	391,875
Write down of impaired value	(457,625)	-	-	-
Accumulated amortization	(26,124)	(104,500)	(52,250)	(52,250)
Closing balance	$ 880,511	$1,364,260	$ 517,375	$ 339,625

During 2005 the Company acquired additional customer lists for a total cash consideration of $315,983 and an assumption of net liabilities of $583,152.

In 2006, the Company wrote down a total of $457,625 on certain customer lists and vendor code.

6. **BANK INDEBTEDNESS**

During 2005 the Company entered into a demand credit facility with the Royal Bank of Canada for a maximum operating line of $1,250,000. The interest rate is at prime plus 1.75% per annum. The credit facility is secured by the assets of the Company and the assets of all of the related companies. In addition, the shareholders have postponed their claims.

7. **PROMISSORY NOTES PAYABLE**

	June 30, 2006	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2003
The promissory note from an unrelated individual is unsecured, bears interest at 8% per annum and is due March 15, 2007.	$285,000	$285,000	$285,000	$285,000
The promissory note bears interest at bank prime plus 1% per annum, due October 2004, with monthly principle payments of $6,500, collaterally secured by a general security agreement from True North Advertising Group Inc. and its subsidiaries.	-	-	-	58,500
The promissory note is unsecured, non-interest bearing and repayable in monthly principal payment of $6,737.	-	-	74,107	-
	285,000	285,000	359,107	343,500
Less: Current portion	-	-	74,107	58,500
	$285,000	$285,000	$285,000	$285,000

8. **CONVERTIBLE DEBENTURE**

On June 30, 2005, the Company entered into a subscription (the "Agreement") to issue a $1.30 million secured convertible debenture (the "debenture") with Quorum Secured Equity Trust. An additional $250,000 was subscribed for in April 2006. The debenture is secured by a subordinated fixed and floating mortgage and charge on the Company's assets. The debenture issued under this agreement is due on December 15, 2009 and is subject to interest payable at 8% per annum calculated monthly, payable quarterly.

The principal amount of the debenture is convertible at the holder's option at (i) $0.35 until June 30, 2006; (ii) $0.385 from July 1, 2006 to June 30, 2007; (iii) $0.4235 from July 1, 2007 to June 30, 2008; (iv) $0.46585 from July 1. 2008 to June 30, 2009; and $0.512435 from July 1, 2009 to December 15, 2009.

The fair value of the debt has been based on discounted cash flows using an estimated cost of borrowing of 8% to represent an estimate of what the Company may borrow secured debt without a conversion option. The resulting allocation based on relative fair value resulted in the allocation of $1.30 million to the debt instrument and no value allocated to the conversion feature.

The Company and the lender have agreed that the following covenants must be maintained during the course of the borrowing. At the 2005 year-end and at June 30, 2006, the Company did not meet the conditions of these covenants.

(i) Earnings before interest, taxes, depreciation and amortization (EBITDA) coverage of at least 3:1.

(ii) Current ratio of at least 1.25:1.

(iii) Total assets to total debt ratio of at least 1.25:1.

9. **DUE TO RELATED PARTIES**

All transactions with related parties that occurred in the normal course of business are measured at their fair value as determined by management, unless otherwise specified.

As at December 31, 2005, the Company owed officers $500,000 on demand (2004 - $500,000). The stated interest rate on the promissory notes is 12%. The promissory notes are unsecured. The promissory notes were converted into common shares subsequent to year end (see note 15).

As at June 30, 2006, the Company owed shareholders $39,122 (2005 - $39,465); (2004 - $66,492). The loan is unsecured and non-interest bearing. The shareholders have agreed not to demand payment for at least a one year period.

As at June 30, 2006, the Company owed $364,001 to Navigate Designs Inc. a company controlled by shareholders (2005 - $364,001); (2004 - $465,000). The loan is unsecured and non-interest bearing. The shareholders have agreed not to demand payment for at least a one year period.

10. **SHARE CAPITAL**

a) **Authorized**
Unlimited preference shares, without nominal or par value, issuable in one or more series. The directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series.

Unlimited common shares, voting rights of one vote per share, participating and without nominal or par value.

	Common Shares		Contributed		Total Shareholder' Equity
	Number	Amount	Surplus	Deficit	(Deficit)
Balance, January 1, 2004	14,000,000	$415,627	$ -	($ 986,992)	($ 571,365)
Shares issued for cash	3,999,698	519,234	-	-	519,234
Warrants issued for cash	-	30,000	80,760	-	110,760
Stock options exercised	-	33,000	-	-	33,000
Stock based compensation	-	-	64,710	-	64,710
Shares issue cost	-	(165,509)	-	-	(165,509)
Net income	-	-	-	55,581	55,581
Balance, December 31, 2004	17,999,698	832,352	145,470	(931,411)	46,411
Shares issued for cash	400,000	39,029	-	-	39,029
Warrants issued for cash	-	-	20,971	-	20,971
Stock option exercised	300,000	47,000	-	-	47,000
Stock based compensation	-	-	262,810	-	262,810
Shares issue costs	-	(172,548)	-	-	(172,548)
Net (loss)	-	-	-	(1,007,256)	(1,007,256)
Balance, December 31, 2005	18,699,698	$745,833	$429,251	($1,938,667)	($ 763,583)

10. SHARE CAPITAL (continued)

On April 3, 2006, the company converted the $500,000 promissory notes held by officers into common shares of the Company. In the conversion, the holders were issued a total of 3,125,000 common shares. The conversion was done in accordance with the terms of the original promissory notes.

b) **Stock options**

On January 6, 2005, the Company granted 760,000 stock options to officers and employees for services at $0.30 that expire in January 2009. The expense related to these options is $252,493.

On June 10, 2005, the Company granted 20,000 stock options to a contractor for services at $0.30 that expire in June 2009. The expense related to these options is $2,582.

On July 25, 2005, the Company granted 50,000 stock options to a contractor for services at $0.24 that expire in July 2007. The expense related to these options is $7,735.

During 2005, 300,000 (2004 – 180,000) of stock options were exercised and the funds received totalled $47,000 (2004 - $33,000).

Stock options are valued using the Black-Scholes option pricing model with the following assumptions:

a) Risk-free interest rate 2.75%;

b) Expected life between 2.0 to 5.0 years;

c) Expected volatility of 128%; and

d) No dividends in the period.

The option expense amount for 2005 totalled $262,810 (2004 - $64,710) for stock-based compensation to employees, directors and officers.

The Company has assumed no forfeiture of options in the year.

The following table summarizes the options outstanding at December 31, 2005:

Weighted Average Exercise Price	Number Outstanding and Exercisable	Weighted Average Remaining Life
$0.15	200,000	2.5 years
$0.17	70,000	0.5 years
$0.20	160,000	0.5 years
$0.225	490,000	3.5 years
$0.24	50,000	1.5 years
$0.30	780,000	4.0 years
	1,750,000	

10. **SHARE CAPITAL** (continued)

c) **Warrants**

During 2005, 200,000 warrants were issued. Total warrants outstanding at December 31, 2005 were 3,299,984 (2004 – 3,099,984). During 2005, 200,000 warrants were exercised at $0.15. Expiration dates for warrants is summarized as follows:

Number Outstanding	Strike Price	Expiration Period
1,000,000	$0.25	July 2007
2,099,984	$0.22	July 2006
200,000	$0.15	July 2006
3,299,984		

11. **INCOME TAXES**

Future income tax assets and liabilities result primarily from differences in recognition of certain timing differences for financial and income tax reporting purposes. The timing differences that give rise to future tax assets at December 31, 2005 and 2004 are as follows:

	2005	2004
Non-capital losses carried forward enacted tax rate – 36%	$1,142,564	$ 756,210
Deferred tax asset	411,323	295,396
Less: Valuation allowance	(411,323)	(295,396)
Net future tax assets	$ -	$ -

Under the liability method, a deferred tax asset or liability is determined based on the difference between the financial statement and tax basis of assets and liabilities, as measured by the enacted tax rates assumed to be in effect when these differences are expected to reverse.

In assessing the realizability of future tax assets, management considers whether it is more likely than not that some portion or all of the future tax assets will not be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of future tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Management has provided for a valuation allowance on all of its' losses as there is no assurance that future tax benefits will be realized.

The non-capital losses carried forward can be utilized to offset future income taxes and expire as follows:

2006	$ 2,138
2007	77
2008	465
2009	275,050
2010	212,433
2011	170,764
2012	481,637
	$1,142,564

12. **COMMITMENTS**

The Company has non-cancellable operating lease commitments for its' premises, vehicles and computer and office equipment which require future minimum annual lease payments as follows:

December 31, 2006	$ 519,628
December 31, 2007	490,576
December 31, 2008	465,602
December 31, 2009	437,779
December 31, 2010	403,147
	$2,316,732

13. **COMPARATIVE FIGURES**

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the June 30, 2006 and 2005 financial statements.

14. **DISCONTINUED OPERATIONS**

In 2004, the Company discontinued the operations of one of the subsidiaries, Local Knowledge Advertising & Promotions Inc. This resulted in a recovery of expenses of $150,519.

15. **QUALIFYING TRANSACTION**

The Company has entered into an agreement with C3 Online Marketing Inc. dated June 14, 2006 whereby True North Corporation will issue 12,750,607 common shares at a deemed value of $0.13 per share for an aggregate deemed value of $1,657,579 in exchange for all of the issued and outstanding shares of C3 Online Marketing Inc.

In addition, the Company has agreed to issue an additional 3,187,651 Company shares to acquire an additional 800,000 C3 shares upon the exercise of the outstanding C3 options. Each C3 option is exercisable at a price of $0.40 per C3 share. On closing, all of the C3 options will be exercised and an aggregate of 800,000 C3 shares will be issued to the option holders at a deemed value of $0.01 per share for an aggregate deemed value of $31,877.

Escrow

The 12,750,607 Company shares to be issued to the C3 shareholders will be held in escrow pursuant to the terms of the Value Security Escrow Agreement. In addition, an aggregate of 11,004,000 Company shares registered in the names of Mark Anthony and Salvatore Iantorno are subject to the terms of a lock-up agreement which has identical release terms to the Value Security Escrow Agreement.

Private Placement

On completion of the proposed acquisition up to 5,400,000 Company shares will be issued pursuant to a Company private placement. The company will issue a minimum of 3,600,000 Company shares and a maximum of 5,400,000 Company shares at a price of $0.14 per Company share. Assuming the minimum Company private placement is subscribed for, the Company will raise an aggregate of $504,000 and an aggregate of $756,000 assuming the maximum company private placement is subscribed for. The Company had a partial closing of 2,700,000 shares for gross proceeds of $378,000 as at September 19, 2006.

The Company private placement will close on or before August 31, 2006. No commission or finder's fee will be paid in connection with the Company private placement.

A filing statement is to be filed with TSX Venture Exchange by True North Corporation in connection with this transaction.

APPENDIX C
FINANCIAL STATEMENTS FOR C3 ONLINE MARKETING INC

C3 Online Marketing Inc.

Financial Statements

December 31, 2005, 2004 and 2003

MOORE STEPHENS COOPER MOLYNEUX LLP
CHARTERED ACCOUNTANTS

8th Floor, 701 Evans Avenue
Toronto, Ontario
Canada M9C 1A3

Telephone: (416) 626-6000
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Auditors' Report

To the Shareholders of
C3 Online Marketing Inc.

We have audited the balance sheets of C3 Online Marketing Inc. as at December 31, 2005, 2004 and 2003 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2005, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Signed: "Moore Stephens Cooper Molyneux LLP"

Chartered Accountants

Toronto, Ontario
January 31, 2006

Balance Sheets

	June 30, 2006	December 31, 2005	2004	2003
	(unaudited)	(audited)	(audited)	(audited)
Assets				
Current assets				
Cash	$ 182,296	$ 95,854	$ 78,244	$ 36,933
Short term investments	1,162,140	707,161	-	-
Accounts receivable	488,348	652,523	416,447	12,565
Prepaid expenses and commissions *(note 7b)*	115,930	32,154	14,711	-
Advances receivable *(note 11)*	150,000	-	-	-
	2,098,714	1,487,692	509,402	49,498
Equipment *(note 4)*	572,714	647,914	513,808	2,000
Deferred finance fees	74,175	-	-	-
	-	-	-	-
	$ 2,745,603	$ 2,135,606	$ 1,023,210	$ 51,498
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	$ 823,666	$ 629,871	$ 261,345	$ 42,197
Deferred revenue	111,090	108,829	175,683	14,878
Due to shareholder *(note 5)*	59,309	59,309	57,000	23,500
Notes payables *(note 3)*	115,693	395,047	135,691	-
Current portion of capital lease obligations (note 6)	28,972	38,928	67,750	-
Current portion of convertible debenture *(note 7)*	980,585	-	-	-
	2,119,315	1,231,984	697,469	80,575
Capital lease obligations *(note 6)*	6,594	18,336	39,986	-
Convertible debenture *(note 7)*	1,335,549	965,915	-	-
	3,461,458	2,216,235	737,455	80,575
Deficiency in assets				
Share capital *(note 8)*	510,724	510,724	510,724	8,002
Equity portion of convertible debenture *(note 7)*	233,324	58,684	-	-
Deficit	(1,459,903)	(650,037)	(224,969)	(37,079)
	(715,855)	(80,629)	285,755	(29,077)
	$ 2,745,603	$ 2,135,606	$ 1,023,210	51,498

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

Approved by the Board

"Terry Ham"

Terry Ham, Director

Statement of Operations and Deficit

	Six months ended June 30, 2006	Six months ended June 30, 2005	Years ended December 31, 2005	Years ended December 31, 2004	Years ended December 31, 2003
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Revenue					
Implementation fees	$ 1,064,425	$ 732,663	$ 1,560,050	$ 222,444	$ 5,500
Hosting fees	503,411	396,138	855,189	223,945	6,003
Subscription fees	70,465	115,133	181,819	144,832	3,625
Other income *(note 9)*	17,580	6,989	166,848	-	-
Software license fees	87,574	40,734	116,310	117,010	-
Domain registration	25,079	37,536	80,364	38,874	2,000
	1,768,534	1,329,193	2,960,580	747,105	17,128
Expenses					
Wages and benefits	1,141,564	705,449	1,549,892	159,610	-
Subcontract and consulting fees *(note 10)*	124,150	167,797	393,994	361,922	14,794
Commissions	206,444	160,083	364,387	110,986	2,000
Telephone and internet	103,953	90,155	193,583	32,128	263
Bad debts	226,511	43,272	154,031	5,708	850
Interest and bank charges	121,378	58,200	128,626	2,317	239
Professional fees	38,243	82,160	111,738	54,001	30,900
Rent *(note 10)*	45,852	52,899	99,318	49,513	5,000
Office and general	88,059	34,098	83,757	33,423	161
Entertainment and travel	19,517	29,551	49,988	96,549	-
Membership and subscriptions	-	-	2,468	-	-
Loss on foreign exchange	2,402	1,573	2,347	3,894	-
Amortization *(note 4)*	158,677	126,562	251,519	24,944	-
	2,276,750	1,551,799	3,385,648	934,995	54,207
Loss from operations	(508,216)	(222,606)	(425,068)	(187,890)	(37,079)
Impairment loss *(note 3 and 4)*	(301,650)	-	-	-	-
Net loss for the periods	(809,866)	(222,606)	(425,068)	(187,890)	(37,079)
Deficit, beginning of periods	(650,037)	(224,969)	(224,969)	(37,079)	-
Deficit, end of periods	$ (1,459,903)	$ (447,575)	$ (650,037)	$ (224,969)	$ (37,079)

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

Statements of Cash Flows

	Six months ended June 30, 2006	Six months ended June 30, 2005	Years ended December 31, 2005	Years ended December 31, 2004	Years ended December 31, 2003
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Cash flow from operating activities					
Cash receipts from clients	$ 1,917,390	$ 1,190,957	$ 2,377,943	$ 504,032	$ 18,591
Cash paid to subcontractors, suppliers and employees	(2,122,837)	(1,125,050)	(2,545,156)	(711,434)	(11,160)
Interest received	17,580	6,990	16,987	-	-
Interest paid	(96,519)	(48,393)	(113,834)	-	-
	(284,386)	24,504	(264,060)	(207,402)	7,431
Cash flow from investing activities					
Purchase of equipment	(394,839)	(79,677)	(113,667)	(423,200)	(2,000)
Fee received *(note 9)*	-	-	109,290	-	-
Purchase of short term investments	(454,979)	(854,163)	(707,161)	-	-
	(849,818)	(933,840)	(711,538)	(423,200)	(2,000)
Cash flow from financing activities					
Advances from shareholder	-	2,309	2,309	33,500	23,500
Issuance of share capital	-	-	-	502,722	8,002
(Decrease) increase in note payable	(279,354)	(9,101)	(9,101)	135,691	-
Increase in convertible debenture	1,500,000	1,000,000	1,000,000	-	-
	1,220,646	993,208	993,208	671,913	31,502
Increase in cash	86,442	83,872	17,610	41,311	36,933
Cash, beginning of periods	95,854	78,244	78,244	36,933	-
Cash, end of periods	$ 182,296	$ 162,116	$ 95,854	$ 78,244	$ 36,933

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

1. Business of the Company

C3 Online Marketing Inc. ("the Company") is a unique solutions company that provides clients with a fully integrated online marketing solution using a base set of tool-kit marketing modules.

2. Significant Accounting Policies

These financial statements are stated in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles.

Short term investments

Short term investments are carried at the lower of cost and market value.

Accounts receivable and deferred revenue

The Company defers revenue recognition of advanced billings and prepayments and recognizes such amounts as revenues as services are delivered.

Deferred finance costs

Finance costs are deferred and amortized on a straight line basis over the term of the related debt.

Equipment

Equipment is recorded at cost. Amortization is provided over the expected useful lives of the equipment using the following methods and annual rates:

Computer software	-	2 years	straight-line
Computer hardware	-	33 %	declining balance
Office furniture and equipment	-	20 %	declining balance
Website development costs	-	3 years	straight-line

Impairment of long-lived assets

Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances indicating that the carrying value of the asset may not be recoverable, as measured by comparing their net book value to the estimated undiscounted future cash flows generated by their use. Impaired assets are recorded at fair value, determined principally using discounted future cash flows expected from their use and eventual disposal.

Leases

Leases entered into by the Company as a lessee are classified as capital or operating leases. Leases that transfer substantially all of the risks and benefits incidental to ownership are classified as capital leases. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the assets' fair market value at the beginning of such lease.

Stock based compensation

The Company has in effect a Stock Option Plan. Stock options awarded are accounted for using the fair value-based method. Fair value is calculated using the Black Scholes option pricing model. Consideration paid on the exercise of stock options is credited to share capital together with any accumulated contributed surplus.

2. Significant Accounting Policies - continued

Revenue recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and collectibility is probable. The Company's revenues as recorded are derived presently from:

(a) Hosting fees are generated from hosting computer hardware and software operations of customers' applications. Hosting fees are billed in advance and revenue is recognized when the service has been provided, on a monthly basis.

(b) Implementation fees are generated from implementation services provided to customers in the set-up and management of the purchased software. Assistance in running contests is also offered when requested. Implementation fees are recognized as the services are provided.

(c) Subscription fees are generated from software licensing arrangements. The license arrangements do not provide for the right of return and are offered on a subscription basis. Subscription fees are billed annually and revenue is recognized monthly.

(d) Software license fees are generated from software licensing arrangements. The license arrangements do not provide for the right of return and are offered on a perpetual basis. Revenue from software license arrangements is recognized when the software products or services have been delivered to the customer. Delivery is considered to have occurred when electronic delivery of the software has occurred.

(e) Domain registration fees are generated from the purchase and rental of domain URL's and SSL's. Domain registration fees are billed and revenue is recognized upon purchase.

Income taxes

The Company applies the asset and liability method of accounting for income taxes. Under this method, future income tax, assets and liabilities are determined based on "temporary differences" (differences between the accounting basis and the tax basis of the assets and liabilities), and are measured using the currently enacted, or substantively enacted, tax rates and laws expected to apply when these differences reverse. A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized.

Foreign exchange

Monetary assets and liabilities in U.S. dollars are translated into Canadian dollars at the period end rate of exchange and non-monetary assets and liabilities in U.S. dollars are translated into Canadian dollars at their respective historical exchange rates. Any gains or losses are reflected in income. Revenues and expenses are translated into Canadian dollars at the rate of exchange prevailing at the time of the transaction.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Asset Purchases

a) On December 3, 2004, the Company entered into an Asset Purchase Agreement with 1636559 Ontario Inc. and a related individual. Under the terms of the agreement, the Company issued 1,400,000 Series A preferred shares valued at $502,722 and a promissory note in the amount of $232,338 in exchange for accounts receivable valued at $402,338, computer software valued at $339,597 and computer assets valued at $19,814. The Company also hired the former employees of 1636559 Ontario Inc. and assumed capital lease obligations valued at $113,553.

The promissory note is non-interest bearing, secured by certain accounts receivable balances and repayable upon collection of the accounts receivable balances purchased. The Company has the right to reduce the balance owing by any receivable balances determined to be uncollectible.

At June 30, 2006, the unpaid portion of the note amounted to $80,693 (December 31, 2005 - $126,590; 2004 - $135,691; 2003 - Nil).

b) On December 15, 2005, the Company entered into an agreement to acquire certain intellectual property of Pomegranate Media Inc. ("POM"), an interactive web marketing company, for an aggregate purchase price of $260,000 payable as follows: (a) $60,000 at closing to One World Inc. (as directed by POM), (b) $30,000 at closing to POM, (c) $60,000 to an executive of POM in equal monthly installments over calendar 2006, (d) $60,000 to another executive of POM in equal monthly installments over calendar 2006, and (e) $50,000 to POM, with a first installment of $10,000 payable upon the POM business unit within the Company achieving gross booked revenue in calendar 2006 of $200,000, and additional $10,000 linstalments for each incremental $100,000 of booked revenue in calendar 2006. The closing took place on January 9, 2006.

During the period ended June 30, 2006, the amount outlined in (e) was advanced to POM, secured by personal guarantees from the executives in (c) and (d) as a non-interest bearing promissory note, due December 31, 2006, with amounts deemed to have been repaid as the stipulated booked revenue milestones were achieved. Payment of the amounts specified in (c), (d), and (e) are further contingent on the executives remaining with the Company or being terminated with cause.

At June 30, 2006, the unpaid acquisition costs amount to $35,000 (December 31, 2005 - $268,457) and have been included in notes payable.

As part of the Purchase Price, the Company also obtained the option to acquire the shares of POM for a price of $37,500, exercisable between September 1, 2007 and December 30, 2007.

c) On April 7, 2006, the Company entered into an agreement to acquire the assets of Canada 1 Sales and Marketing Services Inc. for an amount of $50,000 which was paid by the Company on closing.

As part of the agreement, the Company reimbursed the lease payments for the seller's leased premises for a period of three months or until such time that these premises are leased, whichever shall occur first. Included in rent is $5,000 reimbursed by the Company to June 30, 2006 and a further $2,613 was paid subsequent to the period end.

Notes to Financial Statements
(Information provided for June 30, 2006 and 2005 is unaudited)

4. Equipment

	June 30, 2006	December 31, 2005	2004	2003
Computer software	$ 485,023	$ 611,554	$ 339,597	$ -
Computer hardware under capital lease	136,812	136,812	113,553	-
Computer hardware	310,244	127,216	58,626	-
Office furniture and equipment	68,218	46,830	24,976	-
Website development costs	2,000	2,000	2,000	2,000
	1,002,297	924,412	538,752	2,000
Less: Accumulated amortization	429,583	276,498	24,944	-
	$ 572,714	$ 647,914	$ 513,808	$ 2,000

Included in amortization expense is current period amortization of $15,934 (December 31, 2005 - $36,568; 2004 - $21,968; 2003 - Nil) relating to computer hardware under capital lease.

During the current period, the Company determined that certain intellectual property acquired was impaired at June 30, 2006. The total impairment loss recognized amounted to $301,650.

5. Due to Shareholder

The balance due to a shareholder consists of advances which are non-interest bearing and due on demand.

6. Obligations Under Capital Leases

	June 30, 2006	December 31, 2005	2004	2003
Capital lease obligations for computer equipment, bearing interest at an average rate of approximately 10%, repayable in monthly payments of $1,976, secured by the related equipment and maturing from July 2006 to December 2008;	$ 35,566	$ 57,264	$ 107,736	$ -
Less: Current portion	28,972	38,928	67,750	-
	$ 6,594	$ 18,336	$ 39,986	$ -

The future minimum lease payments for capital leases are as follows:

2007	$ 33,226
2008	7,642
	40,868
Less: Amount representing interest	5,302
	$ 35,566

Notes to Financial Statements
(Information provided for June 30, 2006 and 2005 is unaudited)

7. Convertible Debenture

	June 30, 2006	December 31, 2005	2004	2003
Convertible debenture with a face value of $1,000,000 bearing interest at a rate of 10% per annum calculated and payable quarterly in advance commencing June 1, 2005 and having a maturity date of February 28, 2007. (a)	$ 980,585	$ 965,915	$ -	$ -
Convertible debenture with a face value of $1,500,000 bearing interest at a rate of 8.50% per annum calculated and payable quarterly in advance commencing June 1, 2007 and having a maturity date of March 17, 2011. As stipulated in the agreement, the Company paid on closing the interest payable for the period from March 17, 2006 to March 17, 2007 amounting to $127,500 of which $90,313 represents and has been accounted for as prepaid interest as at June 30, 2006. (b)	1,195,550	-	-	-
	2,176,135	965,915	-	-
Less: Current portion	980,585	-	-	-
	$ 1,195,550	$ 965,915	$ -	$ -

The liability components of the convertible debentures are calculated by present valuing the cash flows at an interest rate applicable to non-convertible debt. The equity value of the convertible debt is comprised of the fair value of the conversion option and the warrants. The liability portion of the convertible debenture is accreted over its term to the full face value by charges to interest expense.

(a) In the event of default, change of control, or on the maturity date of the debenture, if the Company has not completed a Qualifying Event, the Debenture shall be due and payable and shall bear additional interest calculated at such a rate so as to provide the holder with a total return of 25% over a period of 2 years. Subject to certain conditions, the holder will have the right, at its option, at any time up to and including the maturity date to convert the principal amount then due under the Debenture into common shares of the Company at a price of $1.25 per share. If the Company has not completed a Qualifying Event at the time the holder exercises its option to convert, and if none of the officers of the Corporation are aware of any bona fide offer from a third-party with respect to the shares or assets of the Company, then the Company will have the option to repay all of the principal and interest due there under.

Subject to certain exceptions, the Debenture is secured by first-ranking charge over all of the assets of the Company. The Company has also covenanted to meet the following Financial Tests: (i) generate revenues corresponding to at least 70% of its projected revenue, and (ii) not exceed its projected expenditures (excluding interest, taxes, amortization and depreciation), both with respect to the Company's 2005 fiscal year. Breach of this covenant constitutes an event of default.

7. Convertible Debenture - continued

As part of the issuance of the Debenture, holders of the Debenture were issued warrants to acquire 50,000 common shares of the Company at a price of $1.50 per share, continuing up to and including February 28, 2010.

(b) The security interest securing this Debenture will rank pari-passu with the security interest granted by the Company to the holder of the Debenture (a) and shall be granted on a pro-rata basis with the Debenture (a) security interest, pursuant to a security sharing agreement between the holder of this Debenture, the holder of Debenture (a) and the Company.

Upon the occurrence of any event of default, all obligations and all monies secured shall at the option of the holder become forthwith due and payable and all of the rights and remedies hereby conferred in respect of the mortgaged property shall become immediately enforceable and any and all additional and collateral securities for payment of this Debenture shall become immediately enforceable. The holder shall have the right, at its option, at any time up until the maturity date to convert the principal amount then due under the Debenture into that number of fully paid and non-assessable common shares obtained by dividing such principal amount then due by $2.05, the conversion price, and in the event that the holder converts a portion of the Debenture, the number of common shares to be issued on the partial conversion shall be calculated on a pro-rata basis. If the holder has converted the Debenture into common shares prior to the maturity date and the Corporation has not completed a Qualifying Event on or before the maturity date, the holder has the option at any time on or after the maturity date to require the Company to repurchase the common shares it received pursuant to the conversion of the Debenture upon the date 30 days from the Company's receipt of a notice at a price equal to $2.05 per common share together with interest thereon at 8.5% per annum from the date of the conversion of the Debenture to the date of the repurchase of the common shares. Such purchase price will be repaid in full in cash on closing against delivery of the shares. The Company has also covenanted to perform and observe the following financial tests in accordance with the following terms: (i) generate revenues corresponding to at least 80% of its projected revenue and achieve positive EBITDA which will cover the interest payments to the holder of this Debenture and any other debt on a quarterly basis commencing June 1, 2006; (ii) maintain a ratio of not less than one to one (1:1) of current assets (including cash, short term investments, inventory and accounts receivable) to current liabilities (including accounts payables, all debt and a current portion of capital lease obligations, but excluding the amounts due to shareholders and as such amounts due to shareholders may increase from time to time, all non-cash items and Debenture (a), measured on a quarterly basis commencing from June 1, 2006.

Notes to Financial Statements
(Information provided for June 30, 2006 and 2005 is unaudited)

8. Share Capital

(a) Authorized

Unlimited Class A shares, non-cumulative, voting, redeemable at $0.001 per share

Unlimited Common shares

(b) Issued

		June 30, 2006	December 31, 2005	2004	2003
1,400,000	Class A shares *(note 3(a))*	$ 502,722	$ 502,722	$ 502,722	$ -
1,000,000	Common shares	8,002	8,002	8,002	8,002
		$ 510,724	$ 510,724	$ 510,724	$ 8,002

(c) Warrants

Details of warrants outstanding are as follows:

Number of warrants	Price/Warrant	Expiry Date
50,000	$1.50	February 28, 2010

(d) Stock Option Plan

On September 14, 2005, the Company established a plan to grant options ("ESOP") to purchase non-voting common shares of the Company to its executives, employees, directors, consultants and others who have contributed to the development of the Company. The number of options available under the ESOP is determined by the Board from time to time. At June 30, 2006, 800,000 options for non-voting common shares are currently available for allocation of which 500,000 were granted in September 2005. None of these options have vested to date. The options granted are non-transferable and non-assignable and are subject to terms established by the Board and as in certain circumstances may be amended by the Board, which currently include, but are not limited to the following: (i) a strike price $1.25, (ii) a 3 year vesting period, with options vesting to the extent of 33.3% at the end of each year from the date of issuance, and (iii) an exercise period of 7 years from the date of issuance. The plan terminates on the earlier of September 14, 2012, or at the Board's discretion in the event of a Change of Control (defined as the acquisition of Control by any person, subject to certain exceptions). In the event of a Change of Control the options granted will fully vest for Senior Managers who have been employed for a minimum period of one year from their issuance and whose employment is in good standing, while early vesting for all others will be at the discretion of the Board.

Notes to Financial Statements
(Information provided for June 30, 2006 and 2005 is unaudited)

9. Other Income

On June 29, 2005, the Company entered into a non-binding Letter of Intent granting Advantex Marketing International Inc. ("Advantex") the exclusive option to purchase the shares of the Company. If a definitive agreement was not signed by the parties on or before July 29, 2005 the option would expire. On July 29, 2005 the definitive purchase agreement had not been executed and the option expired. Pursuant to the terms of the Letter of Intent, Advantex was required to pay a fee of $75,000 for not proceeding with the transaction and to reimburse the Company for all third party costs incurred of $34,290, in connection with the transaction, the total of which is included in other income.

10. Related Party Transactions

During the year, the Company was charged rent of $Nil (June 30, 2005 - $48,000; December 31, 2005 - $48,000; 2004 - $42,000; 2003 - $5,000) and subcontract fees of $Nil (June 30, 2005 - Nil; December 31, 2005 - $Nil; 2004 - $345,771; 2003 - $14,794) by shareholders of the Company. These transactions are in the normal course of business and recorded at the exchange amounts which are the amounts established and agreed to by the related parties.

11. Income Taxes

Current income taxes

A reconciliation of combined federal and provincial corporate income taxes at statutory rates and the Company's effective income tax expense is as follows:

	Six months ended June 30, 2006	Six months ended June 30, 2005	Years ended December 31, 2005	Years ended December 31, 2004	Years ended December 31, 2003
Income taxes at statutory rates	$ (150,797)	$ (41,449)	$ (79,148)	$ (34,985)	$ (6,904)
Tax effect of expenses not deductible for income tax purposes	6,446	4,577	6,480	8,989	-
Tax effect of differences in the timing of deductibility of items for income tax purposes					
- capital cost allowance	33,113	5,383	9,353	(29,394)	(53)
- capital leases	(4,040)	(6,239)	(13,698)	(806)	-
Recovery of income taxes	(115,278)	(37,728)	(77,013)	(56,196)	(6,957)
Valuation allowance	115,278	37,728	77,013	56,196	6,957
	$ -	$ -	$ -	$ -	$ -

Notes to Financial Statements
(Information provided for June 30, 2006 and 2005 is unaudited)

11. Income Taxes - continued

Future income taxes

The approximate tax effect of each type of temporary difference that gives rise to the Company's future tax assets (liabilities) are as follows:

	June 30, 2006	December 31, 2005	2004	2003
Non-capital losses	$ 230,893	$ 115,615	$ 122,655	$ 14,198
Undepreciated capital cost	16,054	(18,867)	(58,255)	(108)
	-	-	-	-
	-	-	-	-
	246,947	96,748	64,400	14,090
Valuation allowance	(246,947)	(96,748)	(64,400)	(14,090)
	$ -	$ -	$ -	$ -

Non-capital losses carried forward

The Company has losses available to reduce future taxable income. These losses expire as follows:

2010	$ 37,364
2014	303,343
2015	280,209
2016	619,110
	$ 1,240,026

12. Commitments

Contractual commitments

On June 29, 2006, the Company entered into an agreement with True North Corporation ("TNC") (*note 13*) to retain TNC to perform marketing services at a future date. The Company agreed to deposit with TNC the aggregate sum of $400,000 to be credited against the provision of the future services. At June 30, 2006, the Company had paid $150,000 of this commitment and subsequent to the period end, the balance of $250,000 was paid in full.

Lease commitments

At June 30, 2006, the Company was committed to operating lease payments for office premises in the following amounts:

2007	$ 71,442
2008	68,819
2009	71,825
2010	75,005
	$ 287,091

13. Financial Instruments

Credit risk

The Company is exposed to credit risk on the accounts receivable from clients. In order to reduce its credit risk, the Company has adopted credit policies which include the regular review of outstanding accounts receivable. The Company does not have a significant exposure to any individual clients or counterparty.

Fair value

The carrying amount of cash, short term investments, accounts receivable, accounts payable and accrued liabilities, and deferred revenue approximates their fair value because of the short term maturities of these items. It is not practical to determine the fair value of the balance due to a shareholder and the balance due on the notes payable due to the related party nature of these amounts and the absence of a market for such financial instruments.

14. Subsequent Events

Subsequent to the period end, the Company

(a) On June 14, 2006, the True North Corporation ("TNC") and the Company signed a Securities Exchange Agreement (the "Agreement"). Under the terms of the Agreement, TNC will issue an aggregate of 12,750,607 shares at a deemed value of $0.13 per share for an aggregate deemed value of $1,657,579 in exchange for all of the issued and outstanding shares of the Company.

In addition, TNC will issue an additional 3,187,651 shares to acquire an additional 800,000 shares of the Company issued upon the exercise of the Options of the Company. The terms of the options of the Company will be amended such that they are exercisable immediately at a price of $0.01 per share. On Closing, all of the options of the Company will be exercised with an aggregate of 800,000 shares be issued to the option holders for which TNC will issue an additional 3,187,651 shares to acquire these shares.

Upon closing of the Agreement, the holder of the $1,000,000 convertible debenture has agreed to enter into a Debenture Amending Agreement. The Debenture Amending Agreement provides for an extension of the maturity date of the debenture from February 28, 2007 to February 28, 2008 and a reduction in the annual interest rate from 10% per annum to 8% per annum. The agreement also provides that the internal rate of return of 25% provided for over the original term of the debenture shall be calculated and crystallized by the Company and the holder on February 28, 2007 with the value added to the principal sum of the debenture.

In addition, upon closing certain parties have agreed to defer payment of balances owing to them by the Company until December 31, 2007. Included in these deferred amounts are unpaid compensation due to employees in the amount of $236,000, notes payable held by related parties in the amount of $115,693, and advances from the shareholders in the amount of $59,309.

TNC will seek written approval for the Proposed Acquisition from shareholders owning a minimum of 50.1% of the issued and outstanding shares of TNC.

14. Subsequent Events - continued

(b) The Company granted an additional 300,000 stock options to an officer and director of the Company as per the stock option plan. The options granted are non-transferable and non-assignable and are subject to the following term: (i) a strike price $1.25, (ii) a 3 year vesting period, with options vesting to the extent of 33.3% at the end of each year from the date of issuance, and (iii) an exercise period of 7 years from the date of issuance.

CERTIFICATE OF TRUE NORTH CORPORATION

Dated: October 13, 2006

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities of True North Corporation assuming Completion of the Proposed Acquisition.

(signed) Mark Anthony
President and Chief Executive Officer

(signed) Marie Peri
Chief Financial Officer

On behalf of the Board of Directors

(signed) Salvatore Iantorno
Director

(signed) Frank Peri
Director

CERTIFICATE OF C3 ONLINE MARKETING INC.

Dated: October 13, 2006

The foregoing as it relates to C3 Online Marketing Inc. constitutes full, true and plain disclosure of all material facts that relating to the securities of C3 Online Marketing Inc.

(signed) Terry Ham
President and Chief Executive Officer

On behalf of the Board of Directors

(signed) Richard Dole Director	(signed) Wanda Dorosz Director

CONSENTS OF AUDITORS

Danziger & Hochman
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AUDITORS' CONSENT

We have read the Filing Statement dated October 13, 2006 with respect to the Proposed Acquisition by True North Corporation "True North" of all the issued and outstanding shares of C3 Online Marketing Inc. We have complied with Canadian generally accepted standards for an auditors' involvement with offering documents.

We consent to the use in the above-mentioned Filing Statement of our report to the directors of True North Corporation under date of April 4, 2006 on the balance sheets as at December 31, 2005 and 2004 and the statements of operations and deficit and cash flows for the years ended December 31, 2005 and 2004.

Yours very truly,

Danziger + Hochman

Danziger & Hochman
Chartered Accountants
Toronto, Ontario

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AUDITORS' CONSENT

We have read the Filing Statement dated October 13, 2006 with respect to the Proposed Acquisition by True North Corporation ("True North") of all the issued and outstanding shares of C3 Online Marketing Inc. ("C3 Online"). We have complied with Canadian generally accepted standards for an auditors' involvement with offering documents.

We consent to the use in the above-mentioned Filing Statement of our report to the directors of C3 Online under date of January 31, 2006 on the balance sheets as at December 31, 2005, 2004 and 2003 and the statements of operations and deficit and cash flows for the years ended December 31, 2005, 2004 and 2003.

Moore Stephens Cooper Molyneux LLP

Chartered Accountants
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