

Edgar Filing: ABLEAUCTIONS COM INC - Form 10QSB

ABLEAUCTIONS COM INC  
Form 10QSB  
August 14, 2002

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

-----  
FORM 10-QSB

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2002

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission file number 0-28179

ABLEAUCTIONS.COM, INC.

(Exact name of small business issuer in its charter)

Florida

59-3404233

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(I.R.S. Employer Identification No.)

1222 46th Avenue East  
Fife, Washington  
98424

(Address of principal executive offices)

(253) 926-1122

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports  
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of  
1934 during the preceding 12 months (or for such shorter period that the  
registrant was required to file such reports), and (2) has been subject to such  
filing requirements for the past 90 days. Yes  No

The number of outstanding common shares, \$ .001 par value, of the registrant  
at August 10, 2002 was 26,536,315

ABLEAUCTIONS.COM, INC.

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2002

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ABLEAUCTIONS.COM, INC.

## CONSOLIDATED BALANCE SHEET (Unaudited)

	JUNE 30 2002	DECEMBER 31 2001
<hr/>		
<b>ASSETS</b>		
Current		
Cash and cash equivalents	\$ 416,567	\$ 673,829
Accounts receivable - trade	448,078	105,468
Inventory	153,099	257,832
Prepaid expenses	177,149	227,745
Current portion of receivable on agreement for sale	-	5,421
	<hr/>	<hr/>
	1,194,893	1,270,295
Note Receivable	-	100,000
Trademark, net	7,843	8,788
Capital Assets, net	2,604,335	2,737,636
Web Site Development Costs, net	2,797	31,027
	<hr/>	<hr/>
	\$ 3,809,868	\$ 4,147,746
<hr/>		
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	\$ 1,971,048	\$ 1,847,212
Current portion of promissory note	9,642	9,592
Deferred compensation on notes	2,921,587	2,762,808
	<hr/>	<hr/>
	4,902,277	4,619,612
Promissory Note	1,029,822	1,030,718
	<hr/>	<hr/>
	5,932,099	5,650,330
<hr/>		
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
Capital Stock		
Authorized:		
62,500,000 common shares with a par value of \$0.001		
Issued and outstanding common shares:		
June 30, 2002 - 25,843,065	25,843	25,127
December 31, 2001 - 25,127,020	25,843	25,127
Additional paid-in capital	23,697,273	23,439,124
Deferred Option Plan Compensation	(204,783)	(309,885)
Deficit	(25,599,842)	(24,618,078)
Accumulated Other Comprehensive Income (Loss)	(40,722)	(38,872)
	<hr/>	<hr/>
	(2,122,231)	(1,502,584)
	<hr/>	<hr/>
	\$ 3,809,868	\$ 4,147,746
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ABLEAUCTIONS.COM, INC.

CONSOLIDATED STATEMENT OF OPERATIONS  
(Unaudited)

	3 MONTHS ENDED JUNE 30		6 MONTHS END JUNE 30	
	2002	2001	2002	2001
Revenues				
Sales	\$ 1,387,444	\$ 2,423,926	\$ 2,834,638	\$ 3,000,000
Commissions	723,660	808,709	1,976,224	1,976,224
	2,111,104	3,232,635	4,810,862	5,000,000
Cost Of Revenues	935,913	1,847,043	2,189,714	2,189,714
Gross Profit	1,175,191	1,385,592	2,621,148	3,000,000
Expenses				
Operating expenses (Note 3)	1,604,596	1,582,095	3,240,408	3,240,408
Amortization of goodwill	-	74,320	-	-
Depreciation and amortization of capital assets	71,952	93,939	148,377	148,377
Interest on deferred compensation on notes	80,241	-	159,192	159,192
Interest on promissory note	23,898	30,057	47,760	47,760
	1,780,687	1,780,411	3,595,737	3,595,737
Income (Loss) Before Other Items	(605,496)	(394,819)	(974,589)	(974,589)
Other Items				
Interest income	(3,266)	2,175	1,068	1,068
Foreign exchange gain (loss)	(4,761)	(957)	(8,243)	(8,243)
	(8,027)	1,218	(7,175)	(7,175)
Income (Loss) From Continuing Operations	(613,523)	(393,601)	(981,764)	(981,764)
Loss On Disposition Of Subsidiaries	-	-	-	-
Loss From Discontinued Operations	-	-	-	-
Loss For The Period	\$ (613,523)	\$ (393,601)	\$ (981,764)	\$ (981,764)
Basic And Diluted Loss Per Share				
Income (Loss) from continuing operations	\$ (0.02)	\$ (0.02)	\$ (0.04)	\$ (0.04)
Loss for the period	\$ (0.02)	\$ -	\$ (0.04)	\$ (0.04)
Weighted Average Number Of Shares Outstanding	25,485,042	20,976,661	25,276,114	20,976,661

ABLEAUCTIONS.COM, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

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(Unaudited)

	6 MONTHS ENDED JUNE 30	
	2002	2001
<b>Cash Flows from Operating Activities</b>		
Income (loss) for the period from continuing operations	\$(981,764)	\$ (380,019)
Non-cash items included in net loss:		
Depreciation and amortization	148,377	179,320
Amortization of goodwill	-	145,575
Bad debts	-	436
Interest on deferred compensation on notes	158,779	-
Stock based compensation	105,102	105,102
Shares issued for other than cash	94,122	
	(475,384)	50,414
<b>Changes in operating working capital items:</b>		
(Increase) Decrease in accounts receivable	(337,188)	(165,419)
(Increase) Decrease in inventory	104,733	(333,150)
Increase (Decrease) in prepaid expenses	50,596	42,778
Increase (Decrease) in accounts payable and accrued liabilities	288,579	(8,075)
	(368,664)	(413,452)
<b>Cash Used in Discontinued Operations</b>		
Loss for the year from discontinued operations	-	(36,283)
Change in net assets of discontinued operations	-	125,131
	-	88,848
<b>Cash Flows from Investing Activities</b>		
Purchase of capital assets, net	14,098	(53,591)
Proceeds on disposition of subsidiaries, net of cash divested	-	23,207
Proceeds of receivable on agreement for sale	-	4,404
Note receivable	100,000	-
	114,098	(25,980)
<b>Cash Flows from Financing Activities</b>		
Repayment of promissory note	(846)	(4,075)
	(846)	(4,075)
Change in Cash And Cash Equivalents For The Period	(255,412)	(354,659)
Cash And Cash Equivalents, Beginning Of The Period	673,829	1,376,814
Effect Of Exchange Rates On Cash	(1,850)	13,282
	\$ 416,567	\$1,035,437

## SUPPLEMENTAL CASH FLOW INFORMATION

During the period ended June 30, 2002, the Company issued 716,045 common shares

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in exchange for debt totalling \$164,743, and services and compensation totalling \$94,122

ABLEAUCTIONS.COM, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2002

### 1. BUSINESS AND BASIS OF ORGANIZATION

Ableauctions.com, Inc. (the 'Company') was organized on September 30, 1996, under the laws of the State of Florida, as J.B. Financial Services, Inc. On July 19, 1999, an Article of Amendment was filed with the State of Florida for the change of the Company's name from J.B. Financial Services, Inc. to Ableauctions.com, Inc.

The Company's primary business activity is as a high-tech business-to-business and consumer auctioneer that conducts its auctions live and simultaneously broadcasts over the Internet. The Company liquidates a broad range of computers, electronics, office equipment, furniture and industrial equipment that it acquires through bankruptcies, insolvencies and defaults.

The Company's primary operating subsidiaries at December 31, 2001 were:

Able Auctions (1991) Ltd., operating a Canadian-based auction business.

Ableauctions.com (Washington) Inc., operating an U.S.-based auction business.

Ehli's Commercial/Industrial Auctions, Inc., an U.S.-based liquidator of automobiles and industrial equipment.

Icollector International Ltd., a Canadian-based Internet auction facility.

Jarvis Industries Ltd., a Canadian-based auction house.

The unaudited consolidated financial statements of the Company at June 30, 2002 include the accounts of the Company and its wholly-owned subsidiaries, and reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the financial position and operating results for the interim period. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in these interim statements under the rules and regulations of the Securities and Exchange Commission ("SEC"). Accounting policies used in fiscal 2002 are consistent with those used in fiscal 2001. The results of operations for the six months period ended June 30, 2002 are not necessarily indicative of the results for the entire fiscal year ending December 31, 2002. These interim financial statements should be read in conjunction with the financial statements for the fiscal year ended December 31, 2001 and the notes thereto included in the Company's Form 10-KSB filed with the SEC on April 23, 2001. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States.

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ABLEAUCTIONS.COM, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2002  
(Unaudited)

### 2. LIQUIDITY AND FUTURE OPERATIONS

The Company has sustained net losses and negative cash flows from operations since its inception. At June 30, 2002 the Company has negative working capital of \$3,707,384. The Company's ability to meet its obligations in the ordinary course of business is dependent upon its ability to establish profitable operations and to obtain additional funding through public or private equity or debt financing. Management is seeking to increase revenues through continued marketing of its services; however, additional funding is required.

Management is working to obtain sufficient working capital from external sources in order to continue operations. There is, however, no assurance that the aforementioned events, including the receipt of additional funding, will occur or be successful.

### 3. OPERATING EXPENSES

	3 MONTHS ENDED		6 MONTHS ENDED	
	JUNE 30		JUNE 30	
	2002	2001	2002	2001
OPERATING EXPENSES				
Accounting and legal	\$ 86,102	\$ 18,522	\$ 102,336	\$ 35,148
Advertising and promotion	238,791	276,639	519,624	534,588
Automobile	29,293	19,112	42,662	33,841
Bad debts	858	174	858	436
Commission	47,655	36,706	131,972	58,288
Consulting	83,458	88,078	127,477	191,614
Insurance	45,047	37,961	77,510	58,920
Investor relations and shareholder information	19,234		19,734	1,176
Licenses and permits	1,158	616	1,158	1,610
Management fees	51,937		102,777	-
Office and administration	44,149	170,842	178,692	253,799
Rent and utilities	207,736	181,591	404,339	389,255
Repairs and maintenance	15,701	37,871	26,853	72,596
Salaries and benefits	656,109	651,099	1,347,669	1,296,542
Telephone	36,518	38,197	68,688	86,113
Travel	10,317	24,687	19,305	33,245
Website maintenance	30,533		68,754	-
Total operating expenses	1,604,596	1,582,095	3,240,408	3,047,171

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### 4. SUBSEQUENT EVENTS.

On July 17, 2002 the Company entered into an agreement to sell the Arizona building for \$1,700,000 and has moved its Tacoma, Washington operations into a 42,000 sq. ft. six acre auction facility that will now serve as the head office for the Company. The selling price for the Company's Arizona property was \$1,700,000. The purchase price was paid \$400,000 in cash, \$1,000,000 by the assumption of the mortgage on the property, and \$300,000 in inventory with an estimated value of \$700,000 at retail and guaranteed to realize at least \$300,000 for the Company. This guarantee was secured with a charge against the property.

### 5. STOCK OPTION PLAN

On May 28, 2002, the Company adopted the 2002 Consultant Stock Option Plan. A total of 2,500,000 shares of common stock have been reserved to be issued under the plan. As of June 30, 2002, no options had been granted under the plan.

### 6. RELATED PARTY TRANSACTIONS

During the six month period ended June 30, 2002 the following related party transactions occurred:

- a) The Company paid rent of \$51,460 to a company controlled by a director and officer of the Company
- b) The Company paid \$76,238 in consulting fees to a company controlled by a director and officer of the Company
- c) Included in accounts payable is amount of \$277,666 owing to a company controlled by a director and officer of the Company

## ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Overview

The following discussion on our results of operations should be read in conjunction with our audited consolidated financial statements and the related notes for the year ended December 31, 2001. Our financial statements have been prepared in accordance with United States generally accepted accounting principles.

### Results of Operations

Three Months Ended June 30, 2002 Compared To The Three Months Ended June 30, 2001.

Revenues. During the three months ended June 30, 2002, we had net auction revenues of \$2,111,104 compared to \$3,232,635 during the same period in 2001, a decrease of \$1,121,531 or approximately 34.7%. Sales of goods were 65.7% of our revenues during the three month period ended June 30, 2002, compared to 75.0% during the three month period ended June 30, 2001. Due to cash flow constraints in the latter part of 2001 and in 2002, we have not been in a position to acquire as much inventory as our business plan had anticipated. As a result we have conducted a larger proportion of our auctions on a consignment basis. We anticipate that revenues from the sales of goods will increase as a percentage of revenues, as we still plan to conduct a greater number of auctions using inventory we purchase in buy-out situations, which generally results in higher

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gross profit margins.

Operating Expenses. During the three month period ended June 30, 2002, operating expenses were \$1,780,687 as compared to \$1,780,411 for the same period in 2001. Operating expenses did not change compared to the corresponding period in the previous year.

Personnel and consulting expenses were \$839,159 or 47.2% of our operating expenses during the three-month period ended June 30, 2002 as compared to \$775,883 or 43.5% of our operating expenses during the three-month period ended June 30, 2001. These expenses consisted of salaries and benefits totaling \$656,109 as compared to \$651,099 for the three month period ended June 30, 2001, consulting and management fees \$135,395 as compared to \$88,078 for the three month period ended June 30, 2001, and commissions totaling \$47,655 as compared to \$36,706 for the three month period ended June 30, 2001. The increases in personnel and consulting expenses are due to the increased payment of management fees and the payment of severance as a result of our restructuring program.

During the three-month period ended June 30, 2002, advertising and promotion expenses were \$238,791 or 13.4% of our operating expenses as compared to \$276,639 or 15.3% of our operating expenses for the three-month period ended June 30, 2001. Advertising expenses were lower as a result of our restructuring program.

General overhead expense related to rent and utilities was \$207,736 as compared to \$181,591 for the three month period ended June 30, 2001, telephone expense was \$36,518 as compared to \$38,197 for the three month period ended June 30, 2001, travel expense related to operations was \$10,317 as compared to \$24,687

for the three month period ended June 30, 2001, repair and maintenance expense was \$15,701 as compared to \$37,871 for the three month period ended June 30, 2001, automotive expense was \$29,293 as compared to \$19,112 for the three month period ended June 30, 2001, insurance expense was \$45,047 as compared to \$37,961 for the three month period ended June 30, 2001 and office expense totaled \$44,149 as compared to \$170,842 for the three month period ended June 30, 2001. These expenses totaled \$388,761, or 21.8% of our total operating expenses and 18.4% of our total revenue for the three month period ended June 30, 2002 as compared to \$510,261, or 28.6% of our total operating expenses and 15.8% of our total revenue for the three month period ended June 30, 2001.

Professional fees were \$86,102 during the three-month period ended June 30, 2002 as compared to \$18,522 for the three-month period ended June 30, 2001. Professional fees related to the preparation of our Securities Exchange Act reports and American Stock Exchange filings and included professional fees associated with the filing of an S-1 Registration Statement.

Depreciation and amortization expense was \$71,952 for the three-month period ended June 30, 2002 as compared to \$93,939 for the three-month period ended June 30, 2001. Depreciation and amortization expense are lower than the previous year as a result of the writing down of certain depreciable assets in 2001.

Gross Profit. Cost of goods sold was \$935,913 for the three-month period ended June 30, 2002 as compared to \$1,847,043 for the three-month period ended June 30, 2001. Gross profit was \$1,175,191 for the three month period ended June 30, 2002, or 55.7% of revenues, as compared to \$1,385,592 for the three month period ended June 30, 2001, or 42.8% of revenues.

Operating Income and Net Loss. For the quarter ended June 30, 2002, we realized loss from operations of \$605,496 as compared to \$394,819 for the three month period ended June 30, 2001. We realized an overall net loss for the quarter of \$613,523, or \$0.02 per share as compared to an overall net loss of \$393,601,



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also \$0.02 per share, for the period ended June 30, 2001.

Six Months Ended June 30, 2002 Compared To The Six Month Period Ended June 30, 2001.

Revenues. During the six months ended June 30, 2002, we had net auction revenues of \$4,810,862, compared to \$5,548,914 during the same period in 2001, a decrease of \$738,052 or approximately 13.3%. Sales of goods were 58.9% of our revenues during the six month period ended June 30, 2002, compared to 68.1% during the same period in 2001. Due to cash flow constraints in the latter part of 2001 and in 2002, we have not been in a position to acquire as much inventory as our business plan had anticipated. As a result we have conducted a larger proportion of our auctions on a consignment basis. We anticipate that revenues from the sales of goods will increase as a percentage of revenues, as we still plan to conduct a greater number of auctions using inventory we purchase in buy-out situations, which generally results in higher gross profit margins.

Operating Expenses. During the six month period ended June 30, 2002, operating expenses were \$3,595,737, as compared to \$3,419,454 for the six month period ended June 30, 2001. Operating expenses are slightly higher than the corresponding period in the previous year as a result of increased commissions, which are variable as a result of the types of products purchased, increased

legal fees, and increased interest expense as a result of the deferred compensation notes. We anticipate that overall operating expenses will decrease for the rest of 2002 as a result of our restructuring program.

Personnel and consulting expenses were \$1,709,895 or 47.6% of our operating expenses during the six-month period ended June 30, 2002 as compared to \$1,546,444 or 45.2% of our operating expenses during the six-month period ended June 30, 2001. These expenses consisted of salaries and benefits totaling \$1,347,669 as compared to \$1,296,542 for the six month period ended June 30, 2001, consulting and management fees totaling \$230,254 as compared to \$191,614 for the six month period ended June 30, 2001, and commissions totaling \$131,972 as compared to \$58,288 for the six month period ended June 30, 2001. We anticipate that such personnel and consulting expenses will decrease as a result of our restructuring program to reduce overall operating expenses.

During the six-month period ended June 30, 2002, advertising and promotion expenses were \$519,624 or 14.5% of our operating expenses as compared to \$534,588 or 15.6% of our operating expenses for the six-month period ended June 30, 2001.

General overhead expense related to rent and utilities totaled \$404,339 as compared to \$389,255 for the six month period ended June 30, 2001, telephone expense totaled \$68,688 as compared to \$86,113 for the six month period ended June 30, 2001, travel related to operations totaled \$19,305 as compared to \$33,245 for the six month period ended June 30, 2001, repair and maintenance expense totaled \$26,853 as compared to \$72,596 for the six month period ended June 30, 2001, automotive expense totaled \$42,662 as compared to \$33,841 for the six month period ended June 30, 2001, insurance expense totaled \$77,510 as compared to \$58,920 for the six month period ended June 30, 2001 and office expense totaled \$178,692 as compared to \$253,799 for the six month period ended June 30, 2001. These expenses totaled \$818,049, or 22.8% of our total operating expenses and 17.0% of our total revenue for the six month period ended June 30, 2002 as opposed to \$927,769, or 27.1% of our total operating expenses and 16.7% of our total revenue for the six month period ended June 30, 2001.

We anticipate that general overhead as a percentage of operating expenses and total revenue will further decrease in future periods as we achieve certain economies from our operations. The overall level of general overhead expenses in dollars is expected to decrease as a result of our restructuring program.

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Professional fees were \$102,336 during the six-month period ended June 30, 2002 as compared to \$35,148 for the six-month period ended June 30, 2001. Professional fees related to preparation of our Securities Exchange Act reports and American Stock Exchange filings. They also included fees associated with the filing of an S-1 Registration Statement. Professional fees are expected to remain constant in 2002 unless we make future acquisitions.

Depreciation and amortization expense was \$148,377 for the six-month period ended June 30, 2002 as compared to \$179,320 for the six-month period ended June 30, 2001. Depreciation and amortization expense is lower than the previous year as a result of the writing down of certain depreciable assets in 2001.

Gross Profit. Cost of goods sold was \$2,189,714 for the six-month period ended June 30, 2002 as compared to \$2,514,203 for the six-month period ended June 30,

2001. Gross profit was \$2,621,148 for the six month period ended June 30, 2002, or 54.5% of revenues, as compared to \$3,034,711 for the six month period ended June 30, 2001, or 54.7% of revenues. Until we developed our inventory procurement model, normal gross margins were approximately 25% to 50% overall. We believe gross profits will increase in future periods as we realize the benefits of our inventory procurement model by buying large quantities of discount merchandise and distributing this merchandise to our various outlets.

Operating Income and Net Loss. For the quarter ended June 30, 2002, we realized A loss from operations of \$974,589 as compared to a loss of \$384,743 for the six month period ended June 30, 2001. We realized an overall net loss for the quarter ended June 30, 2002 of \$981,764 or \$0.04 per share as compared to \$847,384 or \$0.02 per share for the six month period ended June 30, 2002.

We believe that our operations will become profitable. We believe that we will incur overall losses in the near future if we are able to obtain additional financing to expand the development and marketing of our Internet technology. The losses will equal the excess technology development and marketing over the income from operations. If we are unable to obtain additional financing, no significant technology development and marketing will be undertaken in the near term.

### Liquidity and Capital Resources

Our working capital position at June 30, 2002 was a negative of \$3,707,384. We had cash and cash equivalents of \$416,657, accounts receivables of \$448,078, inventory of \$153,099, and prepaid expenses of \$177,149 at June 30, 2002. We anticipate that trade accounts receivables and inventory may decrease during the remainder of fiscal 2002 as a result of our restructuring program. Cash flow used for operating activities required \$368,664 during the quarter ended June 30, 2002. We anticipate that cash will remain constant for 2002 until our auction business becomes profitable. Our cash resources may decrease if we complete additional acquisitions during 2002, or if we are unable to maintain positive cash flow from our business through 2002. We intend to continue our acquisition program only if additional financing is available.

Cash flow from investing activities during the quarter ended June 30, 2002 generated \$114,098. This is mainly due to the repayment of a note receivable.

Net cash flow from financing activities during the quarter ended June 30, 2002 was \$846. This is mainly due to re-payments on the principal portion of the promissory note on our Scottsdale property.

We have reduced our operating and capital budget from \$1 million, as stated in our 2001 annual report, to \$750,000. We intend to concentrate our resources on achieving profitability during 2002. Management has suspended its acquisition

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and expansion plans until additional financing is available on acceptable terms and has reduced budgeted expenditures related to development and technology upgrades. We believe that revenues from our operations and current working capital will be sufficient to satisfy our working capital needs for the remainder of 2002.

### Subsequent Event

Only July 17, 2002, the Company entered into an agreement to sell its Arizona building for \$1,700,000 and has moved its Tacoma, Washington operations into a 42,000 sq ft. six acre auction facility that will now serve as the headquarters for the Company.

The selling price for the Company's Arizona property was \$1,700,000. The selling price was paid as follows: \$400,000 was paid in cash; \$1,000,000 was paid by the assumption of the mortgage on the property, and the balance of \$300,000 was paid in inventory with an estimated value of \$700,000 at retail and guaranteed to have a value of \$300,000 to the Company, which guarantee was secured by a charge against the building.

### Issuance of Additional Shares

During the period ended June 30, 2002, the Company issued 716,045 common shares in exchange for debt totaling \$164,743, and services and compensation totaling \$94,122.

### Stock Option Plan

On May 28, 2002, the Company adopted the 2002 Consultant Stock Option Plan. A total of 2,500,000 shares of common stock have been reserved to be issued under the plan. As of June 30, 2002, no options had been granted under the plan.

### Outlook

We believe that we have created an infrastructure, Internet technology, and inventory procurement model that will realize significant benefits in the future. We intend to complete additional acquisitions during 2002, subject to obtaining additional financing to complete these transactions. We anticipate that we will be required to raise an additional \$8 million to \$15 million to adequately fund the acquisitions and to satisfy our operating and capital budget for 2002. In the event we are unable to obtain additional financing, we intend to concentrate our resources on our existing operations.

We intend to meet our cash requirements through revenues generated from our operations and private or public placements of our equity or debt. We are currently seeking such financing by presenting our business plan to merchant and investment banks, fund managers and investment advisors. We cannot assure you that we will successfully raise any additional financing on acceptable terms, if at all, and our failure to do so and meet our cash requirements will force us to abandon some of our plans of operation, sell some of our assets or certain business operations or liquidate our business, all of which will have a material adverse effect on our business and results of operations.

We cannot assure you that our actual expenditures for this period will not exceed our estimated operating and capital budget. Actual expenditures will depend on a number of factors, some of which are beyond our control, including, among other things, the revenues from our auction operations, the success of our geographical expansion, the availability of financing on acceptable terms, the reliability of the assumptions of management in estimating costs, costs related to the development of our web site and technologies, economic conditions and competitive factors in the auction industry.

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### Plan of Operation

Our plan of operation is based on the operating history of Able Auctions (1991) Ltd., our operating history, our experience in the industry, and our discussions with third parties, the SEC filings of our competitors and the decisions of our management. Set out below is a summary of our plan of operation and operating budget for the remainder of the fiscal year ending December 31, 2002.

We will continue generating revenues through auctions and will attempt to increase our volume of sales by increasing the number of live auctions at our existing locations

We will continue to operate auctions at our 4 locations in Surrey and Coquitlam, British Columbia; Fyfe, Washington; and San Mateo, California. We also hold auctions at customer locations in bankruptcies and insolvencies. We hold, on average, approximately 20 live auctions per month.

We will attempt to increase revenues by broadcasting our auctions on the Internet and by selling merchandise on our web site

We launched our web site for public viewing in September 1999 and broadcasted our first live auction in January 2000. We are in the process of further refining the technologies related to broadcasting live auctions on our web site. We intend to broadcast auctions from all our locations on an alternating basis. We may add auctions of other auction houses if we acquire additional auction locations or if we develop strategic affiliations with other auction houses to broadcast their auctions.

Continue research and development to improve our web site and auction broadcasting technologies

We plan to continue our research and development efforts to improve our web site and auction broadcasting technologies. We are in the process of refining our live auction broadcasting technologies and intend to develop software and systems that will allow us to improve graphical presentations, the speed of our bidding process, the preview of merchandise and the method of registering bidders. We anticipate that we will spend approximately \$200,000 on research and development efforts during fiscal 2002, subject to securing additional financing.

We intend to geographically expand by acquiring or entering into strategic affiliations with auction companies

We intend to broadcast the auctions of other auction houses from a variety of locations throughout North America. We also intend to license our software to other auction companies and commence marketing efforts in the remainder of 2002. Our management also intends to continue to identify possible auction companies to enter into marketing strategic relationships.

Hire additional key personnel

We anticipate adding up to 15 new employees with e-commerce, software development, and software maintenance experience during 2002 to manage and market our iCollector division. The hiring of these employees will be subject to the Company obtaining additional financing.

### Summary of Operating and Capital Budget

Set forth below are our estimated cash operating and capital budgets for operations, technology purchases, research and development and implementing our

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expansion strategy for the remainder of the fiscal year ending December 31, 2002:

Marketing	\$ 250,000
Ongoing research and development	200,000
Expansion of inventories	200,000
Servers and operating systems	100,000
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Required Capital:	\$750,000

As of June 30, 2002, we had a working capital deficit of approximately \$3.7 million, including current liabilities related to deferred compensation notes in the principal amount of \$2.7 million issued in connection with our acquisition of iCollector. These deferred compensation notes are convertible at our option into common shares at \$1.43 per share, subject to shareholder approval. We intend to convert these notes into common shares if we cannot raise additional capital on acceptable terms to fund payment of the notes and our working capital requirements. We cannot assure you that our actual expenditures for that period will not exceed our estimated operating budget. Actual expenditures will depend on a number of factors, some of which are beyond our control, including, among other things, the availability of financing on acceptable terms, if at all, acquisition and/or expansion costs, and the reliability of the assumptions of management in estimating the budgets.

In the event we determine that we may be unable to meet our on-going capital commitments, we may take some or all of the following actions:

- reduce expenditures on research and development;
- reduce sales and marketing expenditures;
- reduce general and administrative expenses through lay offs or consolidation of our operations;
- suspend operations that are not economically profitable; or
- sell assets, including licenses to our technologies.

### Political and Economic Uncertainties

Our business and our ability to raise additional financing may be adversely affected by political and economic risks and uncertainties. The general economic slow down in the United States and Europe may adversely affect the demand for products offered at our auctions. The events of September 11, 2001 and the political uncertainty in the Middle East may negatively affect the general economy, the capital markets and our ability to raise capital on acceptable terms, if at all. There can be no assurance that the Company will be able to increase our revenues from operations or to raise sufficient financing to meet our on-going obligations on acceptable terms, if at all. We also cannot assure you we will successfully integrate the iCollector operations into our business or that economic uncertainties will not have a material adverse affect on our business and results of operations.

### ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We believe that we do not have any material exposure to interest or commodity risks. We are exposed to certain economic and political changes in international markets where we compete, such as inflation rates, recession, foreign ownership restrictions, domestic and foreign government spending, budgetary and trade policies and other external factors over which we have no control.

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Our financial results are quantified in U.S. dollars and a majority of our obligations and expenditures with respect to our operations are incurred in U.S. dollars. In the past the majority of our revenues were derived from the business operations of our wholly-owned subsidiary, Able Auctions (1991) Ltd., whose operations are conducted in British Columbia, Canada and in Canadian dollars. Although we do not believe we currently have any materially significant market risks relating to our operations resulting from foreign exchange rates, if we enter into financing or other business arrangements denominated in currency other than the U.S. dollar or the Canadian dollar, variations in the exchange rate may give rise to foreign exchange gains or losses that may be significant.

We currently have no material long-term debt obligations. We do not use financial instruments for trading purposes and we are not a party to any leverage derivatives.

### Part II - OTHER INFORMATION

#### ITEM 1. LEGAL PROCEEDINGS

None

#### ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None

#### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

#### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company held its annual general meeting on June 27, 2002. At that meeting, Abdul Ladha, Barrett E. G. Sleeman, Dr. David Vogt and Michael Boyling were elected to the Board of Directors. The Shareholders also approved Morgan & Company as the Company's independent auditor for the 2002 fiscal year.

The shareholders defeated a resolution to reverse-split the Company's common stock.

The shareholders approved the change of the Company's name.

#### ITEM 5. OTHER INFORMATION

None

#### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

##### a) Exhibits

10.1 Purchase and Sale Agreement for Arizona Property. (Filed herewith)

99.1 Certification by Chief Executive Officer and Chief Financial Officer. (Filed herewith.)

##### b) Reports on Form 8-K

None

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## SIGNATURES

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

ABLEAUCTIONS.COM INC.

Date: August 13, 2002

By: /s/ ABDUL LADHA  
Name: Abdul Ladha  
Title: President & Chief Executive  
Officer (Principal Executive Officer)

Date: August 13, 2002

By: /s/ DANIEL LI  
Name: Daniel Li  
Title: Chief Financial Officer  
(Principal Financial Officer)