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U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-KSB

☒ ANNUAL REPORT UNDER SECTION 13 OR 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003

☐ TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Commission File No. 000-28423

VALIDIAN CORPORATION

(Name of small business issuer in its charter)

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

58-2541997
(I.R.S. Employer
Identification No.)

30 Metcalfe St., Suite 620, Ottawa, Ontario, Canada
(Address of principal executive offices)

K1P 5L4
(Zip Code)

Issuer's telephone number: 613-230-7211

Securities registered under Section 12(b) of the Exchange Act: none

Securities registered under Section 12(g) of the Exchange Act: Common Stock, par value \$.001 per share

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 ☐

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. ☐

State issuer's revenues for its most recent fiscal year. \$ NIL

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the average between the closing bid (\$1.15) and asked (\$1.19) price of the issuer's Common Stock as of March 16, 2004, was \$24,259,030, based upon the average between the closing bid and asked price (\$1.17) multiplied by the 20,734,214 shares of the issuer's Common Stock held by non-affiliates. (In computing this number, issuer has assumed all record holders of greater than 5% of the common equity and all directors and officers are affiliates of the issuer.)

The number of shares outstanding of each of the issuer's classes of common equity as of March 16, 2004: 27,644,214.

DOCUMENTS INCORPORATED BY REFERENCE: None.

Transitional Small Business Disclosure Format: Yes ☐ No ☒

SEC 2337 (12-03) Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

VALIDIAN CORPORATION
Form 10-KSB
December 31, 2003

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CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

We caution readers that certain important factors may affect our actual results and could cause such results to differ materially from any forward-looking statements that we make in this report. For this purpose, any statements that are not statements of historical fact may be deemed to be forward-looking statements. This report contains statements that constitute "forward-looking statements." These forward-looking statements can be identified by the use of predictive, future-tense or forward-looking terminology, such as "believes," "anticipates," "expects," "estimates," "plans," "may," "will," or similar terms. These statements appear in a number of places in this report and include statements regarding our intent, belief or current expectations with respect to many things. Some of these things are:

- * trends affecting our financial condition or results of operations for our limited history;
- * our business and growth strategies;
- * our technology;
- * the Internet; and
- * our financing plans.

We caution readers that any such forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties. In fact, actual results most likely will differ materially from those projected in the forward-looking statements as a result of various factors. Some factors that could adversely affect actual results and performance include:

- * our limited operating history;
- * our lack of sales to date;
- * our future requirements for additional capital funding;
- * the failure of our technology and products to perform as specified;
- * the discontinuance of growth in the use of the Internet;
- * the enactment of new adverse government regulations; and
- * the development of better technology and products by others.

The information contained in the following sections of this report identify important additional factors that could materially adversely affect actual results and performance:

- * "Part I. Item 1. Description of Business" especially the disclosures set out under the heading "Risk Factors"; and
- * "Part II. Item 6. Management's Discussion and Analysis or Plan of Operation"

You should carefully consider and evaluate all of these factors. In addition, we do not undertake to update forward-looking statements after we file this report with the SEC, even if new information, future events or other circumstances have made them incorrect or misleading.

PART I

Item 1. Description of Business.

Summary

Validian Corporation is a provider of communication security technologies for networked environments. We have developed technology to secure exchanges of data and files between mutually authenticated applications over the Internet. This easy-to-use infrastructure facilitates deployment and use of distributed applications and distributed networks and enables organizations to rapidly develop and deploy secure, collaborative, distributed applications for sharing data over public or private networks.

The company has operations in the U.S., Canada and Switzerland. Products based on our technology:

- * facilitate secure, reliable data communications between any two applications through the Internet or any private networks;
- * allow customers to develop distributed applications that run on different platforms; and
- * allow individuals and mobile workers to communicate securely with each other, and to exchange files in a secure manner.

Our technology enables corporations, institutions and individuals to develop secure interactive, distributed applications (such as e-commerce) running either through wired or wireless networks, with an ease of deployment and management of the communications.

Our Technology

Our technology is based upon our intellectual property and was used to develop our products.

Our Intellectual Property

Our intellectual property includes an addressing scheme, an authentication process and a key exchange process for all parties to a communication, thus offering a strong trust model for secure exchanges. It also includes an encryption function using standard algorithms that encrypts data from within an originating application and decrypts the data within the receiving application.

Our technology provides benefits, by enabling users:

- * to integrate security and transport in all communication and document exchanges through an integrated approach; and
- * to develop and use existing interactive, distributed applications (like e-commerce, e-banking, e-health and e-loyalty) where it implements a strong security model.

Based on this technology, we have developed the products described below.

Target Market

Our business strategy is to license our technology either directly or through distribution channels to medium to large organizations that develop, market, sell, distribute or use software products where interaction with a distributed customer, employee and/or partner base is essential. This includes:

- * corporate IT departments that serve their corporation with a variety of applications and implementation environments, according to the needs of the various internal departments. This implies writing applications for more than one platform or to migrate, at one point in time, from one platform to another while ensuring the security of communication between applications and over distributed networks; and
- * independent software vendors and developers serving a relatively large group of customers, on a regional or national basis and who must respond to a variety of conditions and platforms, as imposed by their customers in specific industrial sectors and secure the exchanges between their customers' partners, suppliers and other participants.

Potential customer industrial sectors include, among others:

- * manufacturers in supply management chains;
- * electronic health care providers and suppliers;
- * financial institutions and insurance companies; and
- * software distribution services.

Marketing Strategy and Distribution Channels

We have initiated a marketing program in North America and Europe to bring our products to the marketplace. This program has two components: direct and channel sales.

Direct Sales

The direct sales approach entails making high-level contacts within the organizations of target customers to present the benefits and competitive advantages of our products. Leads to such presentations are generated through existing contacts of management and sales representatives, and through attendance at and participation in specialized e-commerce and computer security trade shows.

Channel Sales

In order to penetrate the market for our products, we are attempting to partner with, value-added resellers ("VARs"), independent marketing representatives ("IMRs"), system integrators ("SIs"), independent software vendors ("ISVs") and application service providers ("ASPs"). Potential partners are being identified based upon their ability to penetrate specific markets more easily than we can. We believe major customers also will act as VARs in their sector.

Sales representatives and sales agents are promoting our products within these two channels. The representatives are responding to queries and expressions of interest from those interested in becoming early adopters of our working models. These early customers and distributors may have an impact on the product development schedule, as we will develop interfaces with users' existing systems in response to their feedback and individual requirements.

Currently, we have agreements with VARs in the U.S., in Canada and in Mexico. Agreements with IMRs have been implemented in the U.S. and in Canada. Agreements with SIs are being pursued currently.

Marketing Analysis

We have retained industry specialists in the electronic health care and in the supply chain management sectors. Their mandate is to identify specific areas and a limited number of corporations where our products would facilitate secure communication and the implementation of a strong security infrastructure with ease of deployment and management.

We have also retained a specialist to prepare a technical analysis of our approach, which we will distribute to system architects and engineers to help them understand the benefits that customers can derive from implementing our technology into their new or existing systems.

With the assistance of a system integrator, we have developed a sample code to help train other SIs in the use of our technology. This sample code is a part of our internal technical training program for our customers.

To support our sales force and these specialists, we have developed technical literature on the following topics:

- * security;
- * features and benefits;
- * integration into current systems;
- * openness of the architecture;
- * future developments; and
- * implementation procedures.

Estimated Sales Cycles

We expect that individual sales cycles will be from four to eight months in duration. The territory where most potential clients reside is expected to be in North America, Europe and Asia Pacific. We retained two sales representatives in the third quarter of 2002, and two sales agents in the fourth quarter of 2002. We began market research in the United States and Western Europe in the second quarter of 2000 and have continued in these and other potential markets since that time.

Marketing Expenses

The main expense factors for our marketing campaign are for:

- * personnel, both internal and outside specialists;
- * buying or renting lists of potential customers for direct marketing campaigns;
- * direct marketing to potential customers;
- * banner advertising on vertical industry websites;
- * participation in trade shows;
- * travel and living expenses;
- * Web site development and maintenance; and
- * literature preparation and distribution.

For more information, please see "Part II. Item 6. Management's Discussion and Analysis or Plan of Operation; Plan of Operations."

Our Products

Currently, we are offering three main products on a commercial basis.

Our Application Security Infrastructure (ASI)

Our ASI is a comprehensive integrated infrastructure for securing data transport between distributed applications and Web services. ASI is specifically designed for distributed applications and distributed networks. It automatically manages all critical security functions for any application, including authentication, encryption, key generation, key distribution, addressing and data transport. ASI guarantees the delivery of the messages and files to, and only to, the target destination, and data never travels “in the clear” at any time between applications.

ASI has been in use for approximately two years on a continuous basis by a growing number of users (currently several hundred) to support our SIM product operation.

Our Secure Instant Messenger (SIM)

We offer an enterprise-class Secure Instant Messenger (SIM) that provides a strong level of security for real-time communication and file exchange between authenticated parties. SIM creates “gated communities” of trusted users. It offers real-time tools for collaboration between individuals and groups, including synchronous and a-synchronous collaboration and enterprise-wide presence. SIM performs encryption of both messages and attachments within its own operation, so that data never travels in the clear at any point in time. Within a SIM exchange, all participants are authenticated and messages and large files of most types, including video and audio files, can be transferred encrypted. We believe that SIM is currently the only secure instant messenger to operate on USB flash memory devices: the Validian “Flash CommunicatorTM”. SIM operates over Validian's Application Security Infrastructure (ASI) and benefits from all the security features of ASI. SIM has been in use for approximately two years on a continuous basis by a growing number of users (currently several hundred) in commercial and testing environments.

Our Software Development Kit (SDK)

We provide a SDK, for rapidly and simply securing data transport between applications through ASI. The SDK includes a complete, integrated and built-in set of control, transport and security features, which are automatically inherited by any applications linked to ASI through the SDK. Application developers who use the Validian SDK do not have to learn and master any of the various transport and security products or mechanisms to implement security on their applications. They do not have to worry about the low-level IP addresses or ports nor concern themselves with implementing complex security features, as the SDK performs these functions automatically. This provides the application with a complete communication security chain, as the ASI protection initiates from within the originating application and transports data to within the destination application. The SDK is offered free of charge to qualified developers and system integrators.

Competition

Competitors for the ASI market are different from competitors for the SIM market.

ASI competition

Our ASI product competes primarily with the products described below.

VPN

Virtual Private Networks (VPN) is a technology that ensures a secure communication link between two devices linked to the Internet or any communication network. This type of network security ensures that between those two hardware devices, the data cannot be intercepted and tampered with.

The main supplier of VPN is Check Point Software Technologies Ltd., but a number of suppliers are also offering competing products. As compared with ASI, VPNs protect data between hardware devices, whereas ASI protects data between applications.

PKI

Public Key Infrastructure (“PKI”) is a sophisticated method of authenticating communicating parties by providing each party with a set of two uniquely linked keys, one private key that is kept by the party and one public key that is published for every one to see. When communicating, messages are encrypted with the private key of the sender and decrypted by the receiver using the public key of the sender. Since both keys are mathematically linked, the receiver is assured that the message is coming from that sender and nobody else.

This exchange mechanism has been extended to protect more applications but we believe that its implementation on a large scale for distributed environment proves difficult and costly. Main suppliers of PKI include Entrust, Baltimore Technology and Verisign.

SSL

Secure Socket Layer (“SSL”) is a browser level protection offered by Netscape and Microsoft and incorporated in most browsers. SSL establishes a secure connection from a server to a browser requesting access to an application on this server. SSL is a standard widely used across a large number of platforms and systems. However, it relies on a rather weak trust model, since the browser is not authenticated by the server. This brings a risk of impersonation. Protecting the application from that risk requires the implementation of a PKI to authenticate the participants.

SIM Competition

Our SIM competes primarily with the following products.

Free IM

The major suppliers of individual-class, free and unsecure IM systems are Yahoo!, Microsoft and AOL.

Enterprise-class Secure IM

The enterprise-class secure IM industry is in its infancy. Some suppliers offer products but the installed base is still limited. Suppliers include WireRed, Jabber, Bantu, Sigaba, FaceTime and IBM. AOL, Yahoo and Microsoft also have announced products which are in different states of development. We believe that we have significant technical competitive advantages over those suppliers and we are positioning to take a portion of this market.

Research and Development

We spent the following amounts during the periods mentioned on research and development activities:

Year ended December 31,	
2003	2002
\$997,822	\$405,597

For more information, see: "Part II. Item 6. Management's Discussion and Analysis or Plan of Operation - Plan of Operations."

Intellectual Property Protection

We rely on common law and statutory protection of trade secrets and confidentiality agreements. We claim copyright in specific software products and various elements of our core technology. We have registered trademarks in North America and in Europe to cover the Flash Communicator product and the generic term of “FlashWare”, as well as some graphic identification and the Validian name itself.

Our intellectual property includes an addressing scheme, an authentication process and a key exchange process for all parties to a communication, thus offering a strong trust model for secure exchanges. It also includes an encryption function using standard algorithms that encrypts data from within an originating application and decrypts within the receiving application.

We believe, but we cannot assure, that our technology and its implementation may be patentable. We are preparing a patent application covering certain aspects of our products. The initial patent applications will cover the U.S. and Canada and be expanded to other countries as and when we penetrate new markets. We have defined migration paths for the various products and developed schedules for that migration. This defines the requirement for additional patent, trademarks and copyright protection, which we plan to apply for as required in order to prevent unauthorized use of our technology.

We cannot assure that we will be able to obtain or to maintain the foregoing intellectual property protection. We also cannot assure that our technology does not infringe upon the intellectual property rights of others. In the event that we are unable to obtain the foregoing protection or our technology infringes intellectual property rights of others, our business and results of operations could be materially and adversely affected. For more information please see “Risk Factors; Proprietary Rights” below.

Employees

As of December 31, 2003, we had twenty-two full-time contractual personnel, including one executive officer, three sales and marketing staff, sixteen software architects, engineers and programmers, and two in administration. Five are located in Ottawa, Canada, one is located in Philadelphia, and sixteen are located in Europe. In addition, we regularly engage technical consultants and independent contractors to provide specific advice or to perform certain marketing or technical tasks.

Risk Factors

Our business operations and our securities are subject to a number of substantial risks, including those described below. If any of these or other risks actually occur, our business, financial condition and operating results, as well as the trading price or value of our securities could be materially adversely affected.

We are a development stage company, and our limited operating history makes evaluating our business and prospects difficult.

We are a development stage company, and our limited operating history makes it difficult to evaluate our current business and prospects or to accurately predict our future revenues or results of operations. Our revenue and income potential are unproven, and our business plan is constantly evolving. The Internet is constantly changing and software technology is constantly improving, therefore we may need to continue to modify our business plan to adapt to these changes. As a result of our being in the early stages of development, particularly in the emerging technology industry, we are more vulnerable to risks, uncertainties, expenses and difficulties than more established companies. As a result, we may never achieve profitability and we may not be able to continue operations if we cannot successfully address the risks associated with early stage development companies in emerging technologies.

We have a history of operating losses and we anticipate losses and negative cash flow for the foreseeable future. Unless we are able to generate profits and positive cash flow we may not be able to continue operations.

We incurred an operating loss of \$2,929,255 and negative cash flow from operations of \$955,256 during the year ended December 31, 2003. During the year ended December 31, 2002, we incurred an operating loss of \$879,184 and negative cash flow from operations of \$763,099. We expect operating losses and negative cash flow from operations to continue for the foreseeable future and to increase significantly from current levels as we increase expenditures for:

- * sales and marketing;
- * technology;
- * infrastructure research and development; and
- * general business enhancement.

With increased on-going operating expenses, we will need to generate significant revenues to achieve profitability. Consequently, we may never achieve profitability. Even if we do achieve profitability, we may not sustain or increase profitability on a quarterly or annual basis in the future. If we are unable to achieve or sustain profitability in the future, we may be unable to continue our operations.

We may require additional capital to proceed with our long-term business plan. If we are unable to obtain such capital in future years, we may be unable to proceed with our long-term business plan and we may be forced to limit or curtail our future operations.

We may require additional working capital to proceed with our long-term business plan. For a discussion of our capital requirements, see the disclosure in "Part II. Item 6. Management's Discussion and Analysis or Plan of Operation; Plan of Operations." If we are unable to raise additional financing should it become necessary to do so, we may be unable to grow or to implement our long-term business plan and, in fact, we may be forced to limit or curtail our future operations.

The loss of any of our key personnel would likely have an adverse effect on our business.

Our future success depends, to a significant extent, on the continued services of our key contractual personnel. Our loss of any of these key personnel most likely would have an adverse effect on our business. At present, we have a contractual agreement with these personnel but we do not have key man life insurance on them. In addition, competition for personnel throughout the industry is intense and we may be unable to retain our current contractors or attract, integrate or retain other highly qualified personnel in the future. If we do not succeed in retaining our current contractors or in attracting and motivating new personnel, our business could be materially adversely affected.

The business environment is highly competitive and, if we do not compete effectively, we may experience material adverse effects on our operations.

The market for Internet security products and services is intensely competitive and we expect competition to increase in the future. We compete with large and small companies that provide products and services that are similar to some aspects of our security services. Our competitors may develop new technologies in the future that are perceived as being more secure, effective or cost efficient than the technology underlying our security services. In particular, the Internet security market has historically been characterized by low financial entry barriers.

Some of our competitors have longer operating histories, greater name recognition, access to larger customer bases and significantly greater financial, technical and marketing resources than we do. As a result, they may be able to adapt more quickly to new or emerging technologies and changes in customer requirements or to devote greater resources to the promotion and sale of their products than we will. We believe that there may be increasing consolidation in the Internet security market and this consolidation may materially adversely affect our competitive position. In addition, our competitors may have established or may establish financial or strategic relationships among themselves, with existing or potential customers, resellers or other third parties and rapidly acquire significant market share. If we cannot compete effectively, we may experience future price reductions, reduced gross margins and loss of market share, any of which will materially adversely affect our business, operating results and financial condition.

If we are unable to develop brand recognition, we may be unable to generate significant revenues and our results of operations may be materially adversely affected.

To attract customers we may have to develop a brand identity and increase public awareness of our technology and products. To increase brand awareness, we expect to significantly increase our expenditures for advertising and other marketing initiatives. However, these activities may not result in significant revenue and, even if they do, any revenue may not offset the expenses incurred in building brand recognition. Moreover, despite these efforts, we may not be able to increase public awareness of our brands, which would have a material adverse effect on our results of operations.

If we are unable to respond to rapid technological change and improve our products and services, our business could be materially adversely affected.

The Internet security industry is characterized by rapid technological advances, changes in customer requirements, frequent new product introductions and enhancements and evolving industry standards in computer hardware and software technology. As a result, we must continually change and improve our products in response to changes in operating systems, application software, computer and communications hardware, networking software, programming tools and computer language technology. The introduction of products embodying new technologies and the emergence of new industry standards may render existing products obsolete or unmarketable. In particular, the market for Internet and intranet applications is relatively new and is rapidly evolving. Our future operating results will depend upon our ability to enhance our current products and to develop and introduce new products on a timely basis that address the increasingly sophisticated needs of our end-users and that keep pace with technological developments, new competitive product offerings and emerging industry standards. If we do not respond adequately to the need to develop and introduce new products or enhancements of existing products in a timely manner in response to changing market conditions or customer requirements, our operating results may be materially diminished.

We may not be able to protect and enforce our intellectual property rights, which could result in the loss of our rights, loss of business or increased costs.

Our success depends to a significant degree upon the protection of our software and other proprietary technology. The unauthorized reproduction or other misappropriation of our proprietary technology would enable third parties to benefit from our technology without paying us for it. We depend upon a combination of patent, trademark, trade secret and copyright laws, license agreements and non-disclosure and other contractual provisions to protect proprietary and distribution rights of our products. We have registered trademarks in the United States, Canada and Europe and are preparing patent applications for new technology, as it is developed. Although we have taken steps to protect our proprietary technology,

they may be inadequate and the unauthorized use thereof could have a material adverse effect on our business, results of operations and financial condition. Existing trade secret, copyright and trademark laws offer only limited protection. Moreover, the laws of other countries in which we market our products may afford little or no effective protection of our intellectual property. If we resort to legal proceedings to enforce our intellectual property rights, the proceedings could be burdensome and expensive, even if we were to prevail.

Claims by third parties that we infringe upon their proprietary technology could hurt our financial condition.

If we discover that any of our products or technology we license from third parties violates third party proprietary rights, we may not be able to reengineer our product or obtain a license on commercially reasonable terms to continue offering the product without substantial reengineering. In addition, product development is inherently uncertain in a rapidly evolving technology environment in which there may be numerous patent applications pending for similar technologies, many of which are confidential when filed. Although we sometimes may be indemnified by third parties against claims that licensed third party technology infringes proprietary rights of others, indemnity may be limited, unavailable or, where the third party lacks sufficient assets or insurance, ineffective. We currently do not have liability insurance to protect against the risk that our technology or future licensed third party technology infringes the proprietary rights of others. Any claim of infringement, even if invalid, could cause us to incur substantial costs defending against the claim and could distract our management from our business. Furthermore, a party making such a claim could secure a judgment that requires us to pay substantial damages. A judgment could also include an injunction or other court order that could prevent us from selling our products. Any of these events could have a material adverse effect on our business, operating results and financial condition.

If our electronic security devices were breached, our business would be materially adversely affected.

A key element of our technology and products is our Internet security feature. If anyone is able to circumvent our security measures, they could misappropriate proprietary information or cause interruptions or problems with hardware and software of customers using our products. Any such security breaches could significantly damage our reputation. In addition, we could be liable to our customers for the damages caused by such breaches or we could incur substantial costs as a result of defending claims for those damages. We may need to expend significant capital and other resources to protect against such security breaches or to address problems caused by such breaches. Security measures taken by us may not prevent disruptions or security breaches. In the event that future events or developments result in a compromise or breach of the technology we use to protect a customer's personal information, our financial condition and business could be materially adversely affected.

We face restrictions on the exportation of our encryption technology, which could limit our ability to market our products outside of the United States.

Some of our Internet security products utilize and incorporate encryption technology. Exports of software products utilizing encryption technology are generally restricted by the United States and various non-United States governments, particularly in response to the terrorist acts of September 11, 2001. If we do not obtain the required approvals, we may not be able to sell some of our products in international markets, which could materially adversely affect our results of operations.

Our operating results may prove unpredictable, and may fluctuate significantly.

Our operating results are likely to fluctuate significantly in the future due to a variety of factors, many of which are outside of our control. Factors which may cause operating results to fluctuate significantly include the following:

- * new technology or products introduced by us or by our competitors;
- * the timing and uncertainty of sales cycles and seasonal declines in sales;
- * our success in marketing and market acceptance of our products and services by our existing customers and by new customers;
- * a decrease in the level of spending for information technology-related products and services by our existing and potential customers; and
- * general economic conditions, as well as economic conditions specific to users of our products and technology.

Our operating results may be volatile and difficult to predict. As such, future operating results may fall below the expectations of securities analysts and investors. In this event, the trading price of our common stock may fall significantly.

We expect to generate some revenues and incur some operating expenses outside of the United States. If applicable currency exchange rates fluctuate our revenues and results of operations may be materially and adversely affected.

We expect that some portion of our revenues will be based on sales provided outside of the United States. In addition, we expect that a significant portion of our operating expenses will be incurred outside of the United States. As a result, our financial performance will be affected by fluctuations in the value of the U.S. dollar to foreign currency. At the present time, we have no plan or policy to utilize forward contracts or currency options to minimize this exposure, and even if these measures are implemented there can be no assurance that such arrangements will be available, be cost effective or be able to fully offset such future currency risks.

Other risks associated with international operations could adversely affect our business operations and our results of operations.

There are certain risks inherent in doing business on an international level, such as:

- * unexpected changes in regulatory requirements, export and import restrictions, export and import
- * controls relating to encryption technology that may limit sales sometime in the future;
- * legal uncertainty regarding liability and compliance with foreign laws;
- * competition with foreign companies or other domestic companies entering into the foreign markets in which we operate;
- * tariffs and other trade barriers and restrictions;
- * difficulties in staffing and managing foreign operations;
- * longer sales and payment cycles;
- * problems in collecting accounts receivable;
- * political instability;

- * fluctuations in currency exchange rates;
- * software piracy; and
- * seasonal reductions in business activity during the summer months in Europe and elsewhere; and potentially adverse tax consequences.

Any of these factors could adversely impact the success of our international operations. One or more of such factors may impair our future international operations and our overall financial condition and business prospects.

Our common stock price may be volatile.

The market prices of securities of Internet and technology companies are extremely volatile and sometimes reach unsustainable levels that bear no relationship to the past or present operating performance of such companies. Factors that may contribute to the volatility of the trading price of our common stock include, among others:

- * our quarterly results of operations;
- * the variance between our actual quarterly results of operations and predictions by stock analysts;
- * financial predictions and recommendations by stock analysts concerning Internet companies and companies competing in our market in general, and concerning us in particular;
- * public announcements of technical innovations relating to our business, new products or technology by us or our competitors, or acquisitions or strategic alliances by us or our competitors;
- * public reports concerning our products or technology or those of our competitors; and
- * the operating and stock price performance of other companies that investors or stock analysts may deem comparable to us.

In addition to the foregoing factors, the trading prices for equity securities in the stock market in general, and of Internet-related companies in particular, have been subject to wide fluctuations that may be unrelated to the operating performance of the particular company affected by such fluctuations. Consequently, broad market fluctuations may have an adverse effect on the trading price of our common stock, regardless of our results of operations.

There is a limited market for our common stock. If a substantial and sustained market for our common stock does not develop, our shareholders' ability to sell their shares may be materially and adversely affected.

Our common stock is tradable in the over-the-counter market and is quoted on the OTC Bulletin Board. Many institutional and other investors refuse to invest in stocks that are traded at levels below the Nasdaq Small Cap Market which could make our efforts to raise capital more difficult. In addition, the firms that make a market for our common stock could discontinue that role. OTC Bulletin Board stocks are often lightly traded or not traded at all on any given day. We cannot predict whether a more active market for our common stock will develop in the future. In the absence of an active trading market:

- * investors may have difficulty buying and selling or obtaining market quotations;
- * market visibility for our common stock may be limited; and
- * a lack of visibility for our common stock may have a depressive effect on the market price for our common stock.

Shares issuable upon the exercise of options, warrants and convertible debentures or under anti-dilution provisions in certain agreements could dilute stock holdings and adversely affect our stock price.

We have issued options and warrants to acquire common stock to our employees and certain other persons at various prices, some of which are, or may in the future have, exercise prices at or below the market price of our stock. As of March 16, 2004 we have outstanding options and warrants to purchase a total of 17,028,135 shares of our common stock. Of these options and warrants, 320,000 have exercise prices above the recent market price of \$1.15 per share (as of March 25, 2004), and 16,708,135 have exercise prices at or below this recent market price. If exercised, these options and warrants will cause immediate and possibly substantial dilution to our stockholders.

Our existing stock option plan has 1,087,698 shares remaining for issuance as of March 16, 2004. Future options issued under the plan may have further dilutive effects.

The holders of our convertible debentures have the option of converting outstanding principal plus interest thereon into shares of our common stock at a ratio of one common share for every \$0.50 of debt converted. Any such conversion would have a dilutive effect on stockholders.

Issuance of shares pursuant to the exercise of options, warrants, anti-dilution provisions, or the conversion of debentures, could lead to subsequent sales of the shares in the public market, which could depress the market price of our stock by creating an excess in supply of shares for sale. Issuance of these shares and sale of these shares in the public market could also impair our ability to raise capital by selling equity securities.

A large number of shares will be eligible for future sale and may depress our stock price.

As of March 16, 2004, we had outstanding 27,644,214 shares of common stock of which approximately 17,893,528 shares were "restricted securities" as that term is defined under Rule 144 promulgated under the Securities Act of 1933. These restricted shares are eligible for sale under Rule 144 at various times. We have entered into registration rights agreements requiring us to register the resale of approximately 14,180,000 shares of common stock, including shares of common stock issuable upon the exercise of warrants and the conversion of convertible debentures. No prediction can be made as to the effect, if any, that sales of shares of common stock or the availability of such shares for sale will have on the market prices prevailing from time to time. Nevertheless, the possibility that substantial amounts of our common stock may be sold in the public market may adversely affect prevailing market prices for the common stock and could impair our ability to raise capital through the sale of our equity securities.

We do not intend to pay dividends in the near future.

Our board of directors determines whether to pay dividends on our issued and outstanding shares. The declaration of dividends will depend upon our future earnings, our capital requirements, our financial condition and other relevant factors. Our board does not intend to declare any dividends on our shares for the foreseeable future.

Our common stock may be deemed to be a "penny stock." As a result, trading of our shares may be subject to special requirements that could impede our shareholders' ability to resell their shares.

Our common stock is a "penny stock" as that term is defined in Rule 3a51-1 of the Securities and Exchange Commission because it is selling at a price below five dollars per share. In the future, if we are unable to list our common stock on NASDAQ or a national securities exchange, or the per share sale price is not at least \$5.00, our common stock may continue to be deemed to be a "penny stock". Penny stocks are stocks:

- * with a price of less than five dollars per share;
- * that are not traded on a recognized national exchange;
- * whose prices are not quoted on the NASDAQ automated quotation system ; or
- * of issuers with net tangible assets less than
- * \$2,000,000 if the issuer has been in continuous operation for at least three years; or
- * \$5,000,000 if in continuous operation for less than three years, or
- * of issuers with average revenues of less than \$6,000,000 for the last three years.

Section 15(g) of the Exchange Act, and Rule 15g-2 of the Securities and Exchange Commission, require broker-dealers dealing in penny stocks to provide potential investors with a document disclosing the risks of penny stocks and to obtain a manually signed and dated written receipt of the document before effecting any transaction in a penny stock for the investor's account. Moreover, Rule 15g-9 of the Securities and Exchange Commission requires broker-dealers in penny stocks to approve the account of any investor for transactions in such stocks before selling any penny stock to that investor. This procedure requires the broker-dealer:

- * to obtain from the investor information concerning his or her financial situation, investment experience and investment objectives;
- * to determine reasonably, based on that information, that transactions in penny stocks are suitable for the investor and that the investor has sufficient knowledge and experience as to be reasonably capable of evaluating the risks of penny stock transactions;
- * to provide the investor with a written statement setting forth the basis on which the broker-dealer made the determination in (ii) above; and
- * to receive a signed and dated copy of such statement from the investor, confirming that it accurately reflects the investor's financial situation, investment experience and investment objectives.

Compliance with these requirements may make it more difficult for holders of our common stock to resell their shares to third parties or to otherwise dispose of them.

Our current and former executive officers, directors and major shareholders own a significant percentage of our voting stock. As a result, they exercise significant control over our business affairs and policy.

As of March 16, 2004, our current and former executive officers, directors and holders of 5% or more of our outstanding common stock together beneficially owned approximately 40 % of the outstanding common stock if they exercised all of the warrants held by them. These shareholders are able to significantly influence all matters requiring approval by shareholders, including the election of directors and the approval of significant corporate transactions. This concentration of ownership may also have the effect of delaying, deterring or preventing a change in control and may make some transactions more difficult or impossible to complete without the support of these shareholders.

Our restated articles of incorporation contain provisions that could discourage an acquisition or change of control of our company.

Our restated articles of incorporation authorize our board of directors to issue preferred stock without stockholder approval. Provisions of our certificate of incorporation, such as the provision allowing our board of directors to issue preferred stock with rights more favorable than our common stock, could make it more difficult for a third party to acquire control of us, even if that change of control might benefit our stockholders.

Our Corporate History

We were incorporated in Nevada on April 12, 1989 as CCC Funding Corp. to seek out one or more potential business ventures. On January 28, 2003, we changed our name from Sochrys.com Inc. to Validian Corporation.

Item 2. Description of Properties.

Our Canadian office is located at 30 Metcalfe St., Suite 620, Ottawa, Canada, K1P 5L4. The telephone number is 613-230-7211. Our United States office is located at 4651 Roswell Road, Suite B-106, Atlanta, Georgia 30342. The telephone number is (404) 256-1963.

Our Ottawa office is leased from a non-affiliated party per oral arrangement on a month-by-month basis. The lease provides shared access to and use of 2,500 square feet. Our Atlanta office is leased from a non-affiliated party per oral arrangement on a month-by-month basis. The lease provides shared access to and use of 1,000 square feet.

Item 3. Legal Proceedings.

We are not presently a party to any material litigation.

Item 4. Submission of Matters to a Vote of Security holders.

No matters were submitted to a vote of our shareholders during the fourth quarter of the year ended December 31, 2003. On January 28, 2003 the holders of a majority of our common stock passed a stockholders' resolution approving an amendment to our Articles of Incorporation changing our name to Validian Corporation.

PART II

Item 5. Market for Common Equity and Related Stockholder Matters.

(a) Market Information -- The principal U.S. market in which our common stock, all of which are of one class, \$.001 par value per share, is traded is in the over-the-counter market. Our stock is quoted on the OTC Bulletin Board under the symbol "VLDI".

The following table sets forth the range of high and low bid quotes of our common stock per quarter for the past two fiscal years as reported by the OTC Bulletin Board. These quotes reflect inter-dealer prices without retail mark-up, markdown or commission and may not necessarily represent actual transactions.

MARKET PRICE OF COMMON STOCK

Quarter Ending	BID	
	High	Low
2002		
January 1 to March 31	\$0.80	\$0.48
April 1 to June 30	0.53	0.33
July 1 to September 30	0.46	0.15
October 1 to December 31	0.28	0.07
2003		
January 1 to March 31	0.27	0.07
April 1 to June 30	1.02	0.09
July 1 to September 30	1.00	0.38
October 1 to December 31	1.12	0.80
2004		
January 1 to March 25	1.47	0.85

On March 25, 2004, the closing price of our common stock was \$1.15 per share.

(b) Holders -- There were approximately 173 holders of record of our common stock as of March 16, 2004, inclusive of those brokerage firms and/or clearing houses holding our securities for their clientele, with each such brokerage house and/or clearing house being considered as one holder. The aggregate number of shares of common stock outstanding as of March 16, 2004 was 27,644,214 shares.

(c) Dividends -- We have not paid or declared any dividends upon our common stock since inception and, by reason of our present financial status and our contemplated financial requirements, we do not contemplate or anticipate paying any dividends in the foreseeable future.

(d) Securities Authorized for Issuance Under Equity Compensation Plans--The following table sets forth details regarding our common stock authorized for issuance under equity compensation plans as at December 31, 2003:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	--	--	--
Equity compensation plans not approved by security holders	3,912,302	\$ 0.33	1,087,698
Total	3,912,302	\$ 0.33	1,087,698

We have granted options to purchase an aggregate of 3,912,302 shares of our common stock to non-employees in consideration for consulting services rendered. These options entitle the holders to purchase shares of common stock at an exercise price of \$0.33 per share. The options vested immediately upon their issuance, and are exercisable until May 7, 2008. These options were issued pursuant to our Incentive Equity Plan, which was adopted by our board of directors and became effective on May 30, 2003. The plan was not approved by our stockholders. The plan authorizes a committee of our board of directors, which administers the plan, to grant stock options and stock appreciation rights to our officers, employees and consultants. A total of 5,000,000 shares of common stock were reserved for issuance under the terms of the Incentive Equity Plan. In the event of certain mergers, sales of assets, reorganizations, consolidations, recapitalizations, stock dividends or other changes in corporate structure affecting our common stock, the committee administering the plan must make an equitable substitution or adjustment in the aggregate number of shares reserved for issuance under the plan and in the number of shares exercisable under, and the exercise price of, outstanding options under the plan.

(e) Sales of Unregistered Securities--During the three months ended March 31, 2003, we issued the following:

- * 10,000 shares of our common stock, valued at \$2,000 to creditors as payment for services rendered; and
- * \$125,000 of our 12% demand promissory notes.

During the three months ended June 30, 2003, we issued the following:

- * 4,416,862 shares of our common stock to holders of our 5% convertible promissory notes and our 12% convertible promissory notes in connection with the conversion of \$500,000 in principal amount of our 5% promissory notes, plus accrued interest of \$15,959, and the settlement of \$864,151 in principal amount of our 12% promissory notes, plus accrued interest of \$77,454;
- * 3,912,302 stock purchase options to non-employees for consulting services rendered. The stock purchase options entitle the holders to purchase a total of 3,912,302 common shares at an exercise price of \$0.33 per share, are exercisable at any time, and expire on May 7, 2008;
- * 2,155,000 of our Series E warrants to non-employees for consulting services rendered. The Series E warrants entitle the holders to purchase a total of 2,155,000 common shares at an exercise price of \$0.33 per share, are exercisable at any time, and expire on December 31, 2007;
- * 3,600,000 of our Series F warrants to unrelated companies for consulting services rendered and to be rendered, and 400,000 of our Series F warrants to holders of Series B Warrants in exchange for the cancellation of 390,000 Series B Warrants originally issued in 1999. The Series F Warrants entitle the holders to purchase common shares at an exercise price of \$0.50 per share, are exercisable at any time, and expire on May 31, 2007; and
- * \$246,500 of our 12% demand promissory notes.

During the three months ended September 30, 2003, we issued the following:

- * 70,400 shares of our common stock, valued at \$53,720, to unrelated parties in consideration for consulting services rendered;
- * 300,000 shares of our common stock, valued at \$135,000, to an unrelated company in consideration for consulting services rendered and to be rendered;

- * 4,000,000 of our Series F warrants to unrelated parties in consideration for consulting services rendered and to be rendered. The Series F warrants entitle the holders to purchase common shares of the Company at an exercise price of \$0.50 per share, and are exercisable at any time and expire on December 31, 2007;
- * 400,000 of our Series G warrants in consideration for consulting services rendered and to be rendered. The Series G warrants entitle the holders to purchase a total of 400,000 common shares of the Corporation at an exercise price of \$0.75 per share, are exercisable at any time, and expire on September 3, 2005; and
- * \$247,500 of our 12% demand promissory notes.

During the three months ended December 31, 2003, we issued the following:

- * 42,500 shares of our common stock, valued at \$40,151, to unrelated parties in consideration for consulting and financing services rendered;
- * 420,000 of our Series H warrants to holders of our 4% senior subordinated debentures, and 480,000 of our Series H warrants to unrelated parties in consideration for consulting services rendered in relation to the placement of the debentures. The Series H warrants entitle the holders to purchase a total of 900,000 common shares of the Company at an exercise price of \$0.50 per share, are exercisable at any time, and expire on December 31, 2006;
- * \$600,000 of our 4% senior subordinated debentures. The 4% senior subordinated debentures mature on December 31, 2005 and are convertible into shares of our common stock at a ratio of one share of common stock for each \$0.50 of debt converted; and
- * \$184,203 of our 12% demand promissory notes.

During the period from January 1 to March 16, 2004, we issued the following:

- * 6,666,666 shares of our common stock to accredited investors through an equity private placement for total consideration of \$6,000,000;
- * 3,333,333 Series I warrants to investors participating in the private placement described above, and 180,000 Series I warrants to unrelated parties in consideration for financing services rendered in relation to the private placement. The Series I warrants entitle the holders to purchase a total of 3,483,333 common shares of the Company at an exercise price of \$0.90 per share, are exercisable at any time, and expire on March 8, 2009;
- * 360,000 shares of our common stock to the holders of our 12% promissory notes in connection with the settlement of \$169,964 in principal, plus accrued interest of \$10,036;
- * 50,000 shares of our common stock, valued at \$54,300 to unrelated parties in consideration for consulting and financing services rendered;
- * \$1,400,000 of our 4% senior subordinated debentures. The 4% senior subordinated debentures mature on December 31, 2005 and are convertible into shares of our common stock at a ratio of one share of common stock for each \$0.50 of debt converted; and
- * 980,000 Series H warrants to certain holders of our 4% senior subordinated debentures holders, and 847,500 Series H warrants to unrelated parties in consideration for consulting services rendered in relation to the placement of the debentures. The Series H warrants entitle the holders to purchase a total of 1,827,500 common shares of the Company at an exercise price of \$0.50 per share, are exercisable at any time, and expire on December 31, 2006.

The foregoing securities were issued in reliance upon the exemption provided by Section 4(2) under the Securities Act of 1933 and the rules promulgated thereunder.

During the period from January 1 to March 16, 2004, we also cancelled 4,000,000 of the Series F warrants.

Item 6. Management's Discussion and Analysis or Plan of Operations.

General

In this section, we explain our consolidated financial condition and results of operations for the years ended December 31, 2003 and December 31, 2002. As you read this section, you may find it helpful to refer to our Consolidated Financial Statements at the end of this annual report.

Until we acquired our former subsidiary, Graph-O-Logic, S.A. in August 1999, we had no material or substantive business operations. Since then, our business has been as more fully described in " Part I, Item 1: Description of Business". Accordingly, in this section we focus solely on the historical business operations of the subsidiary and our current business plan and operations.

Plan of Operations

We are a development stage enterprise. As such, our historical results of operations are unlikely to provide a meaningful understanding of the activities expected to take place during the period through December 31, 2004. Two of our products have reached the stage of being saleable during the first quarter of 2004. Our major initiatives through December 31, 2004 are:

- * furthering the development of our products;
- * obtaining commercial sales of our products, and continuing our current marketing program; and
- * developing and improving product agents to perform specialized functions common to many e-commerce sites.

For more information, please see "Part 1. Item 1: Description of Business; Technology."

Marketing Plans: We started the marketing process in the second quarter of 2000, with our original focus being potential customers located in the United States and Western Europe. The potential customers and our current marketing program are more fully described in "Part 1. Item 1: Description of Business - The Target Market." Marketing activities are multi-faceted.

Marketing leads are being developed by direct identification of potential customers, through trade shows and through personal contacts of management and marketing representatives. We expect to spend \$60,000 in attending and exhibiting at trade shows through December 31, 2004. We anticipate that preparation of additional promotional literature, including technical evaluations of the products and testimonials from users of the products, and distribution of promotional literature at the trade shows and by direct mailings to the individuals identified as the decision makers and decision influencers will cost \$890,000 during the year ended December 31, 2004.

Sales representatives, who are compensated on a salary and commission basis, will continue to follow up these leads, with the objective of more fully explaining the products and their benefits to potential customers. We estimate the cost of this initiative, including travel and sales support, to be \$680,000 for the year ended December 31, 2004.

Pilot projects to demonstrate the utility and benefits of the products to the customer are expected to be funded at a break-even level by customers.

In summary, the marketing program is expected to cost approximately \$1,630,000 through December 31, 2004.

Developing and Improving Product Agents: While we direct a considerable portion of our activities and budget to marketing, we will continue developing the core functions of the products and additional product agents and improving existing ones. For more information please see “Part I. Item 1. Description of Business; Our Technology.”

We will improve and further develop our products based upon responses from potential customers. The cost associated with this development is primarily a function of the activity currently planned and thus will be subject to a high degree of control. We estimate that the cost of this continued research and development effort will be \$1,320,000 through December 31, 2004. In addition, we expect to spend \$625,000 on general and administrative expenses through December 31, 2004.

Since entering the development stage, we have obtained financing from the exercise of our Series A warrants, which are now fully exercised, from the proceeds of loans, and from the issuance of convertible debentures. Until such time as we generate sufficient revenues from the licensing of our software applications, we will continue to be dependent on raising substantial amounts of additional capital through any one of a combination of debt offerings or equity offerings, including but not limited to:

- * debt instruments, including demand notes and convertible debentures similar to those discussed below in “Liquidity and Capital Resources”;
- * private placements of common stock;
- * exercise of stock options at an exercise price of \$0.33 per share;
- * exercise of Series ‘B’ warrants at an exercise price of \$3.00 per share;
- * exercise of Series ‘E’ warrants at an exercise price of \$0.33 per share;
- * exercise of Series ‘F’ warrants at an exercise price of \$0.50 per share;
- * exercise of Series ‘G’ warrants at an exercise price of \$0.75 per share;
- * exercise of Series ‘H’ warrants at an exercise price of \$0.50 per share; or
- * funding from potential clientele or future industry partners.

During the fourth quarter of 2003, and the first quarter of 2004, we raised \$8,000,000 through the private placement of 6,666,666 common shares and 3,333,333 warrants for proceeds of \$6,000,000, and from the issuance of \$2,000,000 in 4% senior subordinated convertible debentures and 1,400,000 warrants. We expect these resources to be adequate to fund our operations for the next two years. However, there can be no assurance that any future financings can be obtained, should they be required. In this regard, please see “Risk Factors - Requirement for Additional Capital” in Item 1 above.

Selected Financial Data

The selected financial data set forth below with respect to our consolidated statements of operations for each of the two fiscal years in the period ended December 31, 2003 and with respect to the consolidated balance sheets as at December 31, 2003 and 2002, are derived from our audited consolidated financial statements included at the end of this report. The following selected financial data should be read in conjunction with our consolidated financial statements and the notes thereto.

	Year Ended December 31	
	2003	2002
Operations Data		
Selling, general and administrative	\$ 1,752,725	\$ 473,306
Research and development	997,822	405,597
Depreciation of property and equipment	4,333	281
Write-off of prepaid services	174,375	--
Other expenses, net	72,645	27,657
Net loss	<u>\$ 3,001,900</u>	<u>\$ 906,841</u>

	Year Ended December 31	
	2003	2002
Flows Data		
Net cash from (used in) operations	(955,256)	\$ (763,099)
Net cash from (used in) investing activities	(3,674)	(10,106)
Net cash from financing activities	1,348,703	929,151
Effects of exchange rates on cash	--	--
Net increase in cash	<u>\$ 389,773</u>	<u>\$ 155,946</u>

Balance Sheet Data		
Cash	\$ 546,423	\$ 156,650
Total current assets	1,182,383	371,358
Property and equipment	9,166	9,825
Deferred financing costs	491,450	--
Deferred consulting services	1,393,873	--
Total assets	3,076,872	381,183
Total current liabilities	1,295,785	1,379,775
4% Senior Subordinated convertible debentures (face value \$600,000, see financial statements)	--	--
Stockholders' equity (deficiency)	<u>\$ 1,781,087</u>	<u>\$ (998,592)</u>

Results of Operations

In this section, we discuss our earnings for the periods indicated and the factors affecting them that resulted in changes from one period to the other.

Through September 30, 2001, our principal operations were conducted in Switzerland. Our expenses were incurred in Swiss francs. Subsequent to September 30, 2001 our principal operations were conducted in Canada and Europe. However the majority of our expenses were incurred in United States dollars. Our financial statements have been conformed to US GAAP and presented in US dollars for purposes of this annual report. The rates of exchange between the Swiss franc and US dollar set out below were used to convert the various financial statement balances from Swiss francs to US dollars. In the following tables we set forth:

- * the rates of exchange for the US dollar, expressed in Swiss francs (CH), in effect at the end of each of the periods indicated; and
- * the average of the exchange rates in effect during such periods.

	Year ending December 31	
	2003	2002
Rate at end of Period	1.24CH	1.39CH
Average Rate During Period	1.35CH	1.56CH

The fiscal year ended December 31, 2003 compared to the fiscal year ended December 31, 2002

Revenue: We generated no revenues during the year ended December 31, 2003, nor did we generate any revenues during the year ended December 31, 2002. As of August 1999, we have directed all of our attention towards the completion and marketing of the software applications discussed above. We believe that if we are successful in our development and marketing efforts, we will generate a source of revenue in the future from sales and/or licensing of our software applications. During the first quarter of 2004, one of our products reached the stage of being saleable.

Selling, general and administrative expenses: Selling, general and administrative expenses consist primarily of personnel costs, professional fees, communications expenses, occupancy costs and other miscellaneous costs associated with supporting our research and development and sales and marketing activities. During the year ended December 31, 2003 we incurred \$1,752,725, as compared to \$473,306 during the year ended December 31, 2002. This increase of \$1,279,419 (270%) is primarily a result of: (i) a total of \$950,645 in non-cash consulting fees being recognized on the issuance of options, warrants and capital stock during the year ended December 31, 2003, as detailed in Note 6 to the financial statements, compared with \$71,775 in non-cash consulting fees recognized during the year ended December 31, 2002, and (ii) our increased efforts in the marketing of our products. Our current marketing program commenced during the third quarter of 2002, with the objective of increasing the number of beta sites and positioning ourselves within the marketplace, in order to obtain future commercial sales of our products.

Research and development expenses: Research and development expenses consist primarily of personnel costs and consulting expenses directly associated with the development of our software applications. During the year ended December 31, 2003, we spent \$997,822, an increase of \$592,225 (146%) from the \$405,597 spent in developing our technology, and implementing it into products during 2002. This increase was primarily the result of non-cash consulting fees in the amount of \$335,816 being recognized on the issuance of warrants and stock options during the year ended December 31, 2003. There were no similar non-cash expenses recognized during the year ended December 31, 2002. We also retained additional senior level personnel for our development team commencing during the third quarter of 2002, which resulted in higher costs for the year ended December 31, 2003 as compared with the year ended December 31, 2002.

Amortization: Amortization expense was \$4,333 during the year ended December 31, 2003, an increase of \$4,052 (1,442%), over the \$281 charged to expense during the year ended December 31, 2002. The use of computer equipment is provided under arrangements with our contractors. The use of office furniture and equipment is provided under the terms of our arrangements for leased premises as described above.

Net Loss: We incurred a loss of \$3,001,900 (\$0.16 per share) for the year ended December 31, 2003, compared to a loss of \$906,841 (\$0.06 per share) for the year ended December 31, 2002. Our revenues and future profitability and future rate of growth are substantially dependent on our ability to:

- * identify clients willing to install beta sites for our products;
- * operate successfully these beta sites, integrating our technology into their operations;

- * modify the software applications based on the results of the beta site results;
- * license the software applications to a sufficient number of clients;
- * modify the successful software applications, over time, to provide enhanced benefits to existing users; and
- * successfully develop related software applications.

Liquidity and Capital Resources

At December 31, 2003, we had negative working capital of \$113,402, compared to negative working capital of \$1,008,417 at December 31, 2002. This significant increase in working capital occurred primarily as a result of the conversion of \$1,364,151 in promissory notes payable plus \$93,413 in accrued interest thereon, into common shares, as well as the issuance of \$600,000 in 4% senior subordinated convertible debentures. We had \$546,423 of cash on hand at December 31, 2003 compared to \$156,650 at December 31, 2002.

During the first quarter of 2004, we raised an additional \$1,400,000 from the issuance of 4% convertible debentures and 980,000 warrants, and \$6,000,000 from the private placement of 6,666,666 common shares and 3,333,333 warrants.

Net Cash Flow from Operations: During the year ended December 31, 2003, we used \$955,256 in operations, compared to using \$763,099 during the year ended December 31, 2002. The use of cash in operations during the year ended December 31, 2003 resulted primarily from a net loss of \$3,001,900, which was partially offset by depreciation of \$4,333, non-cash consulting fees of \$1,286,461, non-cash interest of \$59,824, non-cash write-off of prepaid services of \$174,375, and by a net change in non-cash operating working capital of \$521,651. During the year ended December 31, 2002, the use of cash in operations resulted from a net loss of \$906,841, plus a \$26,212 currency translation adjustment on liquidation of the investment in our foreign subsidiary, and partially offset by depreciation of \$281, non-cash consulting fees of \$71,775, non-cash interest of \$48,185, and by a net change in non-cash operating working capital of \$49,713.

Net Cash Used in Investing Activities: During the year ended December 31, 2003, we invested \$3,674 in property and equipment, compared to \$10,106 invested during the year ended December 31, 2002.

Net Cash From Financing Activities: During the year ended December 31, 2003 we raised \$803,203 from the issuance of promissory notes, and \$545,500 in proceeds net of cash-based issuance costs paid on or before December 31, 2003, of \$54,500, from the issuance of 4% senior subordinated convertible debentures. During the year ended December 31, 2002 we raised \$929,151 from the issuance of promissory notes. For information concerning our capital requirements see “Plan of Operations” above.

During the first quarter of 2004, we raised an additional \$1,400,000 from the issuance of 4% convertible debentures and 980,000 warrants, and \$6,000,000 from the private placement of 6,666,666 common shares and 3,333,333 warrants.

Item 7. Financial Statements.

Consolidated Financial Statements of

VALIDIAN CORPORATION

(A Development Stage Enterprise)

Years ended December 31, 2003 and 2002

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AUDITORS' REPORT TO THE BOARD OF DIRECTORS

We have audited the accompanying consolidated balance sheets of Validian Corporation and subsidiaries (a Development Stage Enterprise) as of December 31, 2003 and 2002 and the related consolidated statements of operations, changes in stockholders' equity (deficiency) and comprehensive loss and cash flows for the years then ended and the period from August 3, 1999 to December 31, 2003. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Validian Corporation and subsidiaries as of December 31, 2003 and 2002, and the results of their operations and their cash flows for the years then ended and the period from August 3, 1999 to December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

KPMG LLP

Chartered Accountants

Ottawa, Canada

January 16, 2004 (except for note 11 which
is as of March 8, 2004)

VALIDIAN CORPORATION

(A Development Stage Enterprise)
Consolidated Balance Sheets

December 31, 2003 and 2002
(In U.S. dollars)

	2003	2002
Assets		
Current assets:		
Cash and cash equivalents	\$ 546,423	\$ 156,650
Prepaid expenses (note 6(c))	635,960	214,708
	1,182,383	371,358
Property and equipment (note 3)	9,166	9,825
Deferred financing costs	491,450	—
Deferred consulting services (note 6(c))	1,393,873	—
	\$ 3,076,872	\$ 381,183
=====		
Liabilities and Stockholders' Equity (Deficiency)		
Current liabilities:		
Accounts payable	\$ 630,793	\$ 180,910
Accrued liabilities	198,707	156,714
Promissory notes payable (note 4)	466,285	1,042,151
	1,295,785	1,379,775
4% Senior subordinated convertible debentures (note 5)	—	—
Stockholders' equity (deficiency):		
Common stock (\$0.001 par value. Authorized 50,000,000 shares; issued and outstanding 20,567,548 shares in 2003 and 15,727,786 shares in 2002) (note 6(a))	20,566	15,726
Preferred stock (\$0.001 par value. Authorized 5,000,000 shares; issued and outstanding Nil shares in 2003 and 2002)	—	—
Additional paid-in capital	10,822,021	5,045,282
Deficit accumulated during the development stage	(9,033,066)	(6,031,166)
Retained earnings prior to entering development stage	21,304	21,304
Treasury stock (7,000 shares in 2003 and 2002 at cost)	(49,738)	(49,738)
	1,781,087	(998,592)
Subsequent events (note 11)	\$ 3,076,872	\$ 381,183
=====		

See accompanying notes to consolidated financial statements.

VALIDIAN CORPORATION

(A Development Stage Enterprise)
Consolidated Statements of Operations

Years ended December 31, 2003 and 2002 and the period from August 3, 1999 to December 31, 2003
(In U.S. dollars)

	2003	2002	Period from August 3, 1999 to December 31, 2003
Expenses:			
Selling, general and administrative (note 6)	\$ 1,752,725	\$ 473,306	\$ 4,211,399
Research and development (note 6)	997,822	405,597	4,433,902
Depreciation of property and equipment	4,333	281	194,602
Write-off of prepaid services	174,375	—	174,375
Gain on sale of property and equipment	—	—	(7,442)
Write-off of accounts receivable	—	—	16,715
Write-off of due from related party	—	—	12,575
Loss on cash pledged as collateral for operating lease	—	—	21,926
Write-down of property and equipment	—	—	14,750
	2,929,255	879,184	9,072,802
Operating loss	(2,929,255)	(879,184)	(9,072,802)
Other income (expenses):			
Gain on extinguishment of debt	—	—	291,507
Interest	(59,824)	(45,978)	(230,043)
Other	(12,821)	18,321	(21,728)
	(72,645)	(27,657)	39,736
Net loss	\$(3,001,900)	\$ (906,841)	\$(9,033,066)
Loss per common share before extraordinary item - basic and diluted (note 7)	\$ (0.16)	\$ (0.06)	
Loss per common share after extraordinary item - basic and diluted (note 7)	\$ (0.16)	\$ (0.06)	
Weighted average common shares outstanding	18,461,267	15,690,779	

See accompanying notes to consolidated financial statements.

VALIDIAN CORPORATION

(A Development Stage Enterprise)

Consolidated Statements of Changes in Stockholders' Equity (Deficiency) and Comprehensive Loss

For the five years ended December 31, 2003

(In U.S. dollars)

	Number	Common stock amount	Additional paid-in capital	Retained earnings prior to entering development stage	Deficit accumulated during development stage	Accumulated other comprehensive income (loss)	Treasury stock	Total
Balances at December 31, 1998	61,333	\$ 61	\$ 23,058	\$ 30,080	\$ —	\$ (7,426)	\$ —	\$ 45,773
Issued for mining claims	92,591	92	27,408	—	—	—	—	27,500
Issued for cash	3,000,000	3,000	27,000	—	—	—	—	30,000
Reverse acquisition	8,459,000	8,459	21,541	—	—	—	—	30,000
Fair value of warrants issued to unrelated parties (note 6(b))	—	—	130,000	—	—	—	—	130,000
Shares issued upon exercise of warrants	380,000	380	759,620	—	—	—	—	760,000
Share issuance costs	—	—	(34,750)	—	—	—	—	(34,750)
Comprehensive loss:								
Net loss	—	—	—	(8,776)	(743,410)	—	—	(752,186)
Currency translation adjustment	—	—	—	—	—	11,837	—	11,837
Comprehensive loss								(740,349)
Balances at December 31, 1999	11,992,924	11,992	953,877	21,304	(743,410)	4,411	—	248,174
Shares issued upon exercise of warrants	620,000	620	1,239,380	—	—	—	—	1,240,000
Share issuance costs	—	—	(62,000)	—	—	—	—	(62,000)
Acquisition of common stock	—	—	—	—	—	—	(49,738)	(49,738)
Comprehensive loss:								
Net loss	—	—	—	—	(2,932,430)	—	—	(2,932,430)
Currency translation adjustment	—	—	—	—	—	(40,401)	—	(40,401)
Comprehensive loss								(2,972,831)
Balances at December 31, 2000	12,612,924	12,612	2,131,257	21,304	(3,675,840)	(35,990)	(49,738)	(1,596,395)
Shares issued in exchange for debt (note 6(a))	2,774,362	2,774	2,216,715	—	—	—	—	2,219,489
Fair value of warrants issued to unrelated parties (note 6(b))	—	—	451,500	—	—	—	—	451,500
Comprehensive loss:								
Net loss	—	—	—	—	(1,448,485)	—	—	(1,448,485)
Currency translation adjustment	—	—	—	—	—	62,202	—	62,202
Comprehensive loss								(1,386,283)
Balances at December 31, 2001	15,387,286	15,386	4,799,472	21,304	(5,124,325)	26,212	(49,738)	(311,689)

See accompanying notes to consolidated financial statements.

VALIDIAN CORPORATION

(A Development Stage Enterprise)

Consolidated Statements of Changes in Stockholders' Equity (Deficiency) and Comprehensive Loss

For the five years ended December 31, 2003

(In U.S. dollars)

	Number	Common stock amount	Additional paid-in capital	Retained earnings prior to entering development stage	Deficit accumulated during development stage	Accumulated other comprehensive income (loss)	Treasury stock	Total
Balances at December 31, 2001	15,387,286	\$15,386	\$4,799,472	\$ 21,304	\$(5,124,325)	\$ 26,212	\$(49,738)	\$ (311,689)
Shares issued in consideration of consulting services (note 6(a))	340,500	340	245,810	—	—	—	—	246,150
Comprehensive loss:								
Net loss	—	—	—	—	(906,841)	—	—	(906,841)
Currency translation adjustment on liquidation of investment in foreign subsidiary (note 2(h))	—	—	—	—	—	(26,212)	—	(26,212)
Comprehensive loss								(933,053)
Balances at December 31, 2002	15,727,786	15,726	5,045,282	21,304	(6,031,166)	—	(49,738)	(998,592)
Shares issued in exchange for debt (note 6(a))	4,416,862	4,417	1,453,147	—	—	—	—	1,457,564
Shares issued in consideration of consulting and financing services (note 6(a))	422,900	423	230,448	—	—	—	—	230,871
Fair value of warrants issued to unrelated parties for services (note 6(c))	—	—	2,896,042	—	—	—	—	2,896,042
Fair value of stock purchase options issued to unrelated parties for services (note 6(b))	—	—	597,102	—	—	—	—	597,102
Relative fair value of warrants issued to investors in conjunction with 4% senior subordinated convertible debentures (note 5)	—	—	355,186	—	—	—	—	355,186
Intrinsic value of beneficial conversion feature on 4% convertible debentures issued to unrelated parties (note 5)	—	—	244,814	—	—	—	—	244,814
Net loss and comprehensive loss	—	—	—	—	(3,001,900)	—	—	(3,001,900)
Balances at December 31, 2003	20,567,548	\$ 20,566	\$10,822,021	\$ 21,304	\$(9,033,066)	\$ —	\$(49,738)	\$ 1,781,087

See accompanying notes to consolidated financial statements.

VALIDIAN CORPORATION

(A Development Stage Enterprise)
Consolidated Statements of Cash Flows

Years ended December 31, 2003 and 2002 and the period from August 3, 1999 to December 31, 2003
(In U.S. dollars)

	2003	2002	Period from August 3, 1999 to December 31, 2003
Cash flows from operating activities:			
Net loss	\$ (3,001,900)	\$ (906,841)	\$ (9,033,066)
Items not involving cash:			
Depreciation of property and equipment	4,333	281	194,602
Non-cash consulting fees (note 6)	1,286,461	71,775	1,488,236
Non-cash interest expense	59,824	48,185	233,124
Write-off of prepaid services	174,375	—	174,375
Currency translation adjustment on liquidation of investment in foreign subsidiary	—	(26,212)	(26,212)
Gain on sale of property and equipment	—	—	(7,442)
Gain on extinguishment of debt	—	—	(291,507)
Write-off of accounts receivable	—	—	16,715
Write-off of due from related party	—	—	12,575
Loss on cash pledged as collateral for operating lease	—	—	21,926
Write-down of property and equipment	—	—	14,750
Change in non-cash operating working capital (note 10)	521,651	49,713	2,329,355
Net cash used in operating activities	(955,256)	(763,099)	(4,872,569)
Cash flows from investing activities:			
Purchase of property and equipment	(3,674)	(10,106)	(323,520)
Proceeds on sale of property and equipment	—	—	176,890
Cash pledged as collateral for operating lease	—	—	(21,926)
Net cash used in investing activities	(3,674)	(10,106)	(168,556)
Cash flows from financing activities:			
Issuance of promissory notes	803,203	929,151	3,108,731
Issuance of 4% senior subordinated convertible debentures (note 5)	600,000	—	600,000
Debt issuance costs	(54,500)	—	(54,500)
Repayment of promissory notes	—	—	(16,000)
Increase in due from related party	—	—	12,575
Issuance of common stock	—	—	2,030,000
Share issuance costs	—	—	(96,750)
Acquisition of common stock	—	—	(49,738)
Net cash provided by financing activities	1,348,703	929,151	5,534,318
Effects of exchange rates on cash and cash equivalents	—	—	18,431
Net increase in cash and cash equivalents	389,773	155,946	511,624
Cash and cash equivalents, beginning of period	156,650	704	34,799
Cash and cash equivalents, end of period	\$ 546,423	\$ 156,650	\$ 546,423

See accompanying notes to consolidated financial statements.

VALIDIAN CORPORATION

(A Development Stage Enterprise)

Notes to Consolidated Financial Statements

Years ended December 31, 2003 and 2002

(In U.S. dollars)

1. General:

Validian Corporation (the "Corporation") was incorporated in the State of Nevada on April 12, 1989 as CCC Funding Corp. The Corporation underwent several name changes before being renamed to Validian Corporation on January 28, 2003.

Since August 3, 1999, the efforts of the Corporation have been devoted to the development of a high speed, highly secure method of transacting business using the internet, and to marketing initiatives designed to position the company within the marketplace. Prior to August 3, 1999, the Corporation provided consulting services for web site implementation, multimedia CD design, computer graphic publication, as well as implementation of dedicated software solutions used in connection with the French Minitel and the internet. As the Corporation commenced development activities on this date, it is considered for financial accounting purposes to be a development stage enterprise and August 3, 1999 is the commencement of the development stage.

2. Summary of significant accounting policies:

(a) Principles of consolidation:

The consolidated financial statements include the financial statements of the Corporation and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated.

(b) Cash and cash equivalents:

Cash and cash equivalents include liquid investments with original maturity dates of three months or less.

(c) Property and equipment:

Property and equipment held is stated at cost less accumulated depreciation, and includes computer hardware and software as well as furniture and equipment, which are depreciated on a straight-line basis over their estimated useful lives of three years.

(d) Deferred financing costs:

Deferring financing costs represent the costs associated with arranging the 4% senior subordinated convertible debenture financing. The costs will be amortized over the two year term of the debentures.

VALIDIAN CORPORATION

(A Development Stage Enterprise)

Notes to Consolidated Financial Statements

Years ended December 31, 2003 and 2002

(In U.S. dollars)

2. Summary of significant accounting policies (continued):

(e) Deferred consulting services:

Deferred consulting services represent the portion of prepaid non-cash consulting fees for services to be rendered in periods in excess of twelve months from the balance sheet date. These costs will be charged to expenses as the services are rendered. If circumstances arise which would indicate that the services will not be performed in the future, these deferred consulting fees will be charged to operations immediately.

(f) Income taxes:

Deferred income taxes are determined using the asset and liability method, whereby deferred income tax is recognized on temporary differences using enacted tax rates that are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Temporary differences between the carrying values of assets or liabilities used for tax purposes and those used for financial reporting purposes arise in one period and reverse in one or more subsequent periods. In assessing the realizability of deferred tax assets, management considers known and anticipated factors impacting whether some portion or all of the deferred tax assets will not be realized. To the extent that the realization of deferred tax assets is not considered to be more likely than not, a valuation allowance is provided.

(g) Research and development:

Costs related to research, design and development of software products are charged to research and development expenses as incurred. Software development costs are capitalized beginning when a product's technological feasibility has been established, which generally occurs upon completion of a working model, and ending when a product is available for general release to customers, and is generating significant revenue.

(h) Foreign currency translation:

The reporting currency for the financial statements of the Corporation is the United States dollar. The functional currency for the Corporation's wholly-owned subsidiary, Evolusys S.A., is the Swiss franc. Prior to 2002, the subsidiary's assets and liabilities were translated into U.S. dollars at the exchange rates applicable at the end of the reporting period. The statements of operations and cash flows were translated at the average monthly exchange rates during the year. The resulting translation gains or losses were accumulated as a separate component of stockholders' deficiency.

VALIDIAN CORPORATION

(A Development Stage Enterprise)

Notes to Consolidated Financial Statements

Years ended December 31, 2003 and 2002

(In U.S. dollars)

2. Summary of significant accounting policies (continued):

(h) Foreign currency translation (continued):

During 2002, Evolusys S.A. became an inactive subsidiary of the Corporation. As a result, it was reclassified as an integrated foreign operation and the temporal method was adopted commencing in the period of the change. As a result, the currency translation adjustment account was realized and has been reported in other income. The translated amounts for non-monetary items at the end of the prior period have become the historical basis for those items in the period of the change and subsequent periods. The resulting foreign exchange gains or losses for monetary items were included in the statement of operations.

(i) Stock-based compensation:

The Corporation applies the intrinsic value-based method of accounting prescribed by Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees", and related interpretations including FASB Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation an interpretation of APB Opinion No. 25" to account for its stock options for employees. Under this method, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price. Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation", and SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure, an Amendment to SFAS No. 123", established accounting and disclosure requirements using a fair value-based method of accounting for stock-based employee compensation plans. These provisions are required to be applied to stock compensation granted to non-employees. As allowed by SFAS No. 123, the Corporation has elected to continue to apply the intrinsic value-based method of accounting described above, and has adopted the disclosure requirements of SFAS No. 123, as amended, for employee stock option grants.

During 2003 and 2002, no options were granted to employees and therefore the Corporation's pro forma net loss and pro forma basic and diluted net loss per common share equal the net loss and basic and diluted net loss per common share recorded in the consolidated statements of operations.

VALIDIAN CORPORATION

(A Development Stage Enterprise)

Notes to Consolidated Financial Statements

Years ended December 31, 2003 and 2002

(In U.S. dollars)

2. Summary of significant accounting policies (continued):

(j) Impairment or disposal of long-lived assets:

The Corporation accounts for long-lived assets in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". This Statement requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

(k) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results may differ from those estimates.

3. Property and equipment:

	Cost	Accumulated depreciation	2003 Net book value
Computer hardware and software	\$ 12,741	\$ 4,527	\$ 8,214
Furniture and equipment	1,039	87	952
	\$ 13,780	\$ 4,614	\$ 9,166
=====			
	Cost	Accumulated depreciation	2002 Net book value
Computer hardware and software	\$ 10,106	\$ 281	\$ 9,825
=====			

VALIDIAN CORPORATION

(A Development Stage Enterprise)

Notes to Consolidated Financial Statements

Years ended December 31, 2003 and 2002

(In U.S. dollars)

4. Promissory notes payable:

	2003	2002
Promissory notes payable, bearing interest at 12%, due on demand, unsecured	\$ 466,285	\$ 542,151
Promissory notes payable, bearing interest at 5%, maturing on October 7, 2003, convertible into common shares at any time, unsecured	—	500,000
	\$ 466,285	\$ 1,042,151

Under the terms of the 5% promissory notes, the Holder was entitled to, at any time, convert all or part of the outstanding principal and accrued interest into common stock at the lesser of (i) the ratio of one common share for each \$0.33 of obligation converted; or (ii) the ratio of shares with a value equal to the price per share at which common shares have last been issued to a third party dealing at arms length with the Corporation. During the year ended December 31, 2003, the Holder exercised the conversion feature, and converted a total of \$500,000 in principal and \$15,959 in accrued interest, which was included in accounts payable and accrued liabilities, into 1,563,512 common shares of the Corporation (note 6(a)).

During the year ended December 31, 2003, the Corporation issued an additional \$803,203 12% promissory notes. The Corporation also settled 12% promissory notes in the amount of \$864,151, plus accrued interest of \$77,454, which was included in accounts payable and accrued liabilities, through the issuance of 2,853,350 common shares of the Corporation (note 6(a)), and transferred assets valued at \$14,918 to the Holder of the 12% promissory notes, which amount was applied against the principal outstanding on the notes.

VALIDIAN CORPORATION

(A Development Stage Enterprise)

Notes to Consolidated Financial Statements

Years ended December 31, 2003 and 2002

(In U.S. dollars)

5. 4% Senior subordinated convertible debentures:

On December 30, 2003 the Corporation issued \$600,000 in 4% senior subordinated convertible debentures, which mature on December 31, 2005. Under the terms of the debentures, the holder may, at any time, convert all or a portion of the outstanding principal plus accrued interest into common stock of the Corporation at a ratio of one common share for each \$0.50 of debt converted. At maturity, any principal plus accrued interest which has not been converted into common stock by the holder, may be repaid by the Corporation, at its option, either in cash or in common shares of the Corporation, at a ratio of one common share for each \$0.50 of debt outstanding. The conversion ratio will change if the price of future equity issuances is below \$0.50.

Holders of the debentures were also granted 420,000 Series H warrants to purchase common stock of the Corporation (note 6(c)), at the ratio of seven warrants granted for each ten dollars invested. In accordance with APB 14, "Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants", \$355,186, representing the relative fair value of the Series H warrants at the issuance date, has been allocated to the warrants and recorded as additional paid-in capital. This amount will be accreted to debentures payable through periodic charges to interest expense over the two-year term of the debentures.

At the date of issuance, the conversion feature of the debentures was in-the-money. The intrinsic value of this beneficial conversion feature was \$244,814. In accordance with EITF 98-5, "Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios" and EITF00-27, "Application of Issue No. 98-5 to Certain Convertible Instruments", this amount has been recorded as additional paid-in capital and will be accreted to debentures payable through periodic charges to interest expense over the two-year term of the debentures.

The following table sets forth the financial statement presentation of the proceeds of the debentures:

	2003	2002
Proceeds 4% senior subordinated convertible debentures	\$ 600,000	\$ —
Allocated to additional paid-in capital for:		
420,000 Series H warrants	(355,186)	—
Beneficial conversion feature	(244,814)	—
	\$ —	\$ —

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VALIDIAN CORPORATION

(A Development Stage Enterprise)

Notes to Consolidated Financial Statements

Years ended December 31, 2003 and 2002

(In U.S. dollars)

6. Stockholders' equity (deficiency):

(a) Common stock:

During the year ended December 31, 2003 the Corporation issued 110,400 shares of its common stock, valued at \$84,621, to unrelated companies in consideration for consulting services rendered prior to December 31, 2003. In addition, the Corporation issued 300,000 shares of its common stock, valued at \$135,000 to an unrelated company in consideration for consulting services rendered and to be rendered. As at December 31, 2003, the Corporation had received consulting services valued at \$33,750 from this company. In relation to these transactions, an expense of \$118,371 has been included in selling, general and administrative expenses for the year ended December 31, 2003. The remaining \$101,250 is recorded as a prepaid expense, to be expensed over the remaining twelve months of the contract to which the cost applies.

In connection with the issuance of the 4% senior convertible debentures (note 5), the Corporation issued 12,500 shares of its common stock, valued at \$11,250, to an unrelated company in consideration of financing fees, which has been included in deferred financing costs, to be expensed over the two years remaining to maturity of the debentures.

In addition, the Corporation issued 4,416,862 common shares in connection with the conversion of the 5% promissory notes and the settlement of the 12% promissory notes (note 4).

(b) Stock options:

During the year ended December 31, 2003, the Corporation granted 3,912,302 stock options to non-employees in consideration for consulting services rendered. These stock options entitle the holders to purchase 3,912,302 common shares at an exercise price of \$0.33 per share. The options vested immediately upon their issuance, and are exercisable until May 7, 2008. An expense of \$93,098 and \$504,004 has been included in research and development and selling, general and administrative, respectively, which reflects the fair value of the options. The expense was calculated using the Black Scholes option-pricing model with the following weighted average assumptions: expected dividend yield 0%; risk-free interest rate of 2.64%; expected volatility of 139%; and expected life of 5 years.

VALIDIAN CORPORATION

(A Development Stage Enterprise)

Notes to Consolidated Financial Statements

Years ended December 31, 2003 and 2002

(In U.S. dollars)

6. Stockholders' equity (deficiency) (continued):

(c) Warrants:

During 1999, the Corporation issued 340,000 Series B warrants to directors, officers and employees and 390,000 Series B warrants to an unrelated party to purchase a total of 730,000 common shares at an exercise price of \$3 per share. The Series B warrants are exercisable at any time and expire December 31, 2004. During 2003, 390,000 of the Series B warrants issued to an unrelated party were cancelled in exchange for the issuance of 400,000 Series F warrants. In addition, 20,000 of the Series B warrants issued to an employee and 500,000 of the Series D warrants issued to an employee were cancelled during 2003. At December 31, 2003, there are 320,000 Series B warrants outstanding.

During 2001, the Corporation issued 2,650,000 Series D warrants. The Series D warrants entitled the holders to purchase a total of 2,650,000 common shares at an exercise price of \$1.00 per share. During 2003, 500,000 Series D warrants together with 20,000 Series B warrants were cancelled in exchange for 520,000 Series E warrants. The remaining 2,150,000 Series D warrants were cancelled during 2003.

During the year ended December 31, 2003, the Corporation issued 2,155,000 Series E warrants to non-employees in consideration for consulting services rendered. The Series E warrants entitle the holders to purchase a total of 2,155,000 common shares at an exercise price of \$0.33 per share, are exercisable at any time, and expire on December 31, 2007. Expenses of \$242,718 and \$77,195 have been included in research and development and selling, general and administrative, respectively, representing the fair value of the Series E warrants issued. The expenses were calculated using the Black Scholes option-pricing model with the following weighted average assumptions: expected dividend yield 0%; risk-free interest rate of 2.3%; expected volatility of 139%; and an expected life of 4.58 years.

In addition, during the year ended December 31, 2003, the Corporation issued 7,600,000 Series F warrants to an unrelated company in consideration for consulting services rendered and to be rendered, and 400,000 Series F warrants in exchange for the cancellation of 390,000 Series B warrants originally issued in 1999. The Series F warrants entitle the holders to purchase a total of 8,000,000 common shares of the Corporation at an exercise price of \$0.50 per share, and are exercisable at any time. 4,000,000 of the Series F warrants expire on May 31, 2007, and 4,000,000 of the Series F warrants expire on December 31, 2007. \$177,986, representing the fair value of the Series F warrants issued in exchange for consulting services rendered to December 31, 2003, has been included in selling, general and administrative expenses. The fair value of the Series F warrants issued in exchange for consulting services is \$1,837,205. \$443,332 of this amount has been included in prepaid expenses and \$1,393,873 in deferred consulting services. The amounts will be charged to expense as the services are rendered over the next 53 months.

VALIDIAN CORPORATION

(A Development Stage Enterprise)

Notes to Consolidated Financial Statements

Years ended December 31, 2003 and 2002

(In U.S. dollars)

6. Stockholders' equity (deficiency) (continued):

(c) Warrants (continued):

The issuance of the 400,000 Series F warrants in exchange for the cancellation of 390,000 Series B warrants has been accounted for as a modification in accordance with SFAS 123. Accordingly, an expense of \$44,873 has been included in selling, general and administrative expenses, which represents the incremental fair value of the new warrants.

The fair value of the Series F warrants was calculated using the Black Scholes option pricing model with the following weighted average assumptions: a) for 4,000,000 Series F warrants issued May 31, 2003: expected dividend yield 0%; risk-free interest rate of 2.3%; expected volatility of 139%; and an expected life of 4 years; b) for 4,000,000 Series F warrants issued September 3, 2003: expected dividend yield 0%; risk-free interest rate of 2.9%, expected volatility of 138%, and an expected life of 4.3 years.

During the year ended December 31, 2003, the Corporation also issued 400,000 Series G warrants to an unrelated company in consideration for consulting services rendered and to be rendered. The Series G warrants entitle the holders to purchase a total of 400,000 common shares of the Corporation at an exercise price of \$0.75 per share, are exercisable at any time, and expire on September 3, 2005. \$28,216, representing the fair value of the Series G warrants issued in exchange for investor relations services rendered to December 31, 2003, has been included in selling, general and administrative expenses, and \$84,649, representing the fair value of the Series G warrants issued in exchange for investor relations services to be rendered, has been included in prepaid expenses and will be charged to expense as the services are rendered over the next 12 months. The fair value of the Series G warrants was calculated using the Black Scholes option pricing model with the following weighted average assumptions: expected dividend yield 0%; risk-free interest rate of 1.86%; expected volatility of 147%, and an expected life of 2 years.

In connection with the placement of the 4% senior subordinated convertible debentures (note 5), the Corporation issued 900,000 Series H warrants, as follows: 480,000 Series H warrants were issued to unrelated parties in consideration for financing services rendered in connection with the placement of the debentures; and 420,000 Series H warrants were issued to the holders of the debentures. The Series H warrants entitle the holders to purchase a total of 900,000 common shares of the Company at an exercise price of \$0.50 per share, are exercisable at any time, and expire on December 31, 2006. The exercise price will change if the price of future equity issuances is below \$0.50. \$403,200, representing the fair value of the Series H warrants issued in relation to financing services, has been included in deferred financing costs, and will be charged to expense over the two-year term of the debentures.

VALIDIAN CORPORATION

(A Development Stage Enterprise)

Notes to Consolidated Financial Statements

Years ended December 31, 2003 and 2002

(In U.S. dollars)

6. Stockholders' equity (deficiency) (continued):

(c) Warrants (continued):

As noted in note 5, \$355,186, representing the relative fair value of the Series H warrants issued to the debenture holders, has been charged to additional paid-in capital. The fair value of the Series H warrants was calculated using the Black Scholes option pricing model with the following weighted average assumptions: expected dividend yield 0%; risk-free interest rate of 2.44%; expected volatility of 191%, and an expected life of 3 years.

(d) Summary of stock-based compensation:

The following table presents the total of stock-based compensation included in the expenses of the Corporation for the years 2003 and 2002.

	2003	2002
Selling, general and administrative	\$ 950,645	\$ 71,775
Research and development	335,816	—
Total stock-based compensation included in expenses	\$ 1,286,461	\$ 71,775

7. Net loss per share:

As the Corporation incurred a net loss during the years ended December 31, 2003 and 2002, the loss per common share is based on the weighted-average common shares outstanding. The following outstanding instruments could potentially dilute loss per share for the periods presented:

	2003	2002
Stock options	3,912,302	—
Series B stock purchase warrants	320,000	730,000
Series D stock purchase warrants	—	2,650,000
Series E stock purchase warrants	2,155,000	—
Series F stock purchase warrants	8,000,000	—
Series G stock purchase warrants	400,000	—
Series H stock purchase warrants	900,000	—

8. Financial instruments:

The carrying value of cash and cash equivalents, accounts payable and accrued liabilities and promissory notes payable approximates fair value due to the short term to maturity of these instruments.

VALIDIAN CORPORATION

(A Development Stage Enterprise)

Notes to Consolidated Financial Statements

Years ended December 31, 2003 and 2002

(In U.S. dollars)

9. Income taxes:

Deferred income taxes reflect the impact of temporary differences between amounts of assets and liabilities as reported for financial reporting purposes and such amounts as measured by tax laws. The tax effects of temporary differences that gave rise to significant portions of the deferred tax asset and deferred tax liability are as follows:

	2003	2002
Deferred tax asset:		
Net operating loss carryforwards	\$ 1,873,000	\$ 845,000
Capital loss carryforwards	1,050,000	1,050,000
Financing fees	20,000	28,000
Total gross deferred tax asset	2,943,000	1,923,000
Valuation allowance	2,943,000	1,923,000
Net deferred taxes	\$ —	\$ —

Income tax expense attributable to loss before income taxes was \$Nil (2002 - \$Nil) and differed from the amounts computed by applying the U.S. federal income tax rate of 34% (2002 - 34%) to the net loss as a result of the following:

	2003	2002
Expected tax rate	34%	34%
Expected tax recovery applied to net loss before income taxes	\$(1,020,646)	\$ (308,326)
Increase (decrease) in taxes resulting from:		
Change in valuation allowance	1,020,000	308,000
Other	646	326
	\$ —	\$ —

VALIDIAN CORPORATION

(A Development Stage Enterprise)

Notes to Consolidated Financial Statements

Years ended December 31, 2003 and 2002

(In U.S. dollars)

9. Income taxes (continued):

The Corporation has net operating losses of \$5,510,000 (2002 - \$2,484,000) which are available to reduce U.S. taxable income and which expire as follows:

2019	\$ 391,000
2020	675,000
2021	521,000
2022	897,000
2023	3,026,000

\$ 5,510,000

10. Change in non-cash operating working capital:

	2003	2002
Prepaid expenses	\$ 19,563	\$ (40,197)
Accounts payable	449,884	70,112
Accrued liabilities	52,204	19,798
	\$ 521,651	\$ 49,713

11. Subsequent events:

(a) Issuance of 4% senior subordinated convertible debentures:

On January 26 and January 30, 2004, the Corporation issued \$650,000 and \$750,000, respectively, in 4% senior subordinated convertible debentures, which mature on December 31, 2005 and have terms similar to those issued on December 30, 2003.

In connection with the placement of these debentures, the Corporation issued 30,000 common shares, and 847,500 Series H warrants, to unrelated parties, as partial consideration for financing services rendered in connection with the placement of the debentures. The Corporation issued a further 980,000 Series H warrants to the holders of the debentures. The Series H warrants entitle the holders to purchase a total of 1,827,500 common shares of the Corporation at an exercise price of \$0.50 per share, are exercisable at any time, and expire on December 31, 2006.

(b) Conversion of 12% promissory notes payable:

On January 31, 2004, the Corporation settled 12% promissory notes in the amount of \$169,964, plus accrued interest of \$10,036, through the issuance of 360,000 common shares of the Corporation.

VALIDIAN CORPORATION

(A Development Stage Enterprise)

Notes to Consolidated Financial Statements

Years ended December 31, 2003 and 2002

(In U.S. dollars)

11. Subsequent events (continued):

(c) Issuance of common shares:

During January and February 2004, the Corporation issued 20,000 common shares to an unrelated company in consideration for consulting services rendered.

On March 8, 2004, the Corporation completed a private placement for 6,666,666 common shares, for proceeds of \$6,000,000. Investors participating in this placement received a total of 3,333,333 Series I warrants, which entitle the holders to purchase 3,333,333 common shares of the Corporation at an exercise price of \$0.90 per share, are exercisable at any time, and expire on March 8, 2009.

In connection with this transaction, the Corporation also issued 180,000 Series I warrants to an unrelated party as partial consideration for financing services rendered in connection with the placement of the shares.

(d) Cancellation of warrants:

On February 27, 2004, the Corporation cancelled 4,000,000 of the Series F warrants, resulting in the write-off of prepaid services and deferred consulting services of \$322,493 and \$1,048,100 respectively as at February 17, 2004.

Item 8. Changes in and Disagreements With Accountants on Accounting and Financial Disclosures.

There have been no changes in or disagreements with accountants with respect to accounting and/or financial statements.

Item 8A. Controls and Procedures.

The term “disclosure controls and procedures” is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, or the Exchange Act. This term refers to the controls and procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission. Our management, including our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of disclosure controls and procedures as of the end of the period covered by this annual report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of the end of the period covered by this annual report.

There were no changes to our internal control over financial reporting during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART III

Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act.

The following table sets forth certain information concerning our directors and executive officers:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Dr. André Maisonneuve	62	Director, Chairman, President and Chief Executive Officer

André Maisonneuve has been a Director, Chairman, President, and Chief Executive Officer since January 2002, and in addition to these positions was Chief Financial Officer and Secretary from January 2002 until February 2004. Prior to this, he was Director, Executive Vice President and Secretary from July 2001 until January 2002. He oversees key management and strategic decisions as well as marketing and sales activities, and interacts with major customers and suppliers to define the marketing and development strategies, focusing on customers’ requirements. He has over 30 years of experience in launching and managing information technology companies, both private and public. Prior to co-founding Validian in 1999, from 1998 to 1999, he was Executive Vice President with Chataqua Inc., a computer based learning company. From 1995 to 1998, he was Director General of CESAM, a multi media industry consortium. From 1990 to 1995, he was Chairman of ADGA Inc., a software developer for computer based learning. From 1987 to 1990, he was Chief Executive Officer of Telemus Electronics, a defense-electronics company selling core technology and products to the U.S. Navy and large defense contractors such as Lockheed Martin, Teledyne Technologies and Ericsson. From 1985 to 1987, he was an Executive Vice President at ACDS, where he was instrumental in implementing an international distribution network for a publicly held spatial-database company, where customers included EDS, Atlanta Gas and IBM. From 1970 to 1985, he founded and managed CEGIR, an international information-technology and management-consulting company with customers in 14 countries and links with the major international development banks. He has a Ph.D. in Engineering and is a graduate of Harvard Graduate Business School.

Bruce I. Benn	50	Director, Executive Vice President and Secretary
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Bruce Benn founded the Company in 1999 and has been a Director, Executive Vice President and Secretary since February 2004. He oversees all aspects of corporate finance and has been principally responsible for arranging the \$16 million of capital investment for the Company from 1999 to date. Since 1989, he is the President, Director and co-founder of Capital House, a boutique investment bank that has provided and /or arranged early and mid stage venture capital and hands-on managerial assistance to a portfolio of leading technology software companies. Mr. Benn was also a founder, Director and Officer of DevX Energy, Inc. from 1995 until it was sold to Comstock Resources Inc. in 2001 for over \$120 million. From 1980 to 1993, he was with Corporation House Ltd., where he was a Vice President and a Director from 1985 to 1993. He is an attorney and holds a Masters of Law degree from the University of London, England, a Baccalaureate of Laws from the University of Ottawa, Canada, and a Bachelor of Arts in Economics from Carleton University in Ottawa, Canada.

Ronald I. Benn	49	Director, Chief Financial Officer and Treasurer
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Ron Benn was appointed a Director, Chief Financial Officer and Treasurer in February 2004. He is a co-founder, Officer and Director of Capital House since 1989. He was recently Chief Financial Officer of Coast Software, a position he held since September 2000 and where he was directly involved in raising more than \$7 million in capital. Since 1995, he also has been a Director of Telemus Electronics. From 1995 until 2000 he was Chief Financial Officer of DevX Energy, Inc., a publicly traded company on the NASDAQ exchange. He has 21 years' experience in senior finance positions, having begun his career in 1980 with Clarkson Gordon (now Ernst & Young) in the audit department. He holds a Chartered Accountant designation with the Institute of Chartered Accountants of Ontario (1982), and bachelor of commerce and bachelor of science degrees. Ron Benn is the brother of Bruce Benn.

Henrik Olsen	41	Chief Technology Officer
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Henrik Olsen is the Chief Technology Officer and the main architect of the Company's technology and Intellectual Property. He has 15 years experience in project management and system design in the IT industry. He has designed and implemented many sophisticated applications, including a private trading platform for the Japanese warrant market and a dynamic charting and statistics supply chain management system. He managed the Swiss nodes of data network for Telecom Italia and implemented a number of LAN/WAN networks for large customers. He has a B.Sc. from the University of Geneva.

Steve Brown	45	Vice President, Sales
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Steve Brown is the Vice President of Sales, overseeing the sales team and the development and operation of channel sales, and direct sales for reference accounts. He has over 20 years sales and sales management experience with Xerox, Canon, Sterling Software, and JetForm Corporation(acquired by Adobe Software). His experience includes Director and V.P. Sales roles for a North American security infrastructure software developer, KyberPass Corporation, where he was responsible for the design, execution and management of the sales model for Fortune 100 companies, Government, OEM/ASPs and Tier 1 Systems Integrators. He has a B.Comm. (Honours) from Queens University.

Tom Weishaar is the Vice President, Business Development and brings more than 20 years of strategic sales and business development experience. He is responsible for creating strategic partnerships and developing the European market. As Vice President of Strategic Business Development at KyberPass Corporation, he helped position the company to compete against global market leaders, cultivated key strategic business partnerships and pioneered the company's European expansion. He co-founded Trekware Corporation, a mobile computing software/hardware company that sold more than 80,000 licenses of the first vector based mapping application for the Palm platform. He negotiated a major OEM deal with a division of Sony to license the product and invented the first full sized folding keyboard for the Palm Pilot. As Director of Global Business Development at Jetform Corporation (acquired by Adobe Software), he negotiated multiple million-dollar OEM agreements with companies such as IBM, Fujitsu/ICL and Sun Microsystems, Egghead Software and Metriplex Corporation.

Each of our officers serves a term of one year or until his successor is appointed.

Audit Committee Financial Expert

The SEC has adopted rules to implement certain requirements of the Sarbanes-Oxley Act of 2002 pertaining to public company audit committees. One of the rules adopted by the SEC requires a company to disclose whether it has an "audit committee financial expert" serving on its audit committee. Our board of directors has not yet established an audit committee. As such, our board has not yet appointed an audit committee financial expert. At this time, our board of directors believes it would be desirable to have an audit committee, and for the audit committee to have an audit committee financial expert serving on the committee. While informal discussions as to potential candidates have occurred, at this time no formal search process has commenced.

Code of Ethics Policy

We have not yet adopted a code of ethics policy because we are a development stage company, in the early stages of operations. We intend to adopt a code of ethics policy in the future.

Compliance with Section 16(a) of The Securities Exchange Act of 1934

To our knowledge, based solely on a review of such materials as are required by the Securities and Exchange Commission, none of our officers, directors or beneficial holders of more than ten percent of our issued and outstanding shares of common stock failed to timely file with the Securities and Exchange Commission any form or report required to be so filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, during the year ended December 31, 2003, with the exception of one late Form 4 filed by Andre Maisonneuve to report the grant of certain options.

Item 10. Executive Compensation.

The following table shows all the cash compensation paid or to be paid by us or our subsidiaries, as well as certain other compensation paid or accrued, during the fiscal years indicated, to our chief executive officer and one additional executive officer whose total annual salary and bonus exceeded \$100,000 in all capacities in which the person served.

Summary Compensation Table

(a) Name and Principal Position	Annual Compensation			Long Term Compensation				
	(b) Year	(c) Salary (\$)	(d) Bonus (\$)	(e) Other Annual Compensation (\$)	(f) Restricted Stock Award (\$)	(g) Securities Underlying Options/ SARs (\$)	(h) LTIP Payouts (\$)	(i) All Other Compensation
Maisonneuve, André	2003	79,500	0	0	0	230,578	0	0
Director, Chairman,	2002	70,375	0	0	0	0	0	0
President and Chief	2001	45,000						
Executive Officer *								
Weishaar, Tom	2003	110,000	0	0	0	153,383	0	0
Vice President - Business Development								

* Became Director, Executive Vice President and Secretary in July, 2001. In addition, Mr. Maisonneuve served as Chairman, President, Chief Executive Officer, and Chief Financial Officer from January, 2002 to February, 2004.

The following table sets forth information with respect to those executive officers listed above, concerning the grants of options and Stock Appreciation Rights ("SAR") during the past fiscal year:

Option/SAR Grants In Last Fiscal Year

Name	Number of Securities Underlying Options/SARs Granted (1)	Percent of Total Options/SARs Granted to Employees in Fiscal Year	Exercise or Base Price (\$/Sh)	Expiration Date
Maisonneuve, André	1,005,000	26%	\$0.33	May 7, 2008
Weishaar, Tom	1,005,000	26%	\$0.33	May 7, 2008

(1) All options are exercisable immediately.

The following table sets forth information with respect to those executive officers listed above, concerning exercise of options during the last fiscal year and unexercised options and SARs held as of the end of the fiscal year:

Aggregated Option/SAR Exercises and Fiscal Year-End Option/SAR Values

Name	Shares Acquired on Exercise (#)	Value Realized (\$)	Number of Securities Underlying Unexercised Options/SARs at FY-End (#) Exercisable/ Unexercisable	Value of Unexercised In-The-Money Options/SARs at FY-End (\$) (1) Exercisable/ Unexercisable
Maisonneuve, André	0	0	1,005,000/0	\$623,100/0
Weishaar, Tom	0	0	1,005,000/0	\$623,100/0

(1) Calculated based on \$0.95 per share of common stock, the closing bid price of our common stock on December 31, 2003.

The following table sets forth information with respect to our chief executive officer concerning awards under long term incentive plans during the last fiscal year:

Long-Term Incentive Plans – Awards In Last Fiscal Year

Name	Number of Shares, Units or Other Rights (#)	Performance or Other Period Until Maturation or Payout	Estimated Future Payouts under Non-Stock Price Based Plans.		
			Threshold (\$ or #)	Target (\$ or #)	Maximum (\$ or #)
(a)	(b)	(c)	(d)	(e)	(f)
	0	0	0	0	0

Directors are not compensated for acting in their capacity as directors. Directors are reimbursed for their accountable expenses incurred in attending meetings and conducting their duties.

There is no employment agreement between us and our executive officers. See “Part 1. Item 1. Description of Business; Risk Factors-Dependence on Key Personnel.”

Item 11. Security Ownership of Certain Beneficial Owners and Management.

The following table sets forth information as of March 16, 2004, with respect to any person known by us to own beneficially more than 5% of our common stock; common stock beneficially owned by each of our officers and directors named in Item 10; and the amount of common stock beneficially owned by our officers and directors as a group.

<u>Name & Address of Beneficial Owner</u>	<u>Number of Shares Beneficially Owned</u>	<u>Approximate Percent of Common Stock Outstanding (1)</u>
Bruce Benn* (2) (7) (8)	3,050,000	10.9%
Waycross Corp. (3) 29 Rue des Deux Communes 1226 Thonex-Geneva Switzerland	3,400,000	12.1%
Valdosta Corp. (2) P.O. Box 30592 Cayside, 2nd Floor, Harbour Drive Georgetown, Grand Cayman Cayman Islands, BWI	3,400,000	12.1%
Echo Technologies S.A. (4) Rte. de St. Cergue 297-1260 Nyon-Switzerland	2,183,788	7.5%
Henrik Olsen*(4)	2,183,788	7.5%
André Maisonneuve* (5)	1,635,000	5.6%
Tom Weishaar* (6)	1,005,000	3.5%
Ron Benn* (7)	550,000	2.0%
All Executive Officers and Directors As a Group	9,511,090 (8)	28.3%

*Executive Officer and/or a Director.

- (1) Based upon 27,644,214 shares of common stock issued and outstanding as of March 16, 2004 and includes for each person the shares issuable upon exercise of the options and warrants owned by them.
- (2) Valdosta Corp. is a portfolio management corporation incorporated under the laws of the Cayman Islands. Bruce Benn has a beneficial interest in 2,650,000 of the shares owned of record by Valdosta Corporation. Accordingly, 2,650,000 shares of the 3,400,000 shares owned of record by Valdosta Corporation have been included as beneficially owned by him.
- (3) Waycross Corp. is a portfolio management corporation incorporated under the laws of the Cayman Islands.
- (4) Echo Technologies S.A. is a technology company incorporated under the laws of Switzerland. Includes 548,788 shares of common stock and 1,635,000 shares of common stock issuable upon exercise of warrants owned by Echo Technologies S.A. Henrik Olsen has a beneficial interest in a portion of the shares of Echo Technologies S.A. Accordingly, the 548,788 shares and 1,635,000 warrants owned of record by Echo technologies S.A. have been included as beneficially owned by him.
- (5) Includes 1,525,000 shares of common stock issuable to André Maisonneuve upon exercise of the options and warrants owned by him.
- (6) Includes 1,005,000 shares of common stock issuable to Tom Weishaar upon exercise of the options owned by him.
- (7) Capital House Corporation is incorporated under the laws of Canada. Includes 400,000 shares of common stock issuable to Capital House Corporation upon exercise of the warrants owned by it. Bruce Benn and Ron Benn each has a beneficial interest in the shares of Capital House Corporation, and in 100,000 warrants owned of record by Capital House Corporation. Accordingly 100,000 warrants owned of record by Capital House Corporation have been included as beneficially owned by each of them. Bruce Benn and Ron Benn are brothers.
- (8) Includes (a) 2,650,000 shares owned of record by Valdosta Corporation, (b) 100,000 shares of common stock issuable pursuant to warrants held of record by Capital House Corporation, and (c) 300,000 shares issuable upon exercise of warrants held directly by Bruce Benn. See footnotes (2) and (7).

Item 12. Certain Relationships and Related Transactions.

Henrik Olsen became an officer of the Company in February 2004. Henrik Olsen has a beneficial interest in Echo Technologies S.A., which is a contractual developer of the Company for the purpose of paying wages and of holding warrants for personnel in Europe.

During the year ended December 31, 2003, there were no related party transactions. During the year ended December 31, 2002, there were no related party transactions.

Item 13. Exhibits and Reports on Form 8-K.

Exhibit No.	Document Description
3.1	Restated Articles of Incorporation
3.2	Articles of Incorporation of Sochrys Technologies Inc. (1)
3.3	By-Laws (2)
3.4	Amendment to By-Laws
4.1	Form of Class B Warrants (2)
4.2	Form of Class E Warrants
4.3	Form of Class F Warrants
4.4	Form of Class G Warrants
4.5	Form of Class H Warrants
4.6	Form of Class I Warrants (3)
4.7	Form of 12% Promissory Note
4.8	Form of 4% Convertible Debenture
10.1	Registration Rights Agreement, dated as of March 8, 2004 by and among the Company and each entity named on the signature page thereto (3)
10.2	Securities Purchase Agreement, dated as of March 8, 2004 by and among the Company and each entity named on the signature page thereto (3)
10.3	Validian Corporation Incentive Equity Plan (4) *
10.4	Securities Purchase Agreement in respect of the 4% Convertible Debenture, dated as of December 30, 2003 by and between Validian Corporation and each individual or entity named on a signature page thereto
10.5	Registration Rights Agreement, dated as of December 30, 2004 by and between the Company and each entity named on the signature page thereto
21.1	List of Subsidiaries
31.1	Certification of Chief Executive Officer Pursuant to Section 302
31.2	Certification of Chief Financial Officer Pursuant to Section 302
32.1	Certification of Chief Executive Officer Pursuant to Section 906
32.2	Certification of Chief Financial Officer Pursuant to Section 906

(1) Previously filed as an Exhibit to Amendment No. 1 to our Registration Statement on Form 10-SB, SEC File No. 0-28423, filed with the Commission on October 10, 2000 and incorporated herein by reference.

(2) Previously filed as an Exhibit to our Registration Statement on Form 10-SB, SEC File No. 0-28423, filed with the Commission on December 9, 1999 and incorporated herein by reference.

(3) Previously filed as an Exhibit to our Current Report on Form 8-K, SEC File No. 0-28423, filed with the Commission on March 8, 2004 and incorporated herein by reference.

(4) Previously filed as an Exhibit to our Current Report on Form 8-K, SEC File No. 0-28423, filed with the Commission on June 17, 2003 and incorporated herein by reference.

* Denotes management contract.

Reports on Form 8-K

We did not file any reports on Form 8-K with the Commission during the last quarter of the fiscal year ended December 31, 2003.

Statements contained in this Form 10-KSB as to the contents of any agreement or other document referred to are not complete, and where such agreement or other document is an exhibit to this Report or is included in any forms indicated above, each such statement is deemed to be qualified and amplified in all respects by such provisions.

Item 14. Principal Accountant Fees and Services

The following table sets out fees billed by the Company's principal accountant for audit and related services for each of the previous two fiscal years:

Description of services	Fees billed for 2003 fiscal year	Fees billed for 2002 fiscal year
Audit fees	\$ 14,326	\$ 8,284
Audit-related fees	\$ 14,350	\$ 5,257

We do not currently have an audit committee, however it is our policy to have all audit and audit-related fees pre-approved by the board of directors. All of the above fees were pre-approved by the board of directors.

Audit-related fees were incurred in relation to our quarterly reports on Form 10-QSB.

SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the small business issuer has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

VALIDIAN CORPORATION

By: /s/ André Maisonneuve
André Maisonneuve
President, and Chief Executive Officer

Dated: March 29, 2004.

In accordance with the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the small business issuer and in the capacities and on the dates indicated.

/s/ André Maisonneuve
André Maisonneuve
President, Chief Executive Officer and Director
(principal executive officer)

Dated: March 29, 2004.

/s/ Ronald Benn
Ronald Benn
Chief Financial Officer, Treasurer and Director
(principal financial officer)

Dated: March 29, 2004

/s/ Bruce Benn
Bruce Benn
Executive Vice President, Secretary and Director

Dated: March 29, 2004

Exhibits.

Exhibit No.	Document Description
3.1	Restated Articles of Incorporation
3.2	Articles of Incorporation of Sochrys Technologies Inc. (1)
3.3	By-Laws (2)
3.4	Amendment to By-Laws
4.1	Form of Class B Warrants (2)
4.2	Form of Class E Warrants
4.3	Form of Class F Warrants
4.4	Form of Class G Warrants
4.5	Form of Class H Warrants
4.6	Form of Class I Warrants (3)
4.7	Form of 12% Promissory Note
4.8	Form of 4% Convertible Debenture
10.1	Registration Rights Agreement, dated as of March 8, 2004 by and among the Company and each entity named on the signature page thereto (3)
10.2	Securities Purchase Agreement, dated as of March 8, 2004 by and among the Company and each entity named on the signature page thereto (3)
10.3	Validian Corporation Incentive Equity Plan (4)
10.4	Securities Purchase Agreement in respect of the 4% Convertible Debenture, dated as of December 30, 2003 by and between Validian Corporation and each individual or entity named on a signature page thereto
10.5	Registration Rights Agreement, dated as of December 30, 2003 by and between the Company and each entity named on the signature page thereto
21.1	List of Subsidiaries
31.1	Certification of Chief Executive Officer Pursuant to Section 302
31.2	Certification of Chief Financial Officer Pursuant to Section 302
32.1	Certification of Chief Executive Officer Pursuant to Section 906
32.2	Certification of Chief Financial Officer Pursuant to Section 906

(1) Previously filed as an Exhibit to Amendment No. 1 to our Registration Statement on Form 10-SB, SEC File No. 0-28423, filed with the Commission on October 10, 2000 and incorporated herein by reference.

(2) Previously filed as an Exhibit to our Registration Statement on Form 10-SB, SEC File No. 0-28423, filed with the Commission on December 9, 1999 and incorporated herein by reference.

(3) Previously filed as an Exhibit to our Current Report on Form 8-K, SEC File No. 0-28423, filed with the Commission on March 8, 2004 and incorporated herein by reference.

(4) Previously filed as an Exhibit to our Current Report on Form 8-K, SEC File No. 0-28423, filed with the Commissioner on June 17, 2003 and incorporated herein by reference.

EXHIBIT 3.1

**RESTATED
ARTICLES OF INCORPORATION
OF
VALIDIAN CORPORATION**

ARTICLE I

NAME

The name of the Corporation is: **VALIDIAN CORPORATION**.

ARTICLE II

PERIOD OF DURATION

The Corporation shall continue in existence perpetually unless sooner dissolved according to law.

ARTICLE III

PURPOSES AND POWERS

The purposes for which the Corporation is organized are:

- (a) To acquire by purchase or otherwise, own, hold, lease, rent, mortgage or otherwise, to trade with and deal in real estate, lands and interests in lands and all other property of every kind and nature;
- (b) To manufacture, use, work, sell and deal in chemicals, biologicals, pharmaceuticals, electronics and products of all types owned or hereafter owned by it for manufacturing, using and vending any devices or machines, machine or machines or manufacturing, working or producing any or all products;
- (c) To borrow money and to execute notes and obligations and security contracts therefor, to lend any of the monies or funds of the Corporation and to take evidence on a general mercantile and merchandise business and to purchase, sell and deal in such goods, supplies and merchandise of every kind and nature;
- (d) To guarantee the payment of dividends or interest on any other contract or obligation of any corporation whenever proper or necessary for the business of the Corporation in the judgment of its directors;

(e) To do all and everything necessary, suitable, convenient, or proper for the accomplishment of any or the purposes or the attainment of any one or more of the objects herein enumerated or incidental to the powers therein named or which shall at any time appear conclusive or expedient for the protection or benefit of the Corporation, with all the powers hereafter conferred by the laws under which this Corporation is organized; and

(f) to conduct any lawful business for which a corporation may be organized under the laws of Nevada.

ARTICLE IV

AUTHORIZED SHARES

The Corporation is authorized to issue a total of 55,000,000 shares consisting of 5,000,000 shares of preferred stock having a par value of \$.001 per share (hereinafter the "Preferred Stock"), and 50,000,000 shares of common stock, par value \$.001 per share (hereinafter the "Common Stock"). The powers, preferences, rights, qualifications, limitations, or restrictions of the shares of stock of each class and series which the Corporation is authorized to issue, is as follows:

(a) Preferred Stock. Shares of Preferred Stock may be issued from time to time in one or more series as may from time to time be determined by the board of directors. Each series shall be distinctly designated. All shares of any one series of the Preferred Stock shall be alike in every particular, except that there may be different dates from which dividends thereon, if any, shall be cumulative, if made cumulative. The powers, preferences, participating, optional and other rights of each such series and the qualifications, limitations, or restrictions thereof, if any, may differ from those of any and all other series at any time outstanding. Except as hereinafter provided, the board of directors of this Corporation is hereby expressly granted authority to fix by resolution or resolutions adopted prior to the issuance of any shares of each particular series of Preferred Stock, the designation, powers preferences and relative participating, optional and other rights, and the qualifications, limitations and restrictions thereof, if any, of such series, including, without limiting the generality of the foregoing, the following:

(i) The distinctive designation of, and the number of shares of Preferred Stock which shall constitute, each series, which number may be increased (except as otherwise fixed by the board of directors) or decreased (but not below the number of shares thereof outstanding) from time to time by action of the board of directors;

(ii) The rate and times at which, and the terms and conditions upon which, dividends, if any, on shares of the series shall be paid, the extent of preferences or relations, if any, of such dividends to the dividends payable on any other class or classes of stock of the Corporation or on any series of Preferred Stock and whether such dividends shall be cumulative or non-cumulative,

(iii) The right, if any, of the holders of shares of the same series to convert the same into, or exchange the same for, any other class or classes of stock of the Corporation and the terms and conditions of such conversion or exchange;

(iv) Whether shares of the series shall be subject to redemption, and the redemption price or prices including, without limitation, a redemption price or prices payable in shares of any class or classes of stock of the Corporation, cash, or other property and the time or times at which, and the terms and conditions on which, shares of the series may be redeemed;

(v) The rights, if any, of the holders of shares of the series upon voluntary or involuntary liquidation, merger, consolidation, distribution or sale of assets, dissolution, or winding up of the Corporation;

(vi) The terms of any sinking fund or redemption or purchase account, if any, to be provided for shares of the series; and

(vii) The voting powers, if any, of the holders of shares of the series which may, without limiting the generality of the foregoing, include (A) the right to more or less than one vote per share on any or all matters voted on by the shareholders and (B) the right to vote as a series by itself or together with other series of Preferred Stock or together with all series of Preferred Stock as a class, on such matters, under such circumstances, and on such conditions as the board of directors may fix, including, without limitation, the right, voting as a series by itself or together with other series of Preferred Stock or together with all series of Preferred Stock as a class, to elect one or more directors of the Corporation in the event there shall have been a default in the payment of dividends on any one or more series of Preferred Stock or under such other circumstances and on such conditions as the board of directors may determine.

(b) Common Stock. The Common Stock shall have the following powers, rights, qualifications, limitations, and restrictions:

(i) After the requirements with respect to preferential dividends of Preferred Stock, if any, shall have been met and after the Corporation shall comply with all the requirements, if any, with respect to the setting aside of funds as sinking funds or redemption or purchase accounts and subject further to any other conditions which may be required by the laws of the state of Nevada, then, but not otherwise, the holders of Common Stock shall be entitled to receive such dividends, if any, as may be declared from time to time by the board of directors;

(ii) After distribution in full of the preferential amount to be distributed to the holders of Preferred Stock, if any, in the event of voluntary or involuntary liquidation, distribution or sale of assets, dissolution or winding up of the Corporation, the holders of the Common Stock shall be entitled to receive all the remaining assets of the Corporation, tangible and intangible, of whatever kind available for distribution to stockholders, ratably in proportion to the number of shares of the Common Stock held by each; and

(iii) Except as may otherwise be required by law or these articles of incorporation, in all matters as to which the vote or consent of stockholders of the Corporation shall be required or be taken, including, any vote to amend the articles of incorporation, to increase or decrease the par value of any class of stock, effect a stock split or combination of shares, or later or change the powers, preferences, or special rights of any class or series of stock, the holders of the Common Stock shall have one vote per share of Common Stock on all such matters and shall not have the right to cumulate their votes for any purpose.

(c) Other Provisions:

(i) The board of directors of the Corporation shall have authority to authorize the issuance, from time to time without any vote or other action by the stockholders, of any or all shares of the Corporation of any class at any time authorized, and any securities convertible into or exchangeable for such shares, in each case to such persons and for such consideration and on such terms as the board of directors from time to time in its discretion lawfully may determine; provided, however, that the consideration for the issuance of shares of stock of the Corporation having par value shall not be less than such par value. Shares so issued, for which the full consideration determined by the board of directors has been paid to the Corporation, shall be fully paid stock, and the holders of such stock shall not be liable for any further call or assessment thereon.

(ii) Unless otherwise provided in the resolution of the board of directors providing for the issue of any series of Preferred Stock, no holder of shares of any class of the Corporation or of any security of obligation convertible into, or of any warrant, option, or right to purchase, subscribe for, or otherwise acquire, shares of any class of the Corporation, whether now or hereafter authorized, shall, as such holder, have any pre-emptive right whatsoever to purchase, subscribe for, or otherwise acquire shares of any class of the Corporation, whether now or hereafter authorized.

(iii) Anything herein contained to the contrary notwithstanding, any and all right, title, interest, and claim in and to any dividends declared or other distributions made by the Corporation, whether in cash, stock, or otherwise, which are unclaimed by the stockholder entitled thereto for a period of six years after the close of business on the payment date, shall be and be deemed to be extinguished and abandoned; and such unclaimed dividends or other distributions in the possession of the Corporation, its transfer agents, or other agents or depositories, shall at such time become the absolute property of the Corporation, free and clear of any and all claims of any person whatsoever.

ARTICLE V

LIMITATION ON LIABILITY

A director or officer of the Corporation shall have no personal liability to the Corporation or its stockholders for damages for breach of fiduciary duty as a director or officer, except for damages for breach of fiduciary duty resulting from (a) acts or omissions which involve intentional misconduct, fraud, or a knowing violation of law, or (b) the payment of dividends in violation of section 78,300 of the Nevada Revised Statutes as it may from time to time be amended or any successor provision thereto

ARTICLE VI

AMENDMENTS

The Corporation reserves the right to amend, alter, change, or repeal all or any portion of the provisions contained in these articles of incorporation from time to time in accordance with the laws of the state of Nevada, and all rights conferred on stockholders herein are granted subject to this reservation.

ARTICLE VII

ADOPTION AND AMENDMENT OF BYLAWS

The initial bylaws of the Corporation shall be adopted by the board of directors. The power to alter, amend, or repeal the bylaws or adopt new bylaws shall be vested in the board of directors, but the stockholders of the Corporation may also alter, amend, or repeal the bylaws or adopt new bylaws. the bylaws may contain any provisions for the regulation or management of the affairs of the Corporation not inconsistent with the laws of the state of Nevada now or hereafter existing.

The undersigned, Andre' Maisonneuve, President, states that he has been authorized to execute this certificate by resolution of the Board of Directors adopted on February 12, 2004, and this certificate correctly sets forth the text of the Articles of Incorporation as amended to this date.

Dated: February 12, 2004

/s/ Andre Maisonneuve

Andre Maisonneuve

Exhibit 3.4

**AMENDMENT TO BYLAWS
OF VALIDIAN CORPORATION**

Pursuant to the provisions of Section 7.1 of the Bylaws of Validian Corporation, a Nevada corporation (the "Company"), the Company adopts the following Amendment to its Bylaws.

The amendment to the Bylaws adds Section 8.1 of the Bylaws to read in its entirety as follows:

APPLICABILITY OF CONTROL SHARE ACT

8.1: Applicability Of Control Share Act. The provisions of Nevada Revised Statutes Sections 78.378 to 78.3792, inclusive, shall not apply to any acquisition of a controlling interest in the Company by any of the purchasers named in the Securities Purchase Agreement dated as of March 8, 2004 among the Company and the Purchasers named therein.

* * * * *

IN WITNESS WHEREOF, the undersigned Secretary of the Company hereby certifies that the above Amendment to Bylaws was adopted by the Board of Directors of the Corporation as of March 8, 2004.

/s/ Bruce Benn
Bruce Benn, Secretary

EXHIBIT 4.2

THIS WARRANT HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, (THE "ACT") OR ANY STATE SECURITIES LAW, AND MAY NOT BE OFFERED FOR SALE, SOLD OR TRANSFERRED UNLESS A REGISTRATION STATEMENT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS SHALL BE EFFECTIVE WITH RESPECT THERETO, OR AN OPINION OF COUNSEL, IN FORM AND SUBSTANCE REASONABLY ACCEPTABLE TO THE COMPANY, THAT AN EXEMPTION FROM REGISTRATION UNDER THE ACT AND APPLICABLE STATE SECURITIES LAWS IS AVAILABLE OR UNLESS SOLD PURSUANT TO RULE 144 UNDER THE SAID ACT.

VALIDIAN CORPORATION

Form Of Warrant To Purchase Common Stock

Warrant No.: _____

Number of Warrant Shares: _____

Series E

Date of Issuance: May 31, 2003

Validian Corporation, a Nevada corporation (the "**Company**"), hereby certifies that, for value received, _____ (the "**Holder**") is entitled, subject to the terms set forth below, to purchase from the Company upon surrender of this Warrant, at any time or times on or after the date hereof, but not after 11:59 P.M. Eastern Time on the Expiration Date (as defined herein) _____ (_____) fully paid nonassessable shares of Common Stock (as defined in Section 1(b)) of the Company (the "**Warrant Shares**") at the purchase price per share provided in Section 1(b) below (the "**Exercise Price**"); provided, however, that in no event shall the Holder be entitled to exercise this Warrant for a number of Warrant Shares in excess of that number of Warrant Shares which, upon giving effect to such exercise, would cause the aggregate number of shares of Common Stock beneficially owned by the Holder and its affiliates to exceed 4.99% of the outstanding shares of the Common Stock following such exercise. For purposes of the foregoing proviso, the aggregate number of shares of Common Stock beneficially owned by the Holder and its affiliates shall include the number of shares of Common Stock issuable upon exercise of this Warrant with respect to which the determination of such proviso is being made, but shall exclude shares of Common Stock which would be issuable upon (i) exercise of the remaining, unexercised Warrants beneficially owned by the Holder and its affiliates and (ii) exercise or conversion of the unexercised or unconverted portion of any other securities of the Company beneficially owned by the Holder and its affiliates (including, without limitation, any convertible notes, convertible preferred stock, warrants or rights to receive shares of Common Stock) subject to a limitation on conversion or exercise analogous to the limitation contained herein. Except as set forth in the preceding sentence, for purposes of this paragraph, beneficial ownership shall be calculated in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended. The Holder may waive the foregoing limitations by written notice to the Company upon not less than 61 days prior notice (with such waiver taking effect only upon the expiration of such 61 day notice period).

Section 1.

(a) Definitions. The following words and terms as used in this Warrant shall have the following meanings:

"Business Day" means any day except Saturday, Sunday and any day which is designated in the State of New York as a legal holiday or a day on which banking institutions are authorized or legally required or other government action to close.

"Closing Bid Price" means, for any security as of any date, the last closing bid price for such security on The Nasdaq SmallCap Market as reported by Bloomberg Financial Markets ("**Bloomberg**"), or, if The Nasdaq SmallCap Market is not the principal trading market for such security, the last closing bid price of such security on a Subsequent Market (as defined below) on which such security is listed or traded as reported by Bloomberg, or if the foregoing do not apply, the last closing bid price of such security in the over-the-counter market on the electronic bulletin board for such security as reported by Bloomberg, or, if no closing bid price is reported for such security by Bloomberg, the last closing trade price of such security as reported by Bloomberg, or, if no last closing trade price is reported for such security by Bloomberg, the average of the bid prices of any market makers for such security as reported in the "pink sheets" by the National Quotation Bureau, Inc. If the Closing Bid Price cannot be calculated for such security on such date on any of the foregoing bases, the Closing Bid Price of such security on such date shall be the fair market value as mutually determined by the Company and the Holders the Common Stock Warrants. If the Company and the Holders of the Common Stock Warrants are unable to agree upon the fair market value of the Common Stock, then such dispute shall be resolved pursuant to Section 2(a) of this Warrant with the term "Closing Bid Price" being substituted for the term "Market Price." (All such determinations to be appropriately adjusted for any stock dividend, stock split or other similar transaction during such period).

"Common Stock" means the Company's common stock, par value \$.001 per share, and (ii) any capital stock into which such Common Stock shall have been changed or any capital stock resulting from a reclassification of such Common Stock.

"Common Stock Deemed Outstanding" means, at any given time, the number of shares of Common Stock actually outstanding at such time, plus the number of shares of Common Stock deemed to be outstanding pursuant to Section 8 or Convertible Securities (as defined in Section 8) are actually exercisable or convertible at such time, but excluding any shares of Common Stock issuable upon exercise of the Common Stock Warrants.

"Escrow Agent" means Alan R. Turem, P.C. having an office at 4651 Roswell Road, Suite B-105 Atlanta, Georgia 30342.

"Exercise Price" shall be \$0.33, subject to adjustment as hereinafter provided.

"Expiration Date" means December 31, 2007.

"Other Securities" means (i) those securities, convertible securities, options and warrants of the Company issued prior to, and outstanding on, the date of issuance of this Warrant, (ii) shares of Common Stock, and warrants or other securities that are convertible into or exchangeable for shares of Common Stock, issuable in connection with the subsequent acquisitions by the Company.

"Person" means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization, a government or any department or agency thereof, or any other entity or organization.

"Securities Act" means the Securities Act of 1933, as amended.

"Warrant" means this Warrant and all Warrants issued in exchange, transfer or replacement thereof.

"Warrant Shares" means the shares of Common Stock issuable upon the exercise of this Warrant.

(b) Other Definitional Provisions.

(i) Except as otherwise specified herein, all references herein (A) to the Company shall be deemed to include the Company's successors and (B) to any applicable law defined or referred to herein, shall be deemed references to such applicable law as the same may have been or may be amended or supplemented from time to time.

(ii) When used in this Warrant, the words "**herein**," "**hereof**," and "**hereunder**," and words of similar import, shall refer to this Warrant as a whole and not to any provision of this Warrant, and the words "**Section**," "**Schedule**," and "**Exhibit**" shall refer to Sections of, and Schedules and Exhibits to, this Warrant unless otherwise specified.

(iii) Whenever the context so requires, the neuter gender includes the masculine or feminine, and the singular number includes the plural, and vice versa.

Section 2. Exercise of Warrant.

(a) Exercise may be done at any time during normal business hours on any business day on or after the opening of business on the date hereof and prior to 11:59 P.M. Eastern Time on the Expiration Date by delivery to the Escrow Agent and the Company in the manner specified below of (i) a written notice of such Holder's election to exercise this Warrant which notice shall be in the form attached as Exhibit A hereto, (the "**Exercise Notice**"), and shall specify the number of Warrant Shares to be purchased and the other information set out therein, (ii) payment to the Company of an amount equal to the Exercise Price multiplied by the number of Warrant Shares as to which the Warrant is being exercised (the "**Aggregate Exercise Price**") in cash or by check or wire transfer payable to the Company in immediately available funds, and (iii) the surrender of this Warrant. Provided, that if such Warrant Shares are to be issued in any name other than that of the registered Holder of this Warrant, such issuance shall be deemed a transfer and the provisions of Section 7 shall be applicable and the Exercise Notice shall be accompanied by such additional documentation as may be required by that Section. Such Exercise Notice, payment, Warrant and other documentation required for exercise shall be delivered to the Escrow Agent at the address set out in Section 1 with a copy of the Exercise Notice being delivered simultaneously to the Company.

(b) In the event of any exercise of the rights represented by this Warrant in compliance with this Section 2(a), a certificate or certificates for the Warrant Shares so purchased, in such denominations as may be requested by the Holder hereof and registered in the name of, or as directed by, the Holder, shall be delivered at the Company's expense to, or as directed by, such Holder as soon as practicable after such rights shall have been so exercised, and in any event no later than five (5) business days after delivery of the Exercise Notice to the Escrow Agent. In the case of a dispute as to the determination of the Exercise Price of a security or the arithmetic calculation of the Warrant Shares, the Company shall promptly issue to the Holder the number of shares of Common Stock that is not disputed and shall submit the disputed determinations or arithmetic calculations to the Holder via facsimile within one business day of receipt of the Holder's subscription notice. If the Holder and the Company are unable to agree upon the determination of the Exercise Price or arithmetic calculation of the Warrant Shares within one day of such disputed determination or arithmetic calculation being submitted to the Holder, then the Company shall immediately submit via facsimile (i) the disputed determination of the Exercise Price to an independent, reputable investment banking firm or (ii) the disputed arithmetic calculation of the Warrant Shares to its independent, outside accountant. The Company shall cause the investment banking firm or the accountant, as the case may be, to perform the determinations or calculations and notify the Company and the Holder of the results no later than two (2) Business Days from receipt of the disputed determinations or calculations. Such investment banking firm's or accountant's determination or calculation, as the case may be, shall be deemed conclusive absent manifest error.

(c) Unless the rights represented by this Warrant shall have expired or shall have been fully exercised, the Company shall, as soon as practicable and in no event later than five business days after any exercise and at its own expense, issue a new Warrant identical in all respects to the Warrant exercised except (i) it shall represent rights to purchase the number of Warrant Shares purchasable immediately prior to such exercise under the Warrant exercised, less the number of Warrant Shares with respect to which such Warrant is exercised, and (ii) the Holder thereof shall be deemed for all corporate purposes to have become the Holder of record of such Warrant Shares immediately prior to the close of business on the date on which the Warrant is surrendered and payment of the amount due in respect of such exercise and any applicable taxes is made, irrespective of the date of delivery of certificates evidencing such Warrant Shares, except that, if the date of such surrender and payment is a date when the stock transfer books of the Company are properly closed, such person shall be deemed to have become the Holder of such Warrant Shares at the opening of business on the next succeeding date on which the stock transfer books are open.

(d) No fractional shares of Common Stock are to be issued upon the exercise of this Warrant, but rather the number of shares of Common Stock issued upon exercise of this Warrant shall be rounded up or down to the nearest whole number.

Section 3. Covenants as to Common Stock; Certain Registrations. The Company hereby covenants and agrees as follows:

(a) This Warrant is, and any Common Stock Warrants issued in substitution for or replacement of this Warrant will upon issuance be, duly authorized and validly issued.

(b) All Warrant Shares which may be issued upon the exercise of the rights represented by this Warrant will, upon issuance, be validly issued, fully paid and nonassessable and free from all taxes, liens and charges with respect to the issue thereof.

(c) During the period within which the rights represented by this Warrant may be exercised, the Company will at all times have authorized and reserved at least 100% of the number of shares of Common Stock needed to provide for the exercise of the rights then represented by this Warrant and the par value of said shares will at all times be less than or equal to the applicable Exercise Price.

(d) The Company will not, by amendment of its charter or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed by it hereunder, but will at all times in good faith assist in the carrying out of all the provisions of this Warrant. Without limiting the generality of the foregoing, the Company (i) will not increase the par value of any shares of Common Stock receivable upon the exercise of this Warrant above the Exercise Price then in effect, and (ii) will take all such actions as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable shares of Common Stock upon the exercise of this Warrant.

(e) This Warrant will be binding upon any entity succeeding to the Company by merger, consolidation or acquisition of all or substantially all of the Company's assets.

Section 4. Taxes. The Company shall pay any and all taxes which may be payable with respect to the issuance and delivery of Warrant Shares upon exercise of this Warrant.

Section 5. Warrant Holder Deemed Not a Stock Holder. Except as otherwise specifically provided herein, no Holder, as such, of this Warrant shall be entitled to vote or receive dividends or be deemed the Holder of shares of the Company for any purpose, nor shall anything contained in this Warrant be construed to confer upon the Holder hereof, as such, any of the rights of a stockholder of the Company or any right to vote, give or withhold consent to any corporate action (whether any reorganization, issue of stock, reclassification of stock, consolidation, merger, conveyance or otherwise), receive notice of meetings, receive dividends or subscription rights, or otherwise, prior to the issuance to the Holder of this Warrant of the Warrant Shares which he or she is then entitled to receive upon the due exercise of this Warrant. In addition, nothing contained in this Warrant shall be construed as imposing any liabilities on such Holder to purchase any securities or as a stockholder of the Company, whether such liabilities are asserted by the Company or by creditors of the Company. Notwithstanding this Section 5, the Company will provide the Holder of this Warrant with copies of the same notices and other information given to the stockholders of the Company generally, contemporaneously with the giving thereof to the stockholders.

Section 6. Representations of Holder. The holder of this Warrant, by the acceptance hereof, represents that it is acquiring this Warrant and the Warrant Shares for its own account for investment and not with a view to, or for sale in connection with, any distribution hereof or of any of the shares of Common Stock or other securities issuable upon the exercise thereof, and not with any present intention of distributing any of the same. The holder of this Warrant further represents, by acceptance hereof, that, as of this date, such holder is an accredited investor as such term is defined in Rule 501(a) of Regulation D promulgated by the Securities and Exchange Commission under the Securities Act (an "**Accredited Investor**"). Upon exercise of this Warrant, the holder shall, if requested by the Company, confirm in writing, in a form satisfactory to the Company, that the Warrant Shares so purchased are being acquired solely for the holder's own account and not as a nominee for any other party, for investment, and not with a view toward distribution or resale other than pursuant to an effective registration statement or an exemption under the Securities Act and that such holder is an Accredited Investor. Notwithstanding the foregoing, by making the representations herein, the holder does not agree to hold the Warrant or the Warrant Shares for any minimum or other specified term and reserves the right to dispose of the Warrant and the Warrant Shares at any time in accordance with or pursuant to a registration statement or an exemption under the Securities Act. If such holder cannot make such representations because they would be factually incorrect, it shall be a condition to such holder's exercise of the Warrant that the Company receive such other representations as the Company considers reasonably necessary to assure the Company that the issuance of its securities upon exercise of the Warrant shall not violate any United States or state securities laws.

Section 7. Ownership and Transfer.

(a) The Company shall maintain at its principal executive offices (or such other office or agency of the Company as it may designate by notice to the Holder hereof), a register for this Warrant, in which the Company shall record the name and address of the person in whose name this Warrant has been issued, as well as the name and address of each transferee. The Company may treat the person in whose name any Warrant is registered on the register as the owner and Holder thereof for all purposes, notwithstanding any notice to the contrary, but in all events recognizing any transfers made in accordance with the terms of this Warrant.

(b) The Holder of this Warrant understands that this Warrant has not been and is not expected to be, registered under the Securities Act or any state securities laws, and may not be offered for sale, sold, assigned or transferred unless (a) subsequently registered thereunder, or (b) such Holder shall have delivered to the Company an opinion of counsel, reasonably satisfactory in form, scope and substance to the Company, to the effect that the securities to be sold, assigned or transferred may be sold, assigned or transferred pursuant to an exemption from such registration; provided that (i) any sale of such securities made in reliance on Rule 144 promulgated under the Securities Act may be made only in accordance with the terms of said Rule and further, if said Rule is not applicable, any resale of such securities under circumstances in which the seller (or the person through whom the sale is made) may be deemed to be an underwriter (as that term is defined in the Securities Act) may require compliance with some other exemption under the Securities Act or the rules and regulations of the Securities and Exchange Commission thereunder; and (ii) except as provided

below, neither the Company nor any other person is under any obligation to register the Common Stock Warrants under the Securities Act or any state securities laws or to comply with the terms and conditions of any exemption thereunder except as may be expressly set out herein.

(c) The Company is obligated to register the Warrant Shares for resale under the Securities Act and the Holder of this Warrant is not entitled to the registration rights in respect of the Warrant Shares, unless and until the Company enters into a Registration Rights Agreement with the Holder of these Warrants, at the sole discretion of the Company.

Section 8. Adjustment of Exercise Price and Number of Shares. In order to prevent dilution of the rights granted under this Warrant, the Exercise Price and the number of shares of Common Stock issuable upon exercise of this Warrant shall be adjusted from time to time as follows:

(a) Adjustment of Exercise Price upon Subdivision or Combination of Common Stock. If the Company at any time after the date of issuance of this Warrant subdivides (by any stock split, stock dividend, recapitalization or otherwise) one or more classes of its outstanding shares of Common Stock into a greater number of shares, the Exercise Price in effect immediately prior to such subdivision will be proportionately reduced and the number of shares of Common Stock obtainable upon exercise of this Warrant will be proportionately increased. If the Company at any time after the date of issuance of this Warrant combines (by combination, reverse stock split or otherwise) one or more classes of its outstanding shares of Common Stock into a smaller number of shares, the Exercise Price in effect immediately prior to such combination will be proportionately increased and the number of shares of Common Stock obtainable upon exercise of this Warrant will be proportionately decreased.

(b) Reorganization, Reclassification, Consolidation, Merger or Sale. Any recapitalization, reorganization, reclassification, consolidation, merger, sale of all or substantially all of the Company's assets to another Person (as defined below) or other transaction which is effected in such a way that Holders of Common Stock are entitled to receive (either directly or upon subsequent liquidation) stock, securities or assets with respect to or in exchange for Common Stock is referred to herein as "**Organic Change.**" Prior to the consummation of any Organic Change, the Company will make appropriate provision (in form and substance satisfactory to the Holders of the Common Stock Warrants representing a majority of the shares of Common Stock issuable upon exercise of such Common Stock Warrants then outstanding) to ensure that each of the Holders of the Common Stock Warrants will thereafter have the right to acquire and receive in lieu of or addition to (as the case may be) the shares of Common Stock immediately theretofore acquirable and receivable upon the exercise of such Holder's Common Stock Warrants, such shares of stock, securities or assets as may be issued or payable in the Organic Change with respect to or in exchange for the number of shares of Common Stock immediately theretofore acquirable and receivable upon the exercise of such Holder's Common Stock Warrants had such Organic Change not taken place (without taking into account any limitations or restrictions on exercise). In any such case, the Company will make appropriate provision (in form and substance satisfactory to the Holders of the Common Stock Warrants representing a majority of the shares of Common Stock issuable upon exercise of such Common Stock Warrants then outstanding) with respect to such Holders' rights and interests to insure that the provisions of this Section 8 and Section 9 will thereafter be applicable to the Common Stock Warrants (including, in the case of any such consolidation, merger or sale in which the successor entity or purchasing entity is other than the Company, an immediate adjustment of the Exercise Price to the value for the Common Stock reflected by the terms of such consolidation, merger or sale, and a corresponding immediate adjustment in the number of shares of shares of Common Stock acquirable and receivable upon exercise of the Common Stock Warrants, if the value so reflected is less than the Exercise Price in effect immediately prior to such consolidation, merger or sale). The terms of any documents evidencing an Organic Change shall include such terms as to give effect to the tenor of this provision and evidencing the obligation to deliver to each Holder of Common Stock Warrants such shares of stock, securities or assets as, in accordance with the foregoing provisions, such Holder may be entitled to acquire.

(c) Distribution of Assets. If the Company shall declare or make any distribution of its assets (or rights to acquire its assets) to Holders of Common Stock as a partial liquidating dividend, by way or return of capital or otherwise (including any dividend or distribution to the Company's stockholders of cash or shares (or rights to acquire shares) of capital stock of a subsidiary) (a "**Distribution**"), at any time after the issuance of this Warrant, then the Holder of this Warrant shall be entitled upon exercise of this Warrant for the purchase of any or all of the shares of Common Stock subject hereto, after the record date for determining shareholders entitled to receive such Distribution, to receive the amount of such assets (or rights) which would have been payable to the Holder had such Holder been the Holder of such shares of Common Stock on the record date for determination of stockholders entitled to such Distribution.

(d) Notices.

(i) Immediately upon any adjustment of the Exercise Price, the Company will give written notice thereof to the Holder of this Warrant, setting forth in reasonable detail and certifying the calculation of such adjustment.

(ii) The Company will give written notice to the Holder of this Warrant at least twenty (20) days prior to the date on which the Company closes its books or takes a record (A) with respect to any dividend or distribution upon the Common Stock, (B) with respect to any pro rata subscription offer to Holders of Common Stock or (C) for determining rights to vote with respect to any Organic Change, dissolution or liquidation and in no event shall such notice be provided to such Holder prior to such information being made known to the public.

(iii) The Company will also give written notice to the Holder of this Warrant at least twenty (20) days prior to the date on which any Organic Change, dissolution or liquidation will take place and in no event shall such notice be provided to such Holder prior to such information being made known to the public.

Section 9. Lost, Stolen, Mutilated or Destroyed Warrant. If this Warrant is lost, stolen, mutilated or destroyed, the Company shall, on receipt of an indemnification undertaking, issue a new Warrant of like denomination and tenor as the Warrant so lost, stolen, mutilated or destroyed.

Section 10. Notice. Any notices, consents, waivers or other communications required or permitted to be given under the terms of this Warrant must be in writing and will be deemed to have been delivered (i) upon receipt, when delivered personally; (ii) upon receipt, when sent by facsimile (provided confirmation of transmission is mechanically or electronically generated and kept on file by the sending party); or (iii) upon receipt, when delivered by a delivery service, in each case properly addressed to the party to receive the same. The addresses and facsimile numbers for such communications shall be:

If to the Company:

Validian Corporation
4651 Roswell Road, suite B-106
Atlanta, Georgia 30342
Telephone: (404) 256-1963
Telefax: (404) 256-2500
Attention: Andre Maisonneuve
Chairman, President, Chief Executive Officer and
Chief Financial Officer

If to the Holder of this Warrant:

Echo Technologies S.A.,
297 route de St-Cergue, 1260 Nyon
Switzerland
Telephone: +41 22 362 70 30
Attention: Henrik Olsen, President

Each party shall provide five days' prior written notice to the other party of any change in address or facsimile number.

Section 11. Miscellaneous.

- (a) No Voting Rights; Limitation of Liability - Prior to exercise, this Warrant will not entitle the Holder to any voting rights or other rights as a stockholder of the Company. No provision hereof, in the absence of affirmative action by the Holder to exercise this Warrant, and no enumeration herein of the rights or privileges of the Holder, shall give rise to any liability of the Holder for the purchase price of the Warrant Shares pursuant to the exercise hereof.
- (b) Waiver and Modification This Warrant and any term hereof may be changed, waived, discharged, or terminated only by an instrument in writing signed by the party or Holder hereof against which enforcement of such change, waiver, discharge or termination is sought.
- (c) Headings - The headings in this Warrant are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.
- (d) Governing Law - THIS WARRANT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEVADA. The Holder hereby submits to the jurisdiction of the State of Georgia and agrees that service of all writs, process and summonses in any such suit, action or proceeding brought in the United States against the Company may be made upon the Escrow Agent and shall be governed by and interpreted under the laws of the State of Georgia without regard to principles of conflicts of law thereof.

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed by its duly authorized officer as of the date first indicated above.

VALIDIAN CORPORATION

By: /s/ Andre Maisonneuve
Name: Andre Maisonneuve
Title: Chairman, President,
Chief Executive Officer and
Chief Financial Officer

Series E Warrant Holders

Echo Technologies S.A.	1,635,000
Andre Maisonneuve	520,000
Total	2,155,000

EXHIBIT 4.3

THIS WARRANT HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, (THE "ACT") OR ANY STATE SECURITIES LAW, AND MAY NOT BE OFFERED FOR SALE, SOLD OR TRANSFERRED UNLESS A REGISTRATION STATEMENT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS SHALL BE EFFECTIVE WITH RESPECT THERETO, OR AN OPINION OF COUNSEL, IN FORM AND SUBSTANCE REASONABLY ACCEPTABLE TO THE COMPANY, THAT AN EXEMPTION FROM REGISTRATION UNDER THE ACT AND APPLICABLE STATE SECURITIES LAWS IS AVAILABLE OR UNLESS SOLD PURSUANT TO RULE 144 UNDER THE SAID ACT.

VALIDIAN CORPORATION

Form Of Warrant To Purchase Common Stock

Warrant No.: _____

Number of Warrant Shares: _____

Series F

Date of Issuance: May 30, 2003

Validian Corporation, a Nevada corporation (the "**Company**"), hereby certifies that, for value received, _____ (the "**Holder**") is entitled, subject to the terms set forth below, to purchase from the Company upon surrender of this Warrant, at any time or times on or after the date hereof, but not after 11:59 P.M. Eastern Time on the Expiration Date (as defined herein) _____ (_____) fully paid nonassessable shares of Common Stock (as defined in Section 1(b)) of the Company (the "**Warrant Shares**") at the purchase price per share provided in Section 1(b) below (the "**Exercise Price**"); provided, however, that in no event shall the Holder be entitled to exercise this Warrant for a number of Warrant Shares in excess of that number of Warrant Shares which, upon giving effect to such exercise, would cause the aggregate number of shares of Common Stock beneficially owned by the Holder and its affiliates to exceed 4.99% of the outstanding shares of the Common Stock following such exercise. For purposes of the foregoing proviso, the aggregate number of shares of Common Stock beneficially owned by the Holder and its affiliates shall include the number of shares of Common Stock issuable upon exercise of this Warrant with respect to which the determination of such proviso is being made, but shall exclude shares of Common Stock which would be issuable upon (i) exercise of the remaining, unexercised Warrants beneficially owned by the Holder and its affiliates and (ii) exercise or conversion of the unexercised or unconverted portion of any other securities of the Company beneficially owned by the Holder and its affiliates (including, without limitation, any convertible notes, convertible preferred stock, warrants or rights to receive shares of Common Stock) subject to a limitation on conversion or exercise analogous to the limitation contained herein. Except as set forth in the preceding sentence, for purposes of this paragraph, beneficial ownership shall be calculated in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended. The Holder may waive the foregoing limitations by written notice to the Company upon not less than 61 days prior notice (with such waiver taking effect only upon the expiration of such 61 day notice period).

Section 1.

(a) Definitions. The following words and terms as used in this Warrant shall have the following meanings:

"Business Day" means any day except Saturday, Sunday and any day which is designated in the State of New York as a legal holiday or a day on which banking institutions are authorized or legally required or other government action to close.

"Closing Bid Price" means, for any security as of any date, the last closing bid price for such security on The Nasdaq SmallCap Market as reported by Bloomberg Financial Markets ("**Bloomberg**"), or, if The Nasdaq SmallCap Market is not the principal trading market for such security, the last closing bid price of such security on a Subsequent Market (as defined below) on which such security is listed or traded as reported by Bloomberg, or if the foregoing do not apply, the last closing bid price of such security in the over-the-counter market on the electronic bulletin board for such security as reported by Bloomberg, or, if no closing bid price is reported for such security by Bloomberg, the last closing trade price of such security as reported by Bloomberg, or, if no last closing trade price is reported for such security by Bloomberg, the average of the bid prices of any market makers for such security as reported in the "pink sheets" by the National Quotation Bureau, Inc. If the Closing Bid Price cannot be calculated for such security on such date on any of the foregoing bases, the Closing Bid Price of such security on such date shall be the fair market value as mutually determined by the Company and the Holders the Common Stock Warrants. If the Company and the Holders of the Common Stock Warrants are unable to agree upon the fair market value of the Common Stock, then such dispute shall be resolved pursuant to Section 2(a) of this Warrant with the term "Closing Bid Price" being substituted for the term "Market Price." (All such determinations to be appropriately adjusted for any stock dividend, stock split or other similar transaction during such period).

"Common Stock" means the Company's common stock, par value \$.001 per share, and (ii) any capital stock into which such Common Stock shall have been changed or any capital stock resulting from a reclassification of such Common Stock.

"Common Stock Deemed Outstanding" means, at any given time, the number of shares of Common Stock actually outstanding at such time, plus the number of shares of Common Stock deemed to be outstanding pursuant to Section 8 or Convertible Securities (as defined in Section 8) are actually exercisable or convertible at such time, but excluding any shares of Common Stock issuable upon exercise of the Common Stock Warrants.

"Escrow Agent" means Alan R. Turem, P.C. having an office at 4651 Roswell Road, Suite B-105 Atlanta, Georgia 30342.

"Exercise Price" shall be \$0.50, subject to adjustment as hereinafter provided.

"Expiration Date" means May 31, 2007.

"Other Securities" means (i) those securities, convertible securities, options and warrants of the Company issued prior to, and outstanding on, the date of issuance of this Warrant, (ii) shares of Common Stock, and warrants or other securities that are convertible into or exchangeable for shares of Common Stock, issuable in connection with the subsequent acquisitions by the Company.

"Person" means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization, a government or any department or agency thereof, or any other entity or organization.

"Securities Act" means the Securities Act of 1933, as amended.

"Warrant" means this Warrant and all Warrants issued in exchange, transfer or replacement thereof.

"Warrant Shares" means the shares of Common Stock issuable upon the exercise of this Warrant.

(b) Other Definitional Provisions.

(i) Except as otherwise specified herein, all references herein (A) to the Company shall be deemed to include the Company's successors and (B) to any applicable law defined or referred to herein, shall be deemed references to such applicable law as the same may have been or may be amended or supplemented from time to time.

(ii) When used in this Warrant, the words "**herein**," "**hereof**," and "**hereunder**," and words of similar import, shall refer to this Warrant as a whole and not to any provision of this Warrant, and the words "**Section**," "**Schedule**," and "**Exhibit**" shall refer to Sections of, and Schedules and Exhibits to, this Warrant unless otherwise specified.

(iii) Whenever the context so requires, the neuter gender includes the masculine or feminine, and the singular number includes the plural, and vice versa.

Section 2. Exercise of Warrant.

(a) Exercise may be done at any time during normal business hours on any business day on or after the opening of business on the date hereof and prior to 11:59 P.M. Eastern Time on the Expiration Date by delivery to the Escrow Agent and the Company in the manner specified below of (i) a written notice of such Holder's election to exercise this Warrant which notice shall be in the form attached as Exhibit A hereto, (the "**Exercise Notice**"), and shall specify the number of Warrant Shares to be purchased and the other information set out therein, (ii) payment to the Company of an amount equal to the Exercise Price multiplied by the number of Warrant Shares as to which the Warrant is being exercised (the "**Aggregate Exercise Price**") in cash or by check or wire transfer payable to the Company in immediately available funds, and (iii) the surrender of this Warrant. Provided, that if such Warrant Shares are to be issued in any name other than that of the registered Holder of this Warrant, such issuance shall be deemed a transfer and the provisions of Section 7 shall be applicable and the Exercise Notice shall be accompanied by such additional documentation as may be required by that Section. Such Exercise Notice, payment, Warrant and other documentation required for exercise shall be delivered to the Escrow Agent at the address set out in Section 1 with a copy of the Exercise Notice being delivered simultaneously to the Company.

(b) In the event of any exercise of the rights represented by this Warrant in compliance with this Section 2(a), a certificate or certificates for the Warrant Shares so purchased, in such denominations as may be requested by the Holder hereof and registered in the name of, or as directed by, the Holder, shall be delivered at the Company's expense to, or as directed by, such Holder as soon as practicable after such rights shall have been so exercised, and in any event no later than five (5) business days after delivery of the Exercise Notice to the Escrow Agent. In the case of a dispute as to the determination of the Exercise Price of a security or the arithmetic calculation of the Warrant Shares, the Company shall promptly issue to the Holder the number of shares of Common Stock that is not disputed and shall submit the disputed determinations or arithmetic calculations to the Holder via facsimile within one business day of receipt of the Holder's subscription notice. If the Holder and the Company are unable to agree upon the determination of the Exercise Price or arithmetic calculation of the Warrant Shares within one day of such disputed determination or arithmetic calculation being submitted to the Holder, then the Company shall immediately submit via facsimile (i) the disputed determination of the Exercise Price to an independent, reputable investment banking firm or (ii) the disputed arithmetic calculation of the Warrant Shares to its independent, outside accountant. The Company shall cause the investment banking firm or the accountant, as the case may be, to perform the determinations or calculations and notify the Company and the Holder of the results no later than two (2) Business Days from receipt of the disputed determinations or calculations. Such investment banking firm's or accountant's determination or calculation, as the case may be, shall be deemed conclusive absent manifest error.

(c) Unless the rights represented by this Warrant shall have expired or shall have been fully exercised, the Company shall, as soon as practicable and in no event later than five business days after any exercise and at its own expense, issue a new Warrant identical in all respects to the Warrant exercised except (i) it shall represent rights to purchase the number of Warrant Shares purchasable immediately prior to such exercise under the Warrant exercised, less the number of Warrant Shares with respect to which such Warrant is exercised, and (ii) the Holder thereof shall be deemed for all corporate purposes to have become the Holder of record of such Warrant Shares immediately prior to the close of business on the date on which the Warrant is surrendered and payment of the amount due in respect of such exercise and any applicable taxes is made, irrespective of the date of delivery of certificates evidencing such Warrant Shares, except that, if the date of such surrender and payment is a date when the stock transfer books of the Company are properly closed, such person shall be deemed to have become the Holder of such Warrant Shares at the opening of business on the next succeeding date on which the stock transfer books are open.

(d) No fractional shares of Common Stock are to be issued upon the exercise of this Warrant, but rather the number of shares of Common Stock issued upon exercise of this Warrant shall be rounded up or down to the nearest whole number.

Section 3. Covenants as to Common Stock; Certain Registrations. The Company hereby covenants and agrees as follows:

(a) This Warrant is, and any Common Stock Warrants issued in substitution for or replacement of this Warrant will upon issuance be, duly authorized and validly issued.

(b) All Warrant Shares which may be issued upon the exercise of the rights represented by this Warrant will, upon issuance, be validly issued, fully paid and nonassessable and free from all taxes, liens and charges with respect to the issue thereof.

(c) During the period within which the rights represented by this Warrant may be exercised, the Company will at all times have authorized and reserved at least 100% of the number of shares of Common Stock needed to provide for the exercise of the rights then represented by this Warrant and the par value of said shares will at all times be less than or equal to the applicable Exercise Price.

(d) The Company will not, by amendment of its charter or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed by it hereunder, but will at all times in good faith assist in the carrying out of all the provisions of this Warrant. Without limiting the generality of the foregoing, the Company (i) will not increase the par value of any shares of Common Stock receivable upon the exercise of this Warrant above the Exercise Price then in effect, and (ii) will take all such actions as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable shares of Common Stock upon the exercise of this Warrant.

(e) This Warrant will be binding upon any entity succeeding to the Company by merger, consolidation or acquisition of all or substantially all of the Company's assets.

Section 4. Taxes. The Company shall pay any and all taxes which may be payable with respect to the issuance and delivery of Warrant Shares upon exercise of this Warrant.

Section 5. Warrant Holder Deemed Not a Stock Holder. Except as otherwise specifically provided herein, no Holder, as such, of this Warrant shall be entitled to vote or receive dividends or be deemed the Holder of shares of the Company for any purpose, nor shall anything contained in this Warrant be construed to confer upon the Holder hereof, as such, any of the rights of a stockholder of the Company or any right to vote, give or withhold consent to any corporate action (whether any reorganization, issue of stock, reclassification of stock, consolidation, merger, conveyance or otherwise), receive notice of meetings, receive dividends or subscription rights, or otherwise, prior to the issuance to the Holder of this Warrant of the Warrant Shares which he or she is then entitled to receive upon the due exercise of this Warrant. In addition, nothing contained in this Warrant shall be construed as imposing any liabilities on such Holder to purchase any securities or as a stockholder of the Company, whether such liabilities are asserted by the Company or by creditors of the Company. Notwithstanding this Section 5, the Company will provide the Holder of this Warrant with copies of the same notices and other information given to the stockholders of the Company generally, contemporaneously with the giving thereof to the stockholders.

Section 6. Representations of Holder. The holder of this Warrant, by the acceptance hereof, represents that it is acquiring this Warrant and the Warrant Shares for its own account for investment and not with a view to, or for sale in connection with, any distribution hereof or of any of the shares of Common Stock or other securities issuable upon the exercise thereof, and not with any present intention of distributing any of the same. The holder of this Warrant further represents, by acceptance hereof, that, as of this date, such holder is an accredited investor as such term is defined in Rule 501(a) of Regulation D promulgated by the Securities and Exchange Commission under the Securities Act (an "**Accredited Investor**"). Upon exercise of this Warrant, the holder shall, if requested by the Company, confirm in writing, in a form satisfactory to the Company, that the Warrant Shares so purchased are being acquired solely for the holder's own account and not as a nominee for any other party, for investment, and not with a view toward distribution or resale other than pursuant to an effective registration statement or an exemption under the Securities Act and that such holder is an Accredited Investor. Notwithstanding the foregoing, by making the representations herein, the holder does not agree to hold the Warrant or the Warrant Shares for any minimum or other specified term and reserves the right to dispose of the Warrant and the Warrant Shares at any time in accordance with or pursuant to a registration statement or an exemption under the Securities Act. If such holder cannot make such representations because they would be factually incorrect, it shall be a condition to such holder's exercise of the Warrant that the Company receive such other representations as the Company considers reasonably necessary to assure the Company that the issuance of its securities upon exercise of the Warrant shall not violate any United States or state securities laws.

Section 7. Ownership and Transfer.

(a) The Company shall maintain at its principal executive offices (or such other office or agency of the Company as it may designate by notice to the Holder hereof), a register for this Warrant, in which the Company shall record the name and address of the person in whose name this Warrant has been issued, as well as the name and address of each transferee. The Company may treat the person in whose name any Warrant is registered on the register as the owner and Holder thereof for all purposes, notwithstanding any notice to the contrary, but in all events recognizing any transfers made in accordance with the terms of this Warrant.

(b) The Holder of this Warrant understands that this Warrant has not been and is not expected to be, registered under the Securities Act or any state securities laws, and may not be offered for sale, sold, assigned or transferred unless (a) subsequently registered thereunder, or (b) such Holder shall have delivered to the Company an opinion of counsel, reasonably satisfactory in form, scope and substance to the Company, to the effect that the securities to be sold, assigned or transferred may be sold, assigned or transferred pursuant to an exemption from such registration; provided that (i) any sale of such securities made in reliance on Rule 144 promulgated under the Securities Act may be made only in accordance with the terms of said Rule and further, if said Rule is not applicable, any resale of such securities under circumstances in which the seller (or the person through whom the sale is made) may be deemed to be an underwriter (as that term is defined in the Securities Act) may require compliance with some other exemption under the Securities Act or the rules and regulations of the Securities and Exchange Commission thereunder; and (ii) except as provided

below, neither the Company nor any other person is under any obligation to register the Common Stock Warrants under the Securities Act or any state securities laws or to comply with the terms and conditions of any exemption thereunder except as may be expressly set out herein.

(c) The Company is obligated to register the Warrant Shares for resale under the Securities Act and the Holder of this Warrant is not entitled to the registration rights in respect of the Warrant Shares, unless and until the Company enters into a Registration Rights Agreement with the Holder of these Warrants, at the sole discretion of the Company.

Section 8. Adjustment of Exercise Price and Number of Shares. In order to prevent dilution of the rights granted under this Warrant, the Exercise Price and the number of shares of Common Stock issuable upon exercise of this Warrant shall be adjusted from time to time as follows:

(a) Adjustment of Exercise Price upon Subdivision or Combination of Common Stock. If the Company at any time after the date of issuance of this Warrant subdivides (by any stock split, stock dividend, recapitalization or otherwise) one or more classes of its outstanding shares of Common Stock into a greater number of shares, the Exercise Price in effect immediately prior to such subdivision will be proportionately reduced and the number of shares of Common Stock obtainable upon exercise of this Warrant will be proportionately increased. If the Company at any time after the date of issuance of this Warrant combines (by combination, reverse stock split or otherwise) one or more classes of its outstanding shares of Common Stock into a smaller number of shares, the Exercise Price in effect immediately prior to such combination will be proportionately increased and the number of shares of Common Stock obtainable upon exercise of this Warrant will be proportionately decreased.

(b) Reorganization, Reclassification, Consolidation, Merger or Sale. Any recapitalization, reorganization, reclassification, consolidation, merger, sale of all or substantially all of the Company's assets to another Person (as defined below) or other transaction which is effected in such a way that Holders of Common Stock are entitled to receive (either directly or upon subsequent liquidation) stock, securities or assets with respect to or in exchange for Common Stock is referred to herein as "**Organic Change.**" Prior to the consummation of any Organic Change, the Company will make appropriate provision (in form and substance satisfactory to the Holders of the Common Stock Warrants representing a majority of the shares of Common Stock issuable upon exercise of such Common Stock Warrants then outstanding) to ensure that each of the Holders of the Common Stock Warrants will thereafter have the right to acquire and receive in lieu of or addition to (as the case may be) the shares of Common Stock immediately theretofore acquirable and receivable upon the exercise of such Holder's Common Stock Warrants, such shares of stock, securities or assets as may be issued or payable in the Organic Change with respect to or in exchange for the number of shares of Common Stock immediately theretofore acquirable and receivable upon the exercise of such Holder's Common Stock Warrants had such Organic Change not taken place (without taking into account any limitations or restrictions on exercise). In any such case, the Company will make appropriate provision (in form and substance satisfactory to the Holders of the Common Stock Warrants representing a majority of the shares of Common Stock issuable upon exercise of such Common Stock Warrants then outstanding) with respect to such Holders' rights and interests to insure that the provisions of this Section 8 and Section 9 will thereafter be applicable to the Common Stock Warrants (including, in the case of any such consolidation, merger or sale in which the successor entity or purchasing entity is other than the Company, an immediate adjustment of the Exercise Price to the value for the Common Stock reflected by the terms of such consolidation, merger or sale, and a corresponding immediate adjustment in the number of shares of shares of Common Stock acquirable and receivable upon exercise of the Common Stock Warrants, if the value so reflected is less than the Exercise Price in effect immediately prior to such consolidation, merger or sale). The terms of any documents evidencing an Organic Change shall include such terms as to give effect to the tenor of this provision and evidencing the obligation to deliver to each Holder of Common Stock Warrants such shares of stock, securities or assets as, in accordance with the foregoing provisions, such Holder may be entitled to acquire.

(c) Distribution of Assets. If the Company shall declare or make any distribution of its assets (or rights to acquire its assets) to Holders of Common Stock as a partial liquidating dividend, by way or return of capital or otherwise (including any dividend or distribution to the Company's stockholders of cash or shares (or rights to acquire shares) of capital stock of a subsidiary) (a "**Distribution**"), at any time after the issuance of this Warrant, then the Holder of this Warrant shall be entitled upon exercise of this Warrant for the purchase of any or all of the shares of Common Stock subject hereto, after the record date for determining shareholders entitled to receive such Distribution, to receive the amount of such assets (or rights) which would have been payable to the Holder had such Holder been the Holder of such shares of Common Stock on the record date for determination of stockholders entitled to such Distribution.

(d) Notices.

(i) Immediately upon any adjustment of the Exercise Price, the Company will give written notice thereof to the Holder of this Warrant, setting forth in reasonable detail and certifying the calculation of such adjustment.

(ii) The Company will give written notice to the Holder of this Warrant at least twenty (20) days prior to the date on which the Company closes its books or takes a record (A) with respect to any dividend or distribution upon the Common Stock, (B) with respect to any pro rata subscription offer to Holders of Common Stock or (C) for determining rights to vote with respect to any Organic Change, dissolution or liquidation and in no event shall such notice be provided to such Holder prior to such information being made known to the public.

(iii) The Company will also give written notice to the Holder of this Warrant at least twenty (20) days prior to the date on which any Organic Change, dissolution or liquidation will take place and in no event shall such notice be provided to such Holder prior to such information being made known to the public.

Section 9. Lost, Stolen, Mutilated or Destroyed Warrant. If this Warrant is lost, stolen, mutilated or destroyed, the Company shall, on receipt of an indemnification undertaking, issue a new Warrant of like denomination and tenor as the Warrant so lost, stolen, mutilated or destroyed.

Section 10. Notice. Any notices, consents, waivers or other communications required or permitted to be given under the terms of this Warrant must be in writing and will be deemed to have been delivered (i) upon receipt, when delivered personally; (ii) upon receipt, when sent by facsimile (provided confirmation of transmission is mechanically or electronically generated and kept on file by the sending party); or (iii) upon receipt, when delivered by a delivery service, in each case properly addressed to the party to receive the same. The addresses and facsimile numbers for such communications shall be:

If to the Company:

Validian Corporation
4651 Roswell Road, Suite B-106
Atlanta, Georgia 30342
Telephone: (404) 256-1963
Telefax: (404) 256-2500
Attention: Andre Maisonneuve
Chairman, President, Chief Executive Officer and
Chief Financial Officer

If to the Holder of this Warrant:

Capital House Corporation
30 Metcalfe Street, Suite 620
Ottawa, ON K1P 5L4
Canada

Each party shall provide five days' prior written notice to the other party of any change in address or facsimile number.

Section 11. Miscellaneous.

(c) No Voting Rights; Limitation of Liability - Prior to exercise, this Warrant will not entitle the Holder to any voting rights or other rights as a stockholder of the Company. No provision hereof, in the absence of affirmative action by the Holder to exercise this Warrant, and no enumeration herein of the rights or privileges of the Holder, shall give rise to any liability of the Holder for the purchase price of the Warrant Shares pursuant to the exercise hereof.

(d) Waiver and Modification This Warrant and any term hereof may be changed, waived, discharged, or terminated only by an instrument in writing signed by the party or Holder hereof against which enforcement of such change, waiver, discharge or termination is sought.

(c) Headings - The headings in this Warrant are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(d) Governing Law - THIS WARRANT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEVADA. The Holder hereby submits to the jurisdiction of the State of Georgia and agrees that service of all writs, process and summonses in any such suit, action or proceeding brought in the United States against the Company may be made upon the Escrow Agent and shall be governed by and interpreted under the laws of the State of Georgia without regard to principles of conflicts of law thereof.

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed by its duly authorized officer as of the date first indicated above.

VALIDIAN CORPORATION

By: /s/ Andre Maisonneuve

Name: Andre Maisonneuve
Title: Chairman, President,
Chief Executive Officer and
Chief Financial Officer

Series F Warrant Holders

Albino Genovesse	700,000
Capital House Corporation	400,000
David Nahmias	100,000
Eric Moe	225,000
Jeff Lamberson	100,000
Laurie Mulvagh	200,000
Pacific Management Services, LLC	775,000
Ron Benn	200,000
Synergistic Affiliates, Inc.	650,000
Windstar Corporation	650,000
Total	4,000,000

EXHIBIT 4.4

THIS WARRANT HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, (THE "ACT") OR ANY STATE SECURITIES LAW, AND MAY NOT BE OFFERED FOR SALE, SOLD OR TRANSFERRED UNLESS A REGISTRATION STATEMENT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS SHALL BE EFFECTIVE WITH RESPECT THERETO, OR AN OPINION OF COUNSEL, IN FORM AND SUBSTANCE REASONABLY ACCEPTABLE TO THE COMPANY, THAT AN EXEMPTION FROM REGISTRATION UNDER THE ACT AND APPLICABLE STATE SECURITIES LAWS IS AVAILABLE OR UNLESS SOLD PURSUANT TO RULE 144 UNDER THE SAID ACT.

VALIDIAN CORPORATION

Form Of Warrant To Purchase Common Stock

Warrant No.: _____ **Number of Warrant Shares:** _____
Series G
Date of Issuance: September 3, 2003

Validian Corporation, a Nevada corporation (the "**Company**"), hereby certifies that, for value received, _____ (the "**Holder**") is entitled, subject to the terms set forth below, to purchase from the Company upon surrender of this Warrant, at any time or times on or after the date hereof, but not after 11:59 P.M. Eastern Time on the Expiration Date (as defined herein) _____ (_____) fully paid nonassessable shares of Common Stock (as defined in Section 1(b)) of the Company (the "**Warrant Shares**") at the purchase price per share provided in Section 1(b) below (the "**Exercise Price**"); provided, however, that in no event shall the Holder be entitled to exercise this Warrant for a number of Warrant Shares in excess of that number of Warrant Shares which, upon giving effect to such exercise, would cause the aggregate number of shares of Common Stock beneficially owned by the Holder and its affiliates to exceed 4.99% of the outstanding shares of the Common Stock following such exercise. For purposes of the foregoing proviso, the aggregate number of shares of Common Stock beneficially owned by the Holder and its affiliates shall include the number of shares of Common Stock issuable upon exercise of this Warrant with respect to which the determination of such proviso is being made, but shall exclude shares of Common Stock which would be issuable upon (i) exercise of the remaining, unexercised Warrants beneficially owned by the Holder and its affiliates and (ii) exercise or conversion of the unexercised or unconverted portion of any other securities of the Company beneficially owned by the Holder and its affiliates (including, without limitation, any convertible notes, convertible preferred stock, warrants or rights to receive shares of Common Stock) subject to a limitation on conversion or exercise analogous to the limitation contained herein. Except as set forth in the preceding sentence, for purposes of this paragraph, beneficial ownership shall be calculated in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended. The Holder may waive the foregoing limitations by written notice to the Company upon not less than 61 days prior notice (with such waiver taking effect only upon the expiration of such 61 day notice period).

Section 1.

(a) Definitions. The following words and terms as used in this Warrant shall have the following meanings:

"Business Day" means any day except Saturday, Sunday and any day which is designated in the State of New York as a legal holiday or a day on which banking institutions are authorized or legally required or other government action to close.

"Closing Bid Price" means, for any security as of any date, the last closing bid price for such security on The Nasdaq SmallCap Market as reported by Bloomberg Financial Markets ("**Bloomberg**"), or, if The Nasdaq SmallCap Market is not the principal trading market for such security, the last closing bid price of such security on a Subsequent Market (as defined below) on which such security is listed or traded as reported by Bloomberg, or if the foregoing do not apply, the last closing bid price of such security in the over-the-counter market on the electronic bulletin board for such security as reported by Bloomberg, or, if no closing bid price is reported for such security by Bloomberg, the last closing trade price of such security as reported by Bloomberg, or, if no last closing trade price is reported for such security by Bloomberg, the average of the bid prices of any market makers for such security as reported in the "pink sheets" by the National Quotation Bureau, Inc. If the Closing Bid Price cannot be calculated for such security on such date on any of the foregoing bases, the Closing Bid Price of such security on such date shall be the fair market value as mutually determined by the Company and the Holders the Common Stock Warrants. If the Company and the Holders of the Common Stock Warrants are unable to agree upon the fair market value of the Common Stock, then such dispute shall be resolved pursuant to Section 2(a) of this Warrant with the term "Closing Bid Price" being substituted for the term "Market Price." (All such determinations to be appropriately adjusted for any stock dividend, stock split or other similar transaction during such period).

"Common Stock" means the Company's common stock, par value \$.001 per share, and (ii) any capital stock into which such Common Stock shall have been changed or any capital stock resulting from a reclassification of such Common Stock.

"Common Stock Deemed Outstanding" means, at any given time, the number of shares of Common Stock actually outstanding at such time, plus the number of shares of Common Stock deemed to be outstanding pursuant to Section 8 or Convertible Securities (as defined in Section 8) are actually exercisable or convertible at such time, but excluding any shares of Common Stock issuable upon exercise of the Common Stock Warrants.

"Escrow Agent" means Alan R. Turem, P.C. having an office at 4651 Roswell Road, Suite B-105 Atlanta, Georgia 30342.

"Exercise Price" shall be \$0.75, subject to adjustment as hereinafter provided.

"Expiration Date" means September 3, 2005.

"Other Securities" means (i) those securities, convertible securities, options and warrants of the Company issued prior to, and outstanding on, the date of issuance of this Warrant, (ii) shares of Common Stock, and warrants or other securities that are convertible into or exchangeable for shares of Common Stock, issuable in connection with the subsequent acquisitions by the Company.

"Person" means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization, a government or any department or agency thereof, or any other entity or organization.

"Securities Act" means the Securities Act of 1933, as amended.

"Warrant" means this Warrant and all Warrants issued in exchange, transfer or replacement thereof.

"Warrant Shares" means the shares of Common Stock issuable upon the exercise of this Warrant.

(b) Other Definitional Provisions.

(i) Except as otherwise specified herein, all references herein (A) to the Company shall be deemed to include the Company's successors and (B) to any applicable law defined or referred to herein, shall be deemed references to such applicable law as the same may have been or may be amended or supplemented from time to time.

(ii) When used in this Warrant, the words "**herein**," "**hereof**," and "**hereunder**," and words of similar import, shall refer to this Warrant as a whole and not to any provision of this Warrant, and the words "**Section**," "**Schedule**," and "**Exhibit**" shall refer to Sections of, and Schedules and Exhibits to, this Warrant unless otherwise specified.

(iii) Whenever the context so requires, the neuter gender includes the masculine or feminine, and the singular number includes the plural, and vice versa.

Section 2. Exercise of Warrant.

(a) Exercise may be done at any time during normal business hours on any business day on or after the opening of business on the date hereof and prior to 11:59 P.M. Eastern Time on the Expiration Date by delivery to the Escrow Agent and the Company in the manner specified below of (i) a written notice of such Holder's election to exercise this Warrant which notice shall be in the form attached as Exhibit A hereto, (the "**Exercise Notice**"), and shall specify the number of Warrant Shares to be purchased and the other information set out therein, (ii) payment to the Company of an amount equal to the Exercise Price multiplied by the number of Warrant Shares as to which the Warrant is being exercised (the "**Aggregate Exercise Price**") in cash or by check or wire transfer payable to the Company in immediately available funds, and (iii) the surrender of this Warrant. Provided, that if such Warrant Shares are to be issued in any name other than that of the registered Holder of this Warrant, such issuance shall be deemed a transfer and the provisions of Section 7 shall be applicable and the Exercise Notice shall be accompanied by such additional documentation as may be required by that Section. Such Exercise Notice, payment, Warrant and other documentation required for exercise shall be delivered to the Escrow Agent at the address set out in Section 1 with a copy of the Exercise Notice being delivered simultaneously to the Company.

(b) In the event of any exercise of the rights represented by this Warrant in compliance with this Section 2(a), a certificate or certificates for the Warrant Shares so purchased, in such denominations as may be requested by the Holder hereof and registered in the name of, or as directed by, the Holder, shall be delivered at the Company's expense to, or as directed by, such Holder as soon as practicable after such rights shall have been so exercised, and in any event no later than five (5) business days after delivery of the Exercise Notice to the Escrow Agent. In the case of a dispute as to the determination of the Exercise Price of a security or the arithmetic calculation of the Warrant Shares, the Company shall promptly issue to the Holder the number of shares of Common Stock that is not disputed and shall submit the disputed determinations or arithmetic calculations to the Holder via facsimile within one business day of receipt of the Holder's subscription notice. If the Holder and the Company are unable to agree upon the determination of the Exercise Price or arithmetic calculation of the Warrant Shares within one day of such disputed determination or arithmetic calculation being submitted to the Holder, then the Company shall immediately submit via facsimile (i) the disputed determination of the Exercise Price to an independent, reputable investment banking firm or (ii) the disputed arithmetic calculation of the Warrant Shares to its independent, outside accountant. The Company shall cause the investment banking firm or the accountant, as the case may be, to perform the determinations or calculations and notify the Company and the Holder of the results no later than two (2) Business Days from receipt of the disputed determinations or calculations. Such investment banking firm's or accountant's determination or calculation, as the case may be, shall be deemed conclusive absent manifest error.

(c) Unless the rights represented by this Warrant shall have expired or shall have been fully exercised, the Company shall, as soon as practicable and in no event later than five business days after any exercise and at its own expense, issue a new Warrant identical in all respects to the Warrant exercised except (i) it shall represent rights to purchase the number of Warrant Shares purchasable immediately prior to such exercise under the Warrant exercised, less the number of Warrant Shares with respect to which such Warrant is exercised, and (ii) the Holder thereof shall be deemed for all corporate purposes to have become the Holder of record of such Warrant Shares immediately prior to the close of business on the date on which the Warrant is surrendered and payment of the amount due in respect of such exercise and any applicable taxes is made, irrespective of the date of delivery of certificates evidencing such Warrant Shares, except that, if the date of such surrender and payment is a date when the stock transfer books of the Company are properly closed, such person shall be deemed to have become the Holder of such Warrant Shares at the opening of business on the next succeeding date on which the stock transfer books are open.

(d) No fractional shares of Common Stock are to be issued upon the exercise of this Warrant, but rather the number of shares of Common Stock issued upon exercise of this Warrant shall be rounded up or down to the nearest whole number.

Section 3. Covenants as to Common Stock; Certain Registrations. The Company hereby covenants and agrees as follows:

(a) This Warrant is, and any Common Stock Warrants issued in substitution for or replacement of this Warrant will upon issuance be, duly authorized and validly issued.

(b) All Warrant Shares which may be issued upon the exercise of the rights represented by this Warrant will, upon issuance, be validly issued, fully paid and nonassessable and free from all taxes, liens and charges with respect to the issue thereof.

(c) During the period within which the rights represented by this Warrant may be exercised, the Company will at all times have authorized and reserved at least 100% of the number of shares of Common Stock needed to provide for the exercise of the rights then represented by this Warrant and the par value of said shares will at all times be less than or equal to the applicable Exercise Price.

(d) The Company will not, by amendment of its charter or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed by it hereunder, but will at all times in good faith assist in the carrying out of all the provisions of this Warrant. Without limiting the generality of the foregoing, the Company (i) will not increase the par value of any shares of Common Stock receivable upon the exercise of this Warrant above the Exercise Price then in effect, and (ii) will take all such actions as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable shares of Common Stock upon the exercise of this Warrant.

(e) This Warrant will be binding upon any entity succeeding to the Company by merger, consolidation or acquisition of all or substantially all of the Company's assets.

Section 4. Taxes. The Company shall pay any and all taxes which may be payable with respect to the issuance and delivery of Warrant Shares upon exercise of this Warrant.

Section 5. Warrant Holder Deemed Not a Stock Holder. Except as otherwise specifically provided herein, no Holder, as such, of this Warrant shall be entitled to vote or receive dividends or be deemed the Holder of shares of the Company for any purpose, nor shall anything contained in this Warrant be construed to confer upon the Holder hereof, as such, any of the rights of a stockholder of the Company or any right to vote, give or withhold consent to any corporate action (whether any reorganization, issue of stock, reclassification of stock, consolidation, merger, conveyance or otherwise), receive notice of meetings, receive dividends or subscription rights, or otherwise, prior to the issuance to the Holder of this Warrant of the Warrant Shares which he or she is then entitled to receive upon the due exercise of this Warrant. In addition, nothing contained in this Warrant shall be construed as imposing any liabilities on such Holder to purchase any securities or as a stockholder of the Company, whether such liabilities are asserted by the Company or by creditors of the Company. Notwithstanding this Section 5, the Company will provide the Holder of this Warrant with copies of the same notices and other information given to the stockholders of the Company generally, contemporaneously with the giving thereof to the stockholders.

Section 6. Representations of Holder. The holder of this Warrant, by the acceptance hereof, represents that it is acquiring this Warrant and the Warrant Shares for its own account for investment and not with a view to, or for sale in connection with, any distribution hereof or of any of the shares of Common Stock or other securities issuable upon the exercise thereof, and not with any present intention of distributing any of the same. The holder of this Warrant further represents, by acceptance hereof, that, as of this date, such holder is an accredited investor as such term is defined in Rule 501(a) of Regulation D promulgated by the Securities and Exchange Commission under the Securities Act (an "**Accredited Investor**"). Upon exercise of this Warrant, the holder shall, if requested by the Company, confirm in writing, in a form satisfactory to the Company, that the Warrant Shares so purchased are being acquired solely for the holder's own account and not as a nominee for any other party, for investment, and not with a view toward distribution or resale other than pursuant to an effective registration statement or an exemption under the Securities Act and that such holder is an Accredited Investor. Notwithstanding the foregoing, by making the representations herein, the holder does not agree to hold the Warrant or the Warrant Shares for any minimum or other specified term and reserves the right to dispose of the Warrant and the Warrant Shares at any time in accordance with or pursuant to a registration statement or an exemption under the Securities Act. If such holder cannot make such representations because they would be factually incorrect, it shall be a condition to such holder's exercise of the Warrant that the Company receive such other representations as the Company considers reasonably necessary to assure the Company that the issuance of its securities upon exercise of the Warrant shall not violate any United States or state securities laws.

Section 7. Ownership and Transfer.

(a) The Company shall maintain at its principal executive offices (or such other office or agency of the Company as it may designate by notice to the Holder hereof), a register for this Warrant, in which the Company shall record the name and address of the person in whose name this Warrant has been issued, as well as the name and address of each transferee. The Company may treat the person in whose name any Warrant is registered on the register as the owner and Holder thereof for all purposes, notwithstanding any notice to the contrary, but in all events recognizing any transfers made in accordance with the terms of this Warrant.

(b) The Holder of this Warrant understands that this Warrant has not been and is not expected to be, registered under the Securities Act or any state securities laws, and may not be offered for sale, sold, assigned or transferred unless (a) subsequently registered thereunder, or (b) such Holder shall have delivered to the Company an opinion of counsel, reasonably satisfactory in form, scope and substance to the Company, to the effect that the securities to be sold, assigned or transferred may be sold, assigned or transferred pursuant to an exemption from such registration; provided that (i) any sale of such securities made in reliance on Rule 144 promulgated under the Securities Act may be made only in accordance with the terms of said Rule and further, if said Rule is not applicable, any resale of such securities under circumstances in which the seller (or the person through whom the sale is made) may be deemed to be an underwriter (as that term is defined in the Securities Act) may require compliance with some other exemption under the Securities Act or the rules and regulations of the Securities and Exchange Commission thereunder; and (ii) except as provided

below, neither the Company nor any other person is under any obligation to register the Common Stock Warrants under the Securities Act or any state securities laws or to comply with the terms and conditions of any exemption thereunder except as may be expressly set out herein.

(c) The Company is obligated to register the Warrant Shares for resale under the Securities Act and the Holder of this Warrant is not entitled to the registration rights in respect of the Warrant Shares, unless and until the Company enters into a Registration Rights Agreement with the Holder of these Warrants, at the sole discretion of the Company.

Section 8. Adjustment of Exercise Price and Number of Shares. In order to prevent dilution of the rights granted under this Warrant, the Exercise Price and the number of shares of Common Stock issuable upon exercise of this Warrant shall be adjusted from time to time as follows:

(a) Adjustment of Exercise Price upon Subdivision or Combination of Common Stock. If the Company at any time after the date of issuance of this Warrant subdivides (by any stock split, stock dividend, recapitalization or otherwise) one or more classes of its outstanding shares of Common Stock into a greater number of shares, the Exercise Price in effect immediately prior to such subdivision will be proportionately reduced and the number of shares of Common Stock obtainable upon exercise of this Warrant will be proportionately increased. If the Company at any time after the date of issuance of this Warrant combines (by combination, reverse stock split or otherwise) one or more classes of its outstanding shares of Common Stock into a smaller number of shares, the Exercise Price in effect immediately prior to such combination will be proportionately increased and the number of shares of Common Stock obtainable upon exercise of this Warrant will be proportionately decreased.

(b) Reorganization, Reclassification, Consolidation, Merger or Sale. Any recapitalization, reorganization, reclassification, consolidation, merger, sale of all or substantially all of the Company's assets to another Person (as defined below) or other transaction which is effected in such a way that Holders of Common Stock are entitled to receive (either directly or upon subsequent liquidation) stock, securities or assets with respect to or in exchange for Common Stock is referred to herein as "**Organic Change.**" Prior to the consummation of any Organic Change, the Company will make appropriate provision (in form and substance satisfactory to the Holders of the Common Stock Warrants representing a majority of the shares of Common Stock issuable upon exercise of such Common Stock Warrants then outstanding) to ensure that each of the Holders of the Common Stock Warrants will thereafter have the right to acquire and receive in lieu of or addition to (as the case may be) the shares of Common Stock immediately theretofore acquirable and receivable upon the exercise of such Holder's Common Stock Warrants, such shares of stock, securities or assets as may be issued or payable in the Organic Change with respect to or in exchange for the number of shares of Common Stock immediately theretofore acquirable and receivable upon the exercise of such Holder's Common Stock Warrants had such Organic Change not taken place (without taking into account any limitations or restrictions on exercise). In any such case, the Company will make appropriate provision (in form and substance satisfactory to the Holders of the Common Stock Warrants representing a majority of the shares of Common Stock issuable upon exercise of such Common Stock Warrants then outstanding) with respect to such Holders' rights and interests to insure that the provisions of this Section 8 and Section 9 will thereafter be applicable to the Common Stock Warrants (including, in the case of any such consolidation, merger or sale in which the successor entity or purchasing entity is other than the Company, an immediate adjustment of the Exercise Price to the value for the Common Stock reflected by the terms of such consolidation, merger or sale, and a corresponding immediate adjustment in the number of shares of shares of Common Stock acquirable and receivable upon exercise of the Common Stock Warrants, if the value so reflected is less than the Exercise Price in effect immediately prior to such consolidation, merger or sale). The terms of any documents evidencing an Organic Change shall include such terms as to give effect to the tenor of this provision and evidencing the obligation to deliver to each Holder of Common Stock Warrants such shares of stock, securities or assets as, in accordance with the foregoing provisions, such Holder may be entitled to acquire.

(c) Distribution of Assets. If the Company shall declare or make any distribution of its assets (or rights to acquire its assets) to Holders of Common Stock as a partial liquidating dividend, by way or return of capital or otherwise (including any dividend or distribution to the Company's stockholders of cash or shares (or rights to acquire shares) of capital stock of a subsidiary) (a "**Distribution**"), at any time after the issuance of this Warrant, then the Holder of this Warrant shall be entitled upon exercise of this Warrant for the purchase of any or all of the shares of Common Stock subject hereto, after the record date for determining shareholders entitled to receive such Distribution, to receive the amount of such assets (or rights) which would have been payable to the Holder had such Holder been the Holder of such shares of Common Stock on the record date for determination of stockholders entitled to such Distribution.

(d) Notices.

(i) Immediately upon any adjustment of the Exercise Price, the Company will give written notice thereof to the Holder of this Warrant, setting forth in reasonable detail and certifying the calculation of such adjustment.

(ii) The Company will give written notice to the Holder of this Warrant at least twenty (20) days prior to the date on which the Company closes its books or takes a record (A) with respect to any dividend or distribution upon the Common Stock, (B) with respect to any pro rata subscription offer to Holders of Common Stock or (C) for determining rights to vote with respect to any Organic Change, dissolution or liquidation and in no event shall such notice be provided to such Holder prior to such information being made known to the public.

(iii) The Company will also give written notice to the Holder of this Warrant at least twenty (20) days prior to the date on which any Organic Change, dissolution or liquidation will take place and in no event shall such notice be provided to such Holder prior to such information being made known to the public.

Section 9. Lost, Stolen, Mutilated or Destroyed Warrant. If this Warrant is lost, stolen, mutilated or destroyed, the Company shall, on receipt of an indemnification undertaking, issue a new Warrant of like denomination and tenor as the Warrant so lost, stolen, mutilated or destroyed.

Section 10. Notice. Any notices, consents, waivers or other communications required or permitted to be given under the terms of this Warrant must be in writing and will be deemed to have been delivered (i) upon receipt, when delivered personally; (ii) upon receipt, when sent by facsimile (provided confirmation of transmission is mechanically or electronically generated and kept on file by the sending party); or (iii) upon receipt, when delivered by a delivery service, in each case properly addressed to the party to receive the same. The addresses and facsimile numbers for such communications shall be:

If to the Company:

Validian Corporation
4651 Roswell Road, Suite B-106
Atlanta, Georgia 30342
Telephone: (404) 256-1963
Telefax: (404) 256-2500

Attention: Andre Maisonneuve
Chairman, President, Chief Executive Officer and
Chief Financial Officer

If to the Holder of this Warrant:

Scott Christie
2674 Dick Wilson Dr.
Sarasota, FL 34240

Each party shall provide five days' prior written notice to the other party of any change in address or facsimile number.

Section 11. Miscellaneous.

(e) No Voting Rights; Limitation of Liability - Prior to exercise, this Warrant will not entitle the Holder to any voting rights or other rights as a stockholder of the Company. No provision hereof, in the absence of affirmative action by the Holder to exercise this Warrant, and no enumeration herein of the rights or privileges of the Holder, shall give rise to any liability of the Holder for the purchase price of the Warrant Shares pursuant to the exercise hereof.

(f) Waiver and Modification This Warrant and any term hereof may be changed, waived, discharged, or terminated only by an instrument in writing signed by the party or Holder hereof against which enforcement of such change, waiver, discharge or termination is sought.

(c) Headings - The headings in this Warrant are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(d) Governing Law - THIS WARRANT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEVADA. The Holder hereby submits to the jurisdiction of the State of Georgia and agrees that service of all writs, process and summonses in any such suit, action or proceeding brought in the United States against the Company may be made upon the Escrow Agent and shall be governed by and interpreted under the laws of the State of Georgia without regard to principles of conflicts of law thereof.

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed by its duly authorized officer as of the date first indicated above.

VALIDIAN CORPORATION

By: /s/ Andre Maisonneuve

Name: Andre Maisonneuve
Title: Chairman, President,
Chief Executive Officer and
Chief Financial Officer

Series G Warrant Holders

Jeff Lamberson	200,000
Scott Christie	200,000
Total	400,000

EXHIBIT 4.5

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE SOLD OR OFFERED FOR SALE IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES OR AN OPINION OF COUNSEL OR OTHER EVIDENCE ACCEPTABLE TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED.

VALIDIAN CORPORATION

Form of Warrant To Purchase Common Stock

Warrant No.: _____

Number of Warrant Shares: _____

Series H

Date of Issuance: January 30, 2004

1. Issuance; Certain Definitions. In consideration of good and valuable consideration, the receipt of which is hereby acknowledged by VALIDIAN CORPORATION, a Nevada corporation (the "Company"), _____ or registered assigns (the "Holder") is hereby granted the right to purchase at any time until 5:00 P.M., New York City time, on December 31, 2006 (the "Expiration Date"), _____ (_____) fully paid and non-assessable shares of the Company's Common Stock, \$0.001 par value per share (the "Common Stock"), at an initial exercise price per share (the "Exercise Price") of \$.50 per share, subject to further adjustment as set forth herein.

2. Exercise of Warrants.

(a) This Warrant is exercisable in whole or in part at any time and from time to time. Such exercise shall be effectuated by submitting to the Company (either by delivery to the Company or by facsimile transmission as provided in Section 8 hereof) a completed and duly executed Notice of Exercise (substantially in the form attached to this Warrant) as provided in this paragraph. The date such Notice of Exercise is faxed to the Company shall be the "Exercise Date," provided that the Holder of this Warrant tenders this Warrant Certificate to the Company within five (5) business days thereafter. The Notice of Exercise shall be executed by the Holder of this Warrant and shall indicate the number of shares then being purchased pursuant to such exercise. Upon surrender of this Warrant Certificate, together with appropriate payment of the Exercise Price for the shares of Common Stock purchased, the Holder shall be entitled to receive a certificate or certificates for the shares of Common Stock so purchased.

(b) The Exercise Price per share of Common Stock for the shares then being exercised shall be payable in cash or by certified or official bank check.

(c) The Holder shall be deemed to be the holder of the shares issuable to it in accordance with the provisions of this Section 2 on the Exercise Date.

3. Reservation of Shares. The Company hereby agrees that at all times during the term of this Warrant there shall be reserved for issuance upon exercise of this Warrant such number of shares of its Common Stock as shall be required for issuance upon exercise of this Warrant (the "Warrant Shares").

4. Mutilation or Loss of Warrant. Upon receipt by the Company of evidence satisfactory to it of the loss, theft, destruction or mutilation of this Warrant, and (in the case of loss, theft or destruction) receipt of reasonably satisfactory indemnification, and (in the case of mutilation) upon surrender and cancellation of this Warrant, the Company will execute and deliver a new Warrant of like tenor and date and any such lost, stolen, destroyed or mutilated Warrant shall thereupon become void.

5. Rights of the Holder. The Holder shall not, by virtue hereof, be entitled to any rights of a stockholder in the Company, either at law or equity, and the rights of the Holder are limited to those expressed in this Warrant and are not enforceable against the Company except to the extent set forth herein.

6. Protection Against Dilution and Other Adjustments.

6.1 Adjustment Mechanism. The Company covenants and agrees that, except for the sale of Debentures and Warrants to the Other Lenders, during the period (the “New Transaction Period”) from the Initial Closing Date of the Securities Purchase Agreement and until 60 days after the Effective Date of the Registration Statement, any subsequent or further offer or sale of Common Stock or securities convertible into and/or other rights exercisable for the issuance of Common Stock (collectively, “New Common Stock”) to or with any third party will constitute a “New Transaction”.

In the event there is a New Transaction:

(A) the number of Warrants shall be adjusted to equal the higher of (1) the number of Warrant Shares originally provided in the Warrants or (2) the number of warrants under the terms of the New Transaction multiplied by the lesser of (I) the number 1, if the exercise price of the warrants under the terms of the New Transaction (“the New Transaction Warrant Price”) is less than or equal to the existing Warrant Price and (II) the quotient of the existing Warrant Price divided by the New Transaction Warrant Price, if the New Transaction Warrant Price exceeds the existing Warrant Price; and

(B) the Exercise Price on the Warrants shall be adjusted to equal the lower of (1) the then existing Warrant Price or (2) the New Transaction Warrant Price.

If an adjustment of the Exercise Price is required pursuant to this Section 6, the Holder shall be entitled to purchase such number of additional shares of Common Stock as will cause (i) the total number of shares of Common Stock Holder is entitled to purchase pursuant to this Warrant, multiplied by (ii) the adjusted Exercise Price per share, to equal (iii) the dollar amount of the total number of shares of Common Stock Holder is entitled to purchase before adjustment multiplied by the total Exercise Price immediately before adjustment.

6.2 Capital Adjustments. If, at any time while any portion of the Warrants remains outstanding, the Company effectuates a stock split or reverse stock split of its Common Stock or issues a dividend on its Common Stock consisting of shares of Common Stock, the Exercise Price and any other amounts calculated as contemplated hereby or by any of the other Transaction Agreements shall be equitably adjusted to reflect such action. By way of illustration, and not in limitation, of the foregoing, (i) if the Company effectuates a 2:1 split of its Common Stock, thereafter, with respect to any conversion for which the Company issues shares after the record date of such split, the Exercise Price shall be deemed to be one-half of what it had been immediately prior to such split; (ii) if the Company effectuates a 1:10 reverse split of its Common Stock, thereafter, with respect to any conversion for which the Company issues shares after the record date of such reverse split, the Exercise Price shall be deemed to be ten times what it

had been calculated to be immediately prior to such split; and (iii) if the Company declares a stock dividend of one share of Common Stock for every 10 shares outstanding, thereafter, with respect to any conversion for which the Company issues shares after the record date of such dividend, the Exercise Price shall be deemed to be such amount multiplied by a fraction, of which the numerator is the number of shares (10 in the example) for which a dividend share will be issued and the denominator is such number of shares plus the dividend share(s) issuable or issued thereon (11 in the example).

In case of any stock split or reverse stock split, stock dividend, reclassification of the Common Stock, recapitalization, merger or consolidation, or like capital adjustment affecting the Common Stock of the Company prior to the exercise of this Warrant or its applicable portion, the provisions of this Section 6 shall be applied as if such capital adjustment event had occurred immediately prior to the exercise date of this Warrant and the original Exercise Price had been fairly allocated to the stock resulting from such capital adjustment; and in other respects the provisions of this Section shall be applied in a fair, equitable and reasonable manner so as to give effect, as nearly as may be, to the purposes hereof.

6.3 Spin Off. If, for any reason, prior to the exercise of this Warrant in full, the Company spins off or otherwise divests itself of a part of its business or operations or disposes all or of a part of its assets in a transaction (the “Spin Off”) in which the Company does not receive compensation for such business, operations or assets, but causes securities of another entity to be issued to security holders of the Company, then the Company shall notify the Holder at least thirty (30) days prior to the record date with respect to such Spin-Off.

7. Transfer to Comply with the Securities Act; Registration Rights.

7.1 Transfer. This Warrant has not been registered under the Securities Act of 1933, as amended, (the “Act”) and has been issued to the Holder for investment and not with a view to the distribution of either the Warrant or the Warrant Shares. Except for transfers to officers, employees and affiliates of the Holder, neither this Warrant nor any of the Warrant Shares or any other security issued or issuable upon exercise of this Warrant may be sold, transferred, pledged or hypothecated in the absence of an effective registration statement under the Act relating to such security or an opinion of counsel satisfactory to the Company that registration is not required under the Act. Each certificate for the Warrant, the Warrant Shares and any other security issued or issuable upon exercise of this Warrant shall contain a legend on the face thereof, in form and substance satisfactory to counsel for the Company, setting forth the restrictions on transfer contained in this Section.

7.2 Registration Rights.

(a) Reference is made to the Registration Rights Agreement. The Company’s obligations under the Registration Rights Agreement and the other terms and conditions thereof with respect to the Warrant Shares, including, but not necessarily limited to, the Company’s commitment to file a registration statement including the Warrant Shares, to have the registration of the Warrant Shares completed and effective, and to maintain such registration, are incorporated herein by reference.

(b) In addition to the registration rights referred to in the preceding provisions of Section 7.2(a), effective after the expiration of the effectiveness of the Registration Statement as contemplated by the Registration Rights Agreement, the Holder shall have piggy-back registration rights with respect to the Warrant Shares then held by the Holder or then subject to issuance upon exercise of this Warrant (collectively, the “Remaining Warrant Shares”), subject to the conditions set forth below. If, at any time after the Registration Statement has ceased to be effective, the Company participates (whether

voluntarily or by reason of an obligation to a third party) in the registration of any shares of the Company's stock (other than a registration on Form S-8 or on Form S-4), the Company shall give written notice thereof to the Holder and the Holder shall have the right, exercisable within ten (10) business days after receipt of such notice, to demand inclusion of all or a portion of the Holder's Remaining Warrant Shares in such registration statement. If the Holder exercises such election, the Remaining Warrant Shares so designated shall be included in the registration statement at no cost or expense to the Holder (other than any costs or commissions which would be borne by the Holder under the terms of the Registration Rights Agreement); provided, however, that if there is a managing underwriter of the offering of shares referred to in the registration statement and such managing underwriter advises the Company in writing that the number of shares proposed to be included in the offering will have an adverse effect on its ability to successfully conclude the offering and, as a result, the number of shares to be included in the offering is to be reduced, the number of Remaining Warrant Shares of the Holder which were to be included in the registration (before such reduction) will be reduced pro rata with the number of shares included for all other parties whose shares are being registered. The Holder's rights under this Section 7 shall expire at such time as the Holder can sell all of the Remaining Warrant Shares under Rule 144 without volume or other restrictions or limit.

8. Notices. Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered personally, telegraphed, sent by facsimile transmission or sent by couriercertified, registered or express mail, postage pre-paid. Any such notice shall be deemed given when so delivered personally, telegraphed, telexed or sent by facsimile transmission, or by courier, if mailed, four days after the date of deposit in the United States mails, as follows:

(i) if to the Company, to:

VALIDIAN CORPORATION
30 Metcalfe Street
Ottawa, Ontario, Canada K1P 5L4
Attn: Andre Maisonneuve
Telephone No.: (613) 230-7211
Telecopier No.: (613) 230-6055

(ii) if to the Holder, to:

Scott Christie
2674 Dick Wilson Drive
Sarasota, Florida 34240
TelephoneNo.: 941-378-2255
Telecopier No.: 941-378-1444

with a copy to:

Alan R. Turem, P.C.
4651 Roswell Road, NE
Suite B-105
Atlanta, GA 30342-3048
Attn: Alan R. Turem
Telephone No.: (404) 256-1963
Telecopier No. (404) 256-2500

Any party may give notice in accordance with this Section to the other parties designate to another address or person for receipt of notices hereunder.

9. Supplements and Amendments; Whole Agreement. This Warrant may be amended or supplemented only by an instrument in writing signed by the parties hereto. This Warrant contains the full understanding of the parties with respect to the subject matter hereof and thereof and there are no representations, warranties, agreements or understandings other than expressly contained herein and therein.

10. Governing Law. This Warrant shall be deemed to be a contract made under the laws of the State of New York for contracts to be wholly performed in such State and without giving effect to the principles thereof regarding the conflict of laws. Each of the parties consents to the jurisdiction of the federal courts whose districts encompass any part of the State of New York, New York County in connection with any dispute arising under this Warrant and hereby waives, to the maximum extent permitted by law, any objection, including any objection based on *forum non conveniens*, to the bringing of any such proceeding in such jurisdictions.

11. Jury Trial Waiver. The Company and the Holder hereby waive a trial by jury in any action, proceeding or counterclaim brought by either of the parties hereto against the other in respect of any matter arising out or in connection with this Warrant.

12. Counterparts. This Warrant may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

13. Descriptive Headings. Descriptive headings of the several Sections of this Warrant are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

IN WITNESS WHEREOF, the Company has executed this Warrant as of the 30th day of January, 2004.

VALIDIAN CORPORATION

By: /s/ Andre Maisonneuve

Name: Andre Maisonneuve
Title: President

NOTICE OF EXERCISE OF WARRANT

The undersigned hereby irrevocably elects to exercise the right, represented by the Warrant Certificate dated as of _____, _____, to purchase _____ shares of the Common Stock, \$0.001 par value, of VALIDIAN CORPORATION, and tenders herewith payment in accordance with Section 1 of said Common Stock Purchase Warrant.

CASH: \$ _____ = (Exercise Price x Exercise Shares)

Payment is being made by:

enclosed check

wire transfer

other

Please deliver the stock certificate to:

Dated:

[Name of Holder]

By:

Series H Warrant Holders

Alpha Capital	105,000
Andrew W. & Karen M. Watling	27,500
Barbara Ellis	27,500
Bonnie Quinn	55,000
Bradley J. Goldstone	27,500
Brian Wildes	110,000
Daniel B. Steinberg	110,000
David Stefansky	178,510
Jody Janson	11,790
Jonathan Rich	40,745
Marc Weisman	110,000
Michael D. Madden	110,000
Michael T. Pieniazek	40,000
Parker Consultants Ltd.	245,000
PEF Advisors, LTD	55,000
Professional Traders Fund, LLC	70,000
Richard Rosenbloom	150,510
Robert Prag	230,000
Scott Christie	110,000
The London Family Trust	210,000
Thomas A. & Marilyn Slamecka	70,000
vFinance Investments, Inc.	422,295
Vincent Calicchia	106,150
WEC Partners, LLC	35,000
Zenny Trading	70,000
Total	2,727,000

EXHIBIT 4.7

**FORM OF
PROMISSORY NOTE**

November 21, 2003

For value received, Validian Corporation (hereinafter referred to as the "Borrower") promises to pay to the order of _____ (hereinafter referred to as the "Lender") in the City of _____, _____ or at such other place as the holder hereof may, from time to time designate in writing, the sum of _____ U.S. Dollars (USD \$ _____), in legal and lawful money of United States of America, with interest on the principal outstanding from time to time from November 21, 2003 until paid, both before and after maturity, at the rate of twelve percent (12%) per annum.

The principal of this Note is due and payable on demand. The accrued interest is due and payable annually in arrears on the anniversary date. The Borrower may pay all or part of any of principal and/or interest before any due date. Any prepayment may be made without notice, penalty or bonus and any subsequent interest shall be calculated only on any remaining outstanding balance.

In the event this Note, or any part hereof, is collected through Bankruptcy or other judicial proceedings by an attorney or is placed in the hands of an attorney for collection after maturity, then the Borrower agrees and promises to pay a reasonable attorney's fee for collection.

The Borrower expressly requires notice of all demands for payment, presentation for payment, protest and notice of protest, as to this Note but the Lender, payee or other holder of this Note may at any time, from time to time and upon notice in writing to the Borrower, extend the terms of payment or date of maturity hereof.

This Note may be assigned, pledged or hypothecated by the Lender or holder upon notice to the Borrower and is made without recourse to any director, officer or employee of the Borrower.

Any notice, demand or request relating to any matter set forth in this Note shall be given in writing.

This Note shall be governed by and construed in accordance with the laws of the State of Georgia, U.S.A.

IN WITNESS WHEREOF, Validian Corporation has caused this Note to be duly executed on its behalf by its officer duly authorized thereunto.

Validian Corporation

Per: /s/ Andre Maisonneuve

**Andre Maisonneuve
President & CEO**

12% Note Holder

Note Holder	Amount Outstanding	
	as of December 31, 2003	as of March 31, 2004
Metro International Mortgage, Inc.	\$466,285	\$286,285

EXHIBIT 4.8

FORM OF DEBENTURE

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE SOLD OR OFFERED FOR SALE IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES OR AN OPINION OF COUNSEL OR OTHER EVIDENCE ACCEPTABLE TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED.

No. _____

US \$ _____

VALIDIAN CORPORATION

4% SENIOR SUBORDINATED CONVERTIBLE DEBENTURE DUE DECEMBER 31, 2005

THIS DEBENTURE is one of a duly authorized issue in Debentures of **VALIDIAN CORPORATION**, a corporation organized and existing under the laws of the State of Nevada (the "Company") designated as its 4% Senior Subordinated Convertible Debentures.

FOR VALUE RECEIVED, the Company promises to pay to _____, the registered holder hereof (the "Holder"), the principal sum of _____ Dollars (US \$ _____) on December 31, 2005 (the "Maturity Date") and to pay interest on the principal sum outstanding from time to time in arrears at the rate of 4% per annum, accruing from January 30, 2004, the date of initial issuance of this Debenture (the "Issue Date"), on the date (each, an "Interest Payment Date") which is the earlier of (i) a Conversion Date (as defined below) or (ii) the Maturity Date, as the case may be. Accrual of interest shall commence on the first such business day to occur after the Issue Date and shall continue to accrue on a daily basis until payment in full of the principal sum has been made or duly provided for. Additional provisions regarding the payment of interest are provided in Section 4(D) below (the terms of which shall govern as if this sentence were not included in this Debenture).

This Debenture is being issued pursuant to the terms of the Securities Purchase Agreement, dated January 30, 2004 (the "Securities Purchase Agreement"), to which the Company and the Holder (or the Holder's predecessor in interest) are parties. Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Securities Purchase Agreement.

This Debenture is subject to the following additional provisions:

1. The Debentures will initially be issued in denominations determined by the Company, but are exchangeable for an equal aggregate principal amount of Debentures of different denominations, as requested by the Holder surrendering the same. No service charge will be made for such registration or transfer or exchange.

2. The Company shall be entitled to withhold from all payments of principal of, and interest on, this Debenture any amounts required to be withheld under the applicable provisions of the United States income tax laws or other applicable laws at the time of such payments, and Holder shall execute and deliver all required documentation in connection therewith.

3. This Debenture has been issued subject to investment representations of the original purchaser hereof and may be transferred or exchanged only in compliance with the Securities Act of 1933, as amended (the "Act"), and other applicable state and foreign securities laws and the terms of the Securities Purchase Agreement. In the event of any proposed transfer of this Debenture, the Company may require, prior to issuance of a new Debenture in the name of such other person, that it receive reasonable transfer documentation that is sufficient to evidence that such proposed transfer complies with the Act and other applicable state and foreign securities laws and the terms of the Securities Purchase Agreement. Prior to due presentment for transfer of this Debenture, the Company and any agent of the Company may treat the person in whose name this Debenture is duly registered on the Company's Debenture Register as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Debenture be overdue, and neither the Company nor any such agent shall be affected by notice to the contrary.

4. A. (i) At any time on or after the Issue Date and prior to the time this Debenture is paid in full in accordance with its terms (including without limitation after the Maturity Date and after the occurrence of an Event of Default, as defined below), the Holder of this Debenture is entitled, at its option, subject to the following provisions of this Section 4, to convert this Debenture at any time into shares of Common Stock, \$0.001 par value ("Common Stock"), of the Company of the Company at the Conversion Price (as defined below).

(ii) The term "Conversion Price" means US \$.50 (which amount is subject to adjustment as provided herein).

(iii) Notwithstanding any other provision of this Debenture to the contrary, if, on the Maturity Date there is an Unconverted Debenture (as defined below), the Company shall have the option to pay the principal and accrued interest (through the actual date of payment) of Unconverted Debenture (the "Maturity Amount") either (i) in cash (and such cash shall be applied first to interest and then to principal) or (ii) to the extent not paid in cash as provided in clause (i), by delivering to the Holder such number of Conversion Shares equal to such unpaid Maturity Amount divided by the Conversion Price then in effect (such Conversion Shares, the "Maturity Date Shares"). The option to pay any or all of the Maturity Amount by the issuance of Maturity Date Shares shall be subject to the following conditions: (x) the Registration Statement covering such shares must be effective at the time the Maturity Date Shares are issued and (y) the issuance of the Maturity Date Shares shall not exceed the amount contemplated by Section 4(C) hereof.

B. Conversion shall be effectuated by faxing a Notice of Conversion (as defined below) to the Company as provided in this paragraph. The Notice of Conversion shall be executed by the Holder of this Debenture and shall evidence such Holder's intention to convert this Debenture or a specified portion hereof in the form annexed hereto as Exhibit A. If paid in Common Stock as contemplated hereby, interest accrued or accruing from the Issue Date to the relevant Interest Payment Date shall be paid in Common Stock at the Conversion Price applicable as of such Interest Payment Date. No fractional shares of Common Stock or scrip representing fractions of shares will be issued on conversion, but the number of shares issuable shall be rounded to the nearest whole share. The date on which notice of conversion is given (the "Conversion Date") shall be deemed to be the date on which the Holder faxes or otherwise delivers the conversion notice ("Notice of Conversion") to the Company so that it is received by the Company on or before such specified date, provided that, if such conversion would convert the entire remaining principal of this Debenture, the Holder shall deliver to the Company the original Debentures being converted no later than five (5) business days thereafter. Facsimile delivery of the Notice of Conversion shall be accepted by the Company at facsimile number (613) 230-6055; Attn: Dr. Andre

Maisonneuve. Certificates representing Common Stock upon conversion (“Conversion Certificates”) will be delivered to the Holder at the address specified in the Notice of Conversion (which may be the Holder’s address for notices as contemplated by the Securities Purchase Agreement or a different address), via express courier, by electronic transfer or otherwise, within three (3) business days (such third business day, the “Delivery Date”) after the date on which the Notice of Conversion is delivered to the Company as contemplated in this paragraph B, and, if interest is paid by Common Stock, the Interest Payment Date. The Holder shall be deemed to be the holder of the shares issuable to it in accordance with the provisions of this Section 4(B) on the Conversion Date.

C. Notwithstanding any other provision hereof or of any of the other Transaction Agreements, in no event (except (i) as specifically provided herein as an exception to this provision, or (ii) while there is outstanding a tender offer for any or all of the shares of the Company’s Common Stock) shall the Holder be entitled to convert any portion of this Debenture, or shall the Company have the obligation to convert such Debenture (and the Company shall not have the right to pay interest hereon in shares of Common Stock) to the extent that, after such conversion or issuance of stock in payment of interest, the sum of (1) the number of shares of Common Stock beneficially owned by the Holder and its affiliates (other than shares of Common Stock which may be deemed beneficially owned through the ownership of the unconverted portion of the Debentures or other convertible securities or of the unexercised portion of warrants or other rights to purchase Common Stock), and (2) the number of shares of Common Stock issuable upon the conversion of the Debentures with respect to which the determination of this proviso is being made, would result in beneficial ownership by the Holder and its affiliates of more than 4.99% of the outstanding shares of Common Stock (after taking into account the shares to be issued to the Holder upon such conversion). For purposes of the proviso to the immediately preceding sentence, beneficial ownership shall be determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended, except as otherwise provided in clause (1) of such sentence. The Holder, by its acceptance of this Debenture, further agrees that if the Holder transfers or assigns any of the Debentures to a party who or which would not be considered such an affiliate, such assignment shall be made subject to the transferee’s or assignee’s specific agreement to be bound by the provisions of this Section 4(C) as if such transferee or assignee were the original Holder hereof. Nothing herein shall preclude the Holder from disposing of a sufficient number of other shares of Common Stock beneficially owned by the Holder so as to thereafter permit the continued conversion of this Debenture.

D. (i) Subject to the terms of Section 4(C) and to the other terms of this Section 4(D), interest on the principal amount of this Debenture converted pursuant to a Notice of Conversion shall be due and payable, at the option of the Company, in cash or Common Stock on the Interest Payment Date.

(ii) If the interest is to be paid in cash, the Company shall make such payment within three (3) business days of the Interest Payment Date. If the interest is not paid by such third business day, the interest must be paid in Common Stock in accordance with the provisions of Section 4(D)(i) hereof, unless the Holder consents otherwise in each specific instance.

(iii) Notwithstanding the foregoing, the Company’s right to issue shares in payment of such interest is applicable if, and only if, there is then in effect a current Registration Statement covering the shares to be issued to the Holder in payment of such interest.

(iv) The number of shares of Common Stock to be issued in payment of such interest shall be determined by dividing the dollar amount of the interest to be so paid by the Conversion Price on the relevant Interest Payment Date. Such Common Stock shall be delivered to the Holder, or per Holder’s instructions, on the Delivery Date for the related Conversion Certificates pursuant to Section 4(B) hereof.

(iv) If the Company elects to have the interest paid in cash, the Company shall make such payment within three (3) business days of the Interest Payment Date. If such payment is not made in cash by such date, it shall be deemed that, subject to the provisions of Section 4(C) hereof, the Company has elected to pay the interest in stock, if, but only if, the Registration Statement covering the shares being issued is effective on the date such shares are issued.

5. Subject to the terms of the Securities Purchase Agreement, no provision of this Debenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of, and interest on, this Debenture at the time, place, and rate, and in the coin or currency, herein prescribed. This Debenture and all other Debentures now or hereafter issued of similar terms are direct obligations of the Company.

6. No recourse shall be had for the payment of the principal of, or the interest on, this Debenture, or for any claim based hereon, or otherwise in respect hereof, against any incorporator, shareholder, officer or director, as such, past, present or future, of the Company or any successor corporation, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

7. All payments contemplated hereby to be made "in cash" shall be made in immediately available good funds of United States of America currency by wire transfer to an account designated in writing by the Holder to the Company (which account may be changed by notice similarly given). All payments of cash and each delivery of shares of Common Stock issuable to the Holder as contemplated hereby shall be made to the Holder at the address last appearing on the Debenture Register of the Company as designated in writing by the Holder from time to time; except that the Holder can designate, by notice to the Company, a different delivery address for any one or more specific payments or deliveries.

8. If, for as long as this Debenture remains outstanding, the Company enters into a merger or consolidation with another corporation or other entity (other than where the Company is the surviving entity) or a sale or transfer of all or substantially all of the assets of the Company to another person (collectively, a "Change of Control"), then the Company must give fifteen days written notice to the Holder of the Change of Control, whereupon the Holder may elect by written notice to the Company that the Debenture is immediately due and payable, and the Maturity Date shall be accelerated accordingly, without presentment, demand, protest or other notice of any kinds, all of which are hereby expressly waived, anything herein or in any note or other instruments contained to the contrary notwithstanding, and the Holder may immediately enforce any and all of the Holder's rights and remedies provided herein or any other rights or remedies afforded by law (the "Election").

If the Holder does not make the Election, then the Company will require, in the agreements reflecting such Change of Control, that the surviving entity expressly assume the obligations of the Company hereunder. Notwithstanding the foregoing, if the Company enters into a Change of Control and the holders of the Common Stock are entitled to receive stock, securities or property in respect of or in exchange for Common Stock, then as a condition of such Change of Control, the Company and any such successor, purchaser or transferee will agree that the Debenture may thereafter be converted on the terms and subject to the conditions set forth above into the kind and amount of stock, securities or property receivable upon such merger, consolidation, sale or transfer by a holder of the number of shares of Common Stock into which this Debenture might have been converted immediately before such merger, consolidation, sale or transfer, subject to adjustments which shall be as nearly equivalent as may be practicable. In the event of any such proposed Change of Control, (i) the Holder hereof shall have the right

to convert by delivering a Notice of Conversion to the Company within fifteen (15) days of receipt of notice of such Change of Control from the Company, except that Section 4(C) shall not apply to such conversion.

9. If, at any time while any portion of this Debenture remains outstanding, the Company spins off or otherwise divests itself of a part of its business or operations or disposes of all or of a part of its assets in a transaction (the “Spin Off”) in which the Company, in addition to or in lieu of any other compensation received and retained by the Company for such business, operations or assets, causes securities of another entity (the “Spin Off Securities”) to be issued to security holders of the Company, the Company shall cause (i) to be reserved Spin Off Securities equal to the number thereof which would have been issued to the Holder had all of the Holder’s Debentures outstanding on the record date (the “Record Date”) for determining the amount and number of Spin Off Securities to be issued to security holders of the Company (the “Outstanding Debentures”) been converted as of the close of business on the trading day immediately before the Record Date (the “Reserved Spin Off Shares”), and (ii) to be issued to the Holder on the conversion of all or any of the Outstanding Debentures, such amount of the Reserved Spin Off Shares equal to (x) the Reserved Spin Off Shares multiplied by (y) a fraction, of which (I) the numerator is the principal amount of the Outstanding Debentures then being converted, and (II) the denominator is the principal amount of the Outstanding Debentures.

10. If, at any time while any portion of this Debenture remains outstanding, the Company effectuates a stock split or reverse stock split of its Common Stock or issues a dividend on its Common Stock consisting of shares of Common Stock, the Conversion Price and any other amounts calculated as contemplated hereby or by any of the other Transaction Agreements shall be equitably adjusted to reflect such action. By way of illustration, and not in limitation, of the foregoing, (i) if the Company effectuates a 2:1 split of its Common Stock, thereafter, with respect to any conversion for which the Company issues shares after the record date of such split, the Conversion Price shall be deemed to be one-half of what it had been immediately prior to such split; (ii) if the Company effectuates a 1:10 reverse split of its Common Stock, thereafter, with respect to any conversion for which the Company issues shares after the record date of such reverse split, the Conversion Price shall be deemed to be ten times what it had been calculated to be immediately prior to such split; and (iii) if the Company declares a stock dividend of one share of Common Stock for every 10 shares outstanding, thereafter, with respect to any conversion for which the Company issues shares after the record date of such dividend, the Conversion Price shall be deemed to be such amount multiplied by a fraction, of which the numerator is the number of shares (10 in the example) for which a dividend share will be issued and the denominator is such number of shares plus the dividend share(s) issuable or issued thereon (11 in the example).

11. The Holder of the Debenture, by acceptance hereof, agrees that this Debenture is being acquired for investment and that such Holder will not offer, sell or otherwise dispose of this Debenture or the shares of Common Stock issuable upon conversion thereof except under circumstances which will not result in a violation of the Act or any applicable state Blue Sky or foreign laws or similar laws relating to the sale of securities.

12. The Holder acknowledges and agrees that the Debenture and all principal and interest due thereunder is and shall be subordinated to any and all secured debt issued by the Company on or after the Closing Date (“Secured Debt”) to any other lender (the “Secured Lender”) and the Holder shall execute such subordination agreements and other documentation as the Company or any Secured Lender may reasonably require to effect such subordination in favor of any particular Secured Lender provided (i) that

the Company shall pay the Holder's reasonable costs in respect in respect of the preparation and execution of such subordination agreement, and (ii) no such Subordination Agreement shall affect any conversion rights hereunder.

13. This Debenture shall be governed by and construed in accordance with the laws of the State of New York. Each of the parties consents to the exclusive jurisdiction of the federal courts whose districts encompass any part of the City of New York or the state courts of the State of New York sitting in the City of New York in connection with any dispute arising under this Agreement and hereby waives, to the maximum extent permitted by law, any objection, including any objection based on *forum non conveniens*, to the bringing of any such proceeding in such jurisdictions. To the extent determined by such court, the Company shall reimburse the Holder for any reasonable legal fees and disbursements incurred by the Holder in enforcement of or protection of any of its rights under any of this Debenture.

14. The Company and the Holder hereby waive a trial by jury in any action, proceeding or counterclaim brought by either of the Parties hereto against the other in respect of any matter arising out of or in connection with this Debenture.

15. The following shall constitute an "Event of Default":

- a. The Company shall default in the payment of principal or interest on this Debenture, any Redemption Amount due hereunder or any other amount due, and, in any such instance, the same shall continue for a period of five (5) business days; or
- b. Any of the representations or warranties made by the Company herein, in the Securities Purchase Agreement or any of the other Transaction Agreements or in any certificate or financial or other written statements heretofore or hereafter furnished by the Company in connection with the execution and delivery of this Debenture or the Securities Purchase Agreement shall be false or misleading in any material respect at the time made; or
- c. Subject to the terms of the Securities Purchase Agreement, the Company fails to authorize or to cause its Transfer Agent to issue shares of Common Stock upon exercise by the Holder of the conversion rights of the Holder in accordance with the terms of this Debenture, fails to transfer or to cause its Transfer Agent to transfer any certificate for shares of Common Stock issued to the Holder upon conversion of this Debenture and when required by this Debenture or the Registration Rights Agreement, and such transfer is otherwise lawful, or fails to remove any restrictive legend on any certificate or fails to cause its Transfer Agent to remove such restricted legend, in each case where such removal is lawful, as and when required by this Debenture, the Agreement or the Registration Rights Agreement, and any such failure shall continue uncured for ten (10) business days; or
- d. The Company shall fail to perform or observe, in any material respect, any other covenant, term, provision, condition, agreement or obligation of any Debenture in this series and such failure shall continue uncured for a period of thirty (30) days after written notice from the Holder of such failure; or

- e. The Company shall fail to perform or observe, in any material respect, any covenant, term, provision, condition, agreement or obligation of the Company under any of the Transaction Agreements and such failure shall continue uncured for a period of thirty (30) days after written notice from the Holder of such failure; or
- f. The Company shall (1) admit in writing its inability to pay its debts generally as they mature; (2) make an assignment for the benefit of creditors or commence proceedings for its dissolution; or (3) apply for or consent to the appointment of a trustee, liquidator or receiver for its or for a substantial part of its property or business; or
- g. A trustee, liquidator or receiver shall be appointed for the Company or for a substantial part of its property or business without its consent and shall not be discharged within sixty (60) days after such appointment; or
- h. Any governmental agency or any court of competent jurisdiction at the instance of any governmental agency shall assume custody or control of the whole or any substantial portion of the properties or assets of the Company and shall not be dismissed within sixty (60) days thereafter; or
- i. Any money judgment, writ or warrant of attachment, or similar process in excess of Two Hundred Thousand (\$200,000) Dollars in the aggregate shall be entered or filed against the Company or any of its properties or other assets and shall remain unpaid, unvacated, unbonded or unstayed for a period of sixty (60) days or in any event later than five (5) days prior to the date of any proposed sale thereunder; or
- j. Bankruptcy, reorganization, insolvency or liquidation proceedings or other proceedings for relief under any bankruptcy law or any law for the relief of debtors shall be instituted by or against the Company and, if instituted against the Company, shall not be dismissed within sixty (60) days after such institution or the Company shall by any action or answer approve of, consent to, or acquiesce in any such proceedings or admit the material allegations of, or default in answering a petition filed in any such proceeding; or
- k. The Company shall have its Common Stock suspended from trading on, or delisted from, the Principal Trading Market for in excess of ten (10) trading days; or
- l. Any event defined in another provision of this Debenture as an Event of Default shall have occurred.

If an Event of Default shall have occurred, then, or at any time thereafter, and in each and every such case, unless such Event of Default shall have been waived in writing by the Holder (which waiver shall not be deemed to be a waiver of any subsequent default) at the option of the Holder and in the Holder's sole discretion, the Holder may consider this Debenture immediately due and payable (and the Maturity Date shall be accelerated accordingly), without presentment, demand, protest or notice of any kinds, all of which are hereby expressly waived, anything herein or in any note or other instruments contained to the contrary notwithstanding, and the Holder may immediately enforce any and all of the Holder's rights and remedies provided herein or any other rights or remedies afforded by law.

16. Nothing contained in this Debenture shall be construed as conferring upon the Holder the right to vote or to receive dividends or to consent or receive notice as a shareholder in respect of any meeting of shareholders or any rights whatsoever as a shareholder of the Company, unless and to the extent converted in accordance with the terms hereof.

17. In the event for any reason, any payment by or act of the Company or the Holder shall result in payment of interest which would exceed the limit authorized by or be in violation of the law of the jurisdiction applicable to this Debenture, then *ipso facto* the obligation of the Company to pay interest or perform such act or requirement shall be reduced to the limit authorized under such law, so that in no event shall the Company be obligated to pay any such interest, perform any such act or be bound by any requirement which would result in the payment of interest in excess of the limit so authorized. In the event any payment by or act of the Company shall result in the extraction of a rate of interest in excess of a sum which is lawfully collectible as interest, then such amount (to the extent of such excess not returned to the Company) shall, without further agreement or notice between or by the Company or the Holder, be deemed applied to the payment of principal, if any, hereunder immediately upon receipt of such excess funds by the Holder, with the same force and effect as though the Company had specifically designated such sums to be so applied to principal and the Holder had agreed to accept such sums as an interest-free prepayment of this Debenture. If any part of such excess remains after the principal has been paid in full, whether by the provisions of the preceding sentences of this Section or otherwise, such excess shall be deemed to be an interest-free loan from the Company to the Holder, which loan shall be payable immediately upon demand by the Company. The provisions of this Section shall control every other provision of this Debenture.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed by an officer thereunto duly authorized.

Dated: January 30, 2004

VALIDIAN CORPORATION

By: /s/ Andre Maisonneuve

Andre Maisonneuve
President

EXHIBIT A

NOTICE OF CONVERSION
OF

4% SENIOR SUBORDINATED CONVERTIBLE DEBENTURE DUE DECEMBER 31, 2005
(To be Executed by the Registered Holder in Order to Convert the Debenture)

FROM: _____ (“Holder”)

DATE: _____ (the “Conversion Date”)

RE: Conversion of \$_____ principal amount (the “Converted Debenture”) of the 4% Senior Subordinated Convertible Debenture Due December 31, 2005 (the “Debenture”) of VALIDIAN CORPORATION (the “Company”) into _____ shares (the “Conversion Shares”) of Common Stock (defined below)

CONVERSION DATE: _____

The captioned Holder hereby gives notice to the Company, pursuant to the Debenture of VALIDIAN CORPORATION that the Holder elects to convert the Converted Debenture into fully paid and non-assessable shares of Common Stock, \$0.001 par value (the “Common Stock”), of the Company as of the Conversion Date specified above. Said conversion shall be based on the following Conversion Price

— \$_____, representing the original Conversion Price (as defined in the Debenture)

\$_____, representing the original Conversion Price (as defined in the Debenture),
adjusted in accordance with the provisions of the Debenture.

Based on this Conversion Price, the number of Conversion Shares indicated above should be issued in the following name(s):

Name and Record Address	Conversion Shares
_____	_____
_____	_____
_____	_____

It is the intention of the Holder to comply with the provisions of Section 4(C) of the Debenture regarding certain limits on the Holder's right to convert thereunder. Based on the analysis on the attached Worksheet Schedule, the Holder believes this conversion complies with the provisions of said Section 4(C). Nonetheless, to the extent that, pursuant to the conversion effected hereby, the Holder would have more shares than permitted under said Section, this notice should be amended and revised, ab initio, to refer to the conversion which would result in the issuance of shares consistent with such provision. Any conversion above such amount is hereby deemed void and revoked.

As contemplated by the Debenture and the Securities Purchase Agreement, this Notice of Conversion is being sent by facsimile to the telecopier number and officer indicated above.

If this Notice of Conversion represents the full conversion of the outstanding balance of the Converted Debenture, the Holder either (1) has previously surrendered the Converted Debenture, duly endorsed, to the Company or (2) will surrender (or cause to be surrendered) the Converted Debenture, duly endorsed, to the Company at the address indicated above by express courier within five (5) business days after delivery or facsimile transmission of this Notice of Conversion.

The certificates representing the Conversion Shares should be transmitted by the Company to the Holder via express courier or by electronic transfer within the time contemplated by the Debenture and Securities Purchase Agreement after receipt of this Notice of Conversion (by facsimile transmission or otherwise) to:

As contemplated by the Debenture, the Company should also pay all accrued but unpaid interest on the Converted Debenture to the Holder.

-- If the Company elects to pay such interest in Common Stock, as contemplated by and subject to the provisions of the Debenture, such shares should be issued in the name of the Holder and delivered in the same manner as, and together with, the Conversion Shares.

-- If the Company elects or is required to pay the interest paid in cash, such payment should be made by wire transfer as follows:

(Print name of Holder)

By: _____
(Signature of Authorized Person)

(Printed Name and Title)

NOTICE OF CONVERSION
WORKSHEET SCHEDULE

- | | |
|--|---------|
| 1. Current Common Stock holdings of Holder and Affiliates | _____ |
| 2. Shares to be issued on current conversion(s) and other exercise(s) | _____ |
| 3. Other shares to be issued on other current conversion(s) and
other current exercise(s) | _____ |
| 4. Other shares eligible to be acquired within next 60 days
without restriction | _____ |
| 5. Total [sum of Lines 1 through 4] | _____ |
| 6. Outstanding shares of Common Stock* | _____ |
| 7. Adjustments to Outstanding | |
| a. Shares known to Holder as previously issued
to Holder or others but not included in Line 6 | _____ |
| b. Shares to be issued per Line(s) 2 and 3 | _____ |
| c. Total Adjustments [Lines 7a and 7b] | _____ |
| 8. Total Adjusted Outstanding [Lines 6 plus 7c] | _____ |
| 9. Holder's Percentage [Line 5 divided by Line 8] | _____ % |

[Note: Line 9 not to be above 4.99%]

* Based on latest SEC filing by Company or information provided by executive officer of Company, counsel to Company or transfer agent

4% Convertible Debenture Holders

<u>Name</u>	<u>\$ Debentures</u>
1. Alpha Capital	150,000
2. Michael D. Madden	100,000
3. Thomas A. & Marilyn Slamecka	100,000
4. Scott Christie Keogh	100,000
5. Professional Traders Fund, LLC	100,000
6. WEC Partners, LLC	50,000
7. Zenny Trading	100,000
8. Parker Consultants Ltd.	350,000
9. David Stefansky	70,000
10. Richard Rosenblum	30,000
11. Bonnie Quinn	50,000
12. Bradley J. Goldstone	25,000
13. The London Family Trust	300,000
14. Robert Prag	100,000
15. Daniel B. Steinberg	100,000
16. Andrew W. & Karen M. Watling	25,000
17. Marc Weisman	100,000
18. Brian Wildes	100,000
19. PEF Advisors, LTD	50,000
Total	2,000,000

EXHIBIT 10.4

SECURITIES PURCHASE AGREEMENT

THIS SECURITIES PURCHASE AGREEMENT, dated as of the date of acceptance set forth below, is entered into by and between **VALIDIAN CORPORATION**, a Nevada corporation, with an office located at 30 Metcalfe Street, Ottawa, Ontario, Canada K1P 5L4 (the “Company”), and each individual or entity (other than the Company) named on a signature page hereto (as used herein, each such signatory is referred to as the “Lender” or a “Lender”) (each agreement with a Lender being deemed a separate and independent agreement between the Company and such Lender, except that each Lender acknowledges and consents to the rights granted to each other Lender [each, an “Other Lender”] under such agreement and the Transaction Agreements, as defined below, referred to therein).

WITNESSETH:

WHEREAS, the Company and the Lender are executing and delivering this Agreement in accordance with and in reliance upon the exemption from securities registration for offers and sales to accredited investors afforded, inter alia, by Rule 506 under Regulation D (“Regulation D”) as promulgated by the United States Securities and Exchange Commission (the “SEC”) under the Securities Act of 1933, as amended (the “1933 Act”), and/or Section 4(2) of the 1933 Act; and

WHEREAS, the Lender wishes to lend funds to the Company, subject to and upon the terms and conditions of this Agreement and acceptance of this Agreement by the Company, the repayment of which will be represented by 4% Senior Subordinated Convertible Debentures of the Company (the “Convertible Debentures”), which Convertible Debentures will be convertible into shares of Common Stock, \$.001 par value per share, of the Company (the “Common Stock”), upon the terms and subject to the conditions of such Convertible Debentures, together with the Warrants (as defined below) exercisable for the purchase of shares of Common Stock;

NOW THEREFORE, in consideration of the premises and the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. AGREEMENT TO PURCHASE; PURCHASE PRICE.

a. Purchase.

(i) Subject to the terms and conditions of this Agreement and the other Transaction Agreements, the undersigned Lender hereby agrees to loan to the Company the principal amount set forth on the Lender’s signature page of this Agreement (the “Purchase Price”), out of the aggregate amount being loaned by all Lenders. The obligation to repay the loan from the Lender shall be evidenced by the Company’s issuance of one or more Convertible Debentures to the Lender in such principal amount (the Convertible Debentures issued to the Lender, the “Debentures”). Each Debenture (i) shall provide for a conversion price (the “Conversion Price”), which shall initially be the Fixed Conversion Price (as defined below), which price may be adjusted from time to time as provided in the Debenture or in the other Transaction Agreements, (ii) shall have the terms and conditions of, and be substantially in the form attached hereto as, **Annex I** and (iii) shall have a Warrant attached, as provided below. The loan to be made by the Lender and the issuance of the Debentures and Warrants to the Lender are sometimes referred to herein and in the other Transaction Agreements as the purchase and sale of the Debentures and Warrants.

(ii) The Purchase Price to be paid by the Lender shall be equal to the face amount of the Debentures being purchased on the Closing Date (as defined below) and shall be payable in United States Dollars.

(iii) The actual total Purchase Price of all Lenders, which shall not be less than the Minimum Purchase Price and not more than the Maximum Purchase Price, is hereinafter referred to as the “Aggregate Purchase Price.”

b. Certain Definitions. As used herein, each of the following terms has the meaning set forth below, unless the context otherwise requires:

(i) “Affiliate” means, with respect to a specific Person referred to in the relevant provision, another Person who or which controls or is controlled by or is under common control with such specified Person.

(ii) “Certificates” means the Debentures and the Warrants, each duly executed by the Company and issued on the Closing Date in the name of the Lender.

(iii) “Closing Date” means the date of the closing of the purchase and sale of the Debentures and Warrants, as provided herein; provided, however, that at the option of the Company and the Finder, once subscriptions for at least the Minimum Purchase Price have been received and accepted and the Purchase Price for the Lenders whose subscriptions have been accepted have been received in escrow as provided herein, there may be an Initial Closing Date followed by one or more additional Closing Dates, as provided in Section 6 hereof.

(iv) “Closing Price” means the closing bid price during regular trading hours of the Common Stock (in U.S. Dollars) on the Principal Trading Market, as reported by the Reporting Service.

(v) “Company Control Person” means each director, executive officer, promoter, and such other Persons as may be deemed in control of the Company pursuant to Rule 405 under the 1933 Act or Section 20 of the 1934 Act (as defined below).

(vi) “Conversion Shares” means the shares of Common Stock issuable upon conversion of the Debentures (including, if relevant, accrued interest on the Debentures so converted).

(vii) “Effective Date” means the effective date of the Registration Statement covering the Registrable Securities.

(viii) “Escrow Agent” means the escrow agent identified in the Joint Escrow Instructions attached hereto as **Annex II** (the “Joint Escrow Instructions”).

(ix) “Escrow Funds” means the Purchase Price delivered to the Escrow Agent as contemplated by Sections 1(c) and (d) hereof.

(x) “Escrow Property” means the Escrow Funds and the Certificates delivered to the Escrow Agent as contemplated by Section 1(c) hereof.

(xi) “Finder” means vFinance Investments, Inc.

- (xii) “Fixed Conversion Price” means \$0.50 (as that amount may be adjusted as provided in the Debenture or herein).
- (xiii) “Holder” means the Person holding the relevant Securities at the relevant time.
- (xiv) “Initial Closing Date” means the Closing Date or, if there is more than one Closing Date for the transactions contemplated by this Agreement, the Closing Date for the first of such closings (which shall be for at least the Minimum Purchase Price).
- (xv) “Last Audited Date” means December 31, 2002.
- (xvii) “Lender Control Person” means each director, executive officer, promoter, and such other Persons as may be deemed in control of the Lender pursuant to Rule 405 under the 1933 Act or Section 20 of the 1934 Act.
- (xviii) “Material Adverse Effect” means an event or combination of events, which individually or in the aggregate, would reasonably be expected to (w) adversely affect the legality, validity or enforceability of the Securities or any of the Transaction Agreements, (x) have or result in a material adverse effect on the results of operations, assets, prospects, or condition (financial or otherwise) of the Company and its subsidiaries, taken as a whole, (y) adversely impair the Company's ability to perform fully on a timely basis its obligations under any of the Transaction Agreements or the transactions contemplated thereby, or (z) materially and adversely affect the value of the rights granted to the Lender in the Transaction Agreements.
- (xix) “Person” means any living person or any entity, such as, but not necessarily limited to, a corporation, partnership or trust.
- (xx) “Principal Trading Market” means The U.S. Over The Counter Bulletin Board.
- (xxi) “Registrable Securities” has the meaning set forth in the Registration Rights Agreement.
- (xxii) “Registration Rights Agreement” means the Registration Rights Agreement in the form annexed hereto as **Annex IV**, as executed by the Lender and the Company simultaneously with the execution of this Agreement.
- (xxiii) “Registration Statement” has the meaning set forth in the Registration Rights Agreement.
- (xxiv) “Reporting Service” means Bloomberg LP or if that service is not then reporting the relevant information regarding the Common Stock, a comparable reporting service of national reputation selected by the Holders of the Debentures and reasonably acceptable to the Company.
- (xxv) “Securities” means the Debentures, the Warrants, and the Shares.
- (xxvi) “Shares” means the shares of Common Stock representing any or all of the Conversion Shares and the Warrant Shares.
- (xxvii) “State of Incorporation” means Nevada.

(xxviii) "Trading Day" means any day during which the Principal Trading Market shall be open for business.

(xxix) "Transaction Agreements" means the Securities Purchase Agreement, the Debentures, the Joint Escrow Instructions, the Registration Rights Agreement, and the Warrants and includes all ancillary documents referred to in those agreements.

(xxx) "Warrant Shares" means the shares of Common Stock issuable upon exercise of the Warrants.

c. Form of Payment; Delivery of Certificates.

(i) The Lender shall pay the Purchase Price by delivering immediately available good funds in United States Dollars to the Escrow Agent no later than the business day prior to the Closing Date.

(ii) No later than the Closing Date, but in any event promptly following payment by the Lender to the Escrow Agent of the Purchase Price, the Company shall deliver the Certificates, each duly executed on behalf of the Company and issued in the name of the Lender, to the Escrow Agent.

(iii) By signing this Agreement, each of the Lender and the Company, subject to acceptance by the Escrow Agent, agrees to all of the terms and conditions of, and becomes a party to, the Joint Escrow Instructions, all of the provisions of which are incorporated herein by this reference as if set forth in full.

d. Method of Payment. Payment into escrow of the Purchase Price shall be made by wire transfer of funds to:

The Summit National Bank
2727 Paces Ferry Road, NW
Suite 150
Atlanta, GA 30339

ABA# 061103894
For credit to the account of Alan R. Turem, P.C. Escrow Account
Account No.: 0120436
Re: VLDI Transaction

2. LENDER REPRESENTATIONS, WARRANTIES, ETC.; ACCESS TO INFORMATION; INDEPENDENT INVESTIGATION.

a. The Lender represents and warrants to, and covenants and agrees with, the Company as follows:

Without limiting Lender's right to sell the Shares pursuant to the Registration Statement or otherwise to sell any of the Securities in compliance with the 1933 Act, the Lender is purchasing the Securities and will be acquiring the Shares for its own account for investment only and not with a view towards the public sale or distribution thereof and not with a view to or for sale in connection with any distribution thereof.

b. The Lender is (i) an “accredited investor” as that term is defined in Rule 501 of the General Rules and Regulations under the 1933 Act by reason of Rule 501(a)(3), (ii) experienced in making investments of the kind described in this Agreement and the related documents, (iii) able, by reason of the business and financial experience of its officers (if an entity) and professional advisors (who are not affiliated with or compensated in any way by the Company or any of its Affiliates or selling agents), to protect its own interests in connection with the transactions described in this Agreement, and the related documents, and (iv) able to afford the loss of the entire Purchase Price.

All subsequent offers and sales of the Securities by the Lender shall be made pursuant to registration of the Shares under the 1933 Act or pursuant to an exemption from registration, which shall be established to the reasonable satisfaction of the Company.

The Lender understands that the Securities are being offered and sold to it in reliance on specific exemptions from the registration requirements of the 1933 Act and state securities laws and that the Company is relying upon the truth and accuracy of, and the Lender's compliance with, the representations, warranties, agreements, acknowledgments and understandings of the Lender set forth herein in order to determine the availability of such exemptions and the eligibility of the Lender to acquire the Securities.

The Lender and its advisors, if any, have been furnished with all materials relating to the business, finances and operations of the Company and materials relating to the offer and sale of the Securities and the offer of the Shares which have been requested by the Lender, including those set forth on **Annex V** hereto. The Lender and its advisors, if any, have been afforded the opportunity to ask questions of the Company and have received complete and satisfactory answers to any such inquiries. Without limiting the generality of the foregoing, the Lender has also had the opportunity to obtain and to review the Company's filings on EDGAR listed on **Annex VII** hereto (the documents listed on such Annex VII, to the extent available on EDGAR or otherwise provided to the Lender as indicated on said Annex VII, collectively, the “Company's SEC Documents”).

The Lender understands that its investment in the Securities involves a high degree of risk.

g. The Lender hereby represents that, in connection with its purchase of the Securities, it has not relied on any statement or representation by the Company or the Finder or any of their respective officers, directors and employees or any of their respective attorneys or agents or the Finder, except as specifically set forth herein. The Finder is a third party beneficiary of this provision.

The Lender understands that no United States federal or state agency or any other government or governmental agency has passed on or made any recommendation or endorsement of the Securities.

This Agreement and the other Transaction Agreements to which the Lender is a party, and the transactions contemplated thereby, have been duly and validly authorized, executed and delivered on behalf of the Lender and are valid and binding agreements of the Lender enforceable in accordance with their respective terms, subject as to enforceability to general principles of equity and to bankruptcy, insolvency, moratorium and other similar laws affecting the enforcement of creditors' rights generally.

Except for payment of fees to the Finder, payment of which is the sole responsibility of the Company, the Lender has taken no action which would give rise to any claim by any Person for brokerage commission, finder's fees or similar payments by the Company relating to this Agreement or the transactions contemplated hereby. The Company shall have no obligation with respect to such fees or with respect to any claims made by or on behalf of other Persons for fees of a type contemplated in this paragraph that may be due in connection with the transactions contemplated hereby. The Lender shall indemnify and hold harmless each of the Company, its employees, officers, directors, agents, and partners, and their respective Affiliates, from and against all claims, losses, damages, costs (including the costs of preparation and attorney's fees) and expenses suffered in respect of any such claimed or existing fees, as and when incurred.

The Lender understands that if there is more than one Closing Date, the terms applicable on the Initial Closing Date (such as the amount of the Fixed Conversion Price, the determination of the number of Warrants and the Warrant Exercise Price) will apply to subsequent closings as well, although certain facts, such as Closing Prices may vary from those applicable to the Initial Closing Date.

3. COMPANY REPRESENTATIONS, ETC. The Company represents and warrants to the Lender as of the date hereof and as of the Closing Date that, except as otherwise provided in the **Annex V** hereto or in the Company's SEC Documents:

a. Rights of Others Affecting the Transactions. There are no preemptive rights of any shareholder of the Company, as such, to acquire the Debentures, the Warrants or the Shares. No party other than a Lender or an Other Lender has a currently exercisable right of first refusal which would be applicable to any or all of the transactions contemplated by the Transaction Agreements.

b. Status. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Incorporation and has the requisite corporate power to own its properties and to carry on its business as now being conducted. The Company is duly qualified as a foreign corporation to do business and is in good standing in each jurisdiction where the nature of the business conducted or property owned by it makes such qualification necessary, other than those jurisdictions in which the failure to so qualify would not have or result in a Material Adverse Effect. The Company has registered its stock and is obligated to file reports pursuant to Section 12 or Section 15(d) of the Securities and Exchange Act of 1934, as amended (the "1934 Act"). The Common Stock is listed and quoted on the Principal Trading Market. The Company has received no notice, either oral or written, with respect to the continued eligibility of the Common Stock for such listing and quotation on the Principal Trading Market, and the Company has maintained all requirements on its part for the continuation of such listing and quotation.

c. Authorized Shares. The authorized capital stock of the Company consists of (i) 50,000,000 shares of Common Stock, \$.001 par value per share, of which approximately 20,525,048 shares are outstanding as of the date hereof, and (ii) 5,000,000 shares of Preferred Stock, \$.001 par value per share, of which no preferred shares are issued or outstanding. All issued and outstanding shares of Common Stock have been duly authorized and validly issued and are fully paid. The Company has sufficient authorized and unissued shares of Common Stock as may be necessary to effect the issuance of the Shares. The Shares have been duly authorized and, when issued upon conversion of, or as interest on, the Debentures or upon exercise of the Warrants, each in accordance with its respective terms, will be duly and validly issued, fully paid and non-assessable and, except to the extent, if any, provided by the law of the State of Incorporation, will not subject the Holder thereof to personal liability by reason of being such Holder.

d. Transaction Agreements and Stock. This Agreement and each of the other Transaction Agreements, and the transactions contemplated thereby, have been duly and validly authorized by the Company, this Agreement has been duly executed and delivered by the Company and this Agreement is, and the Debentures, the Warrants and each of the other Transaction Agreements, when executed and delivered by the Company, will be, valid and binding agreements of the Company enforceable in accordance with their respective terms, subject as to enforceability to general principles of equity and to bankruptcy, insolvency, moratorium, and other similar laws affecting the enforcement of creditors' rights generally.

e. Non-contravention. The execution and delivery of this Agreement and each of the other Transaction Agreements by the Company, the issuance of the Securities, and the consummation by the Company of the other transactions contemplated by this Agreement, the Debentures, the Warrants and the other Transaction Agreements do not and will not conflict with or result in a breach by the Company of any of the terms or provisions of, or constitute a default under (i) the certificate of incorporation or by-laws of the Company, each as currently in effect, (ii) any indenture, mortgage, deed of trust, or other material agreement or instrument to which the Company is a party or by which it or any of its properties or assets are bound, including any listing agreement for the Common Stock except as herein set forth, or (iii) to its knowledge, any existing applicable law, rule, or regulation or any applicable decree, judgment, or order of any court, United States federal or state regulatory body, administrative agency, or other governmental body having jurisdiction over the Company or any of its properties or assets, except such conflict, breach or default which would not have or result in a Material Adverse Effect.

f. Approvals. No authorization, approval or consent of any court, governmental body, regulatory agency, self-regulatory organization, or stock exchange or market or the shareholders of the Company is required to be obtained by the Company for the issuance and sale of the Securities to the Lender as contemplated by this Agreement, except such authorizations, approvals and consents that have been obtained.

g. Filings. None of the Company's SEC Documents contained, at the time they were filed, any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements made therein in light of the circumstances under which they were made, not misleading. Since March 1, 2002, the Company has timely filed all requisite forms, reports and exhibits thereto required to be filed by the Company with the SEC.

h. Absence of Certain Changes. Since the Last Audited Date, there has been no material adverse change and no Material Adverse Effect, except as disclosed in the Company's SEC Documents. Since the Last Audited Date, except as provided in the Company's SEC Documents, the Company has not (i) incurred or become subject to any material liabilities (absolute or contingent) except liabilities incurred in the ordinary course of business consistent with past practices; (ii) discharged or satisfied any material lien or encumbrance or paid any material obligation or liability (absolute or contingent), other than current liabilities paid in the ordinary course of business consistent with past practices; (iii) declared or made any payment or distribution of cash or other property to shareholders with respect to its capital stock, or purchased or redeemed, or made any agreements to purchase or redeem, any shares of its capital stock; (iv) sold, assigned or transferred any other tangible assets, or canceled any debts or claims, except in the ordinary course of business consistent with past practices; (v) suffered any substantial losses or waived any rights of material value, whether or not in the ordinary course of business, or suffered the loss of any material amount of existing business; (vi) made any changes in employee compensation, except in the ordinary course of business consistent with past practices; or (vii) experienced any material problems with labor or management in connection with the terms and conditions of their employment.

i. Full Disclosure. There is no fact known to the Company (other than general economic conditions known to the public generally or as disclosed in the Company's SEC Documents) that has not been disclosed in writing to the Lender that would reasonably be expected to have or result in a Material Adverse Effect.

j. Absence of Litigation. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board or body pending or, to the knowledge of the Company, threatened against or affecting the Company before or by any governmental authority or nongovernmental department, commission, board, bureau, agency or instrumentality or any other person, wherein an unfavorable decision, ruling or finding would have a Material Adverse Effect or which would adversely affect the validity or enforceability of, or the authority or ability of the Company to perform its obligations under, any of the Transaction Agreements. The Company is not aware of any valid basis for any such claim that (either individually or in the aggregate with all other such events and circumstances) could reasonably be expected to have a Material Adverse Effect. There are no outstanding or unsatisfied judgments, orders, decrees, writs, injunctions or stipulations to which the Company is a party or by which it or any of its properties is bound, that involve the transaction contemplated herein or that, alone or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

k. Absence of Events of Default. Except as set forth in Section 3(e) hereof, no Event of Default (or its equivalent term), as defined in the respective agreement to which the Company is a party, and no event which, with the giving of notice or the passage of time or both, would become an Event of Default (or its equivalent term) (as so defined in such agreement), has occurred and is continuing, which would have a Material Adverse Effect.

l. Absence of Certain Company Control Person Actions or Events. None of the following has occurred during the past ten (10) years with respect to a Company Control Person:

(1) A petition under the federal bankruptcy laws or any state insolvency law was filed by or against, or a receiver, fiscal agent or similar officer was appointed by a court for the business or property of such Company Control Person, or any partnership in which he was a general partner at or within two years before the time of such filing, or any corporation or business association of which he was an executive officer at or within two years before the time of such filing;

(2) Such Company Control Person was convicted in a criminal proceeding or is a named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses);

(3) Such Company Control Person was the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him from, or otherwise limiting, the following activities:

(i) acting, as an investment advisor, underwriter, broker or dealer in securities, or as an affiliated person, director or employee of any investment company, bank, savings and loan association or insurance company, as a futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker, any other Person regulated by the Commodity Futures Trading Commission ("CFTC") or engaging in or continuing any conduct or practice in connection with such activity;

(ii) engaging in any type of business practice; or

(iii) engaging in any activity in connection with the purchase or sale of any security or commodity or in connection with any violation of federal or state securities laws or federal commodities laws;

(4) Such Company Control Person was the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any federal or state authority barring, suspending or otherwise limiting for more than 60 days the right of such Company Control Person to engage in any activity described in paragraph (3) of this item, or to be associated with Persons engaged in any such activity; or

(5) Such Company Control Person was found by a court of competent jurisdiction in a civil action or by the CFTC or SEC to have violated any federal or state securities law, and the judgment in such civil action or finding by the CFTC or SEC has not been subsequently reversed, suspended, or vacated.

m. Prior Issues. During the twelve (12) months preceding the date hereof, the Company has not issued any stock option grants, convertible securities or any shares of its Common Stock.

n. No Undisclosed Liabilities or Events. The Company has no liabilities or obligations other than those disclosed in the Transaction Agreements or the Company's SEC Documents or those incurred in the ordinary course of the Company's business since the Last Audited Date, or which individually or in the aggregate, do not or would not have a Material Adverse Effect. No event or circumstances has occurred or exists with respect to the Company or its properties, business, operations, condition (financial or otherwise), or results of operations, which, under applicable law, rule or regulation, requires public disclosure or announcement prior to the date hereof by the Company but which has not been so publicly announced or disclosed. There are no proposals currently under consideration or currently anticipated to be under consideration by the Board of Directors or the executive officers of the Company which proposal would (X) change the certificate of incorporation or other charter document or by-laws of the Company, each as currently in effect, with or without shareholder approval, which change would reduce or otherwise adversely affect the rights and powers of the shareholders of the Common Stock or (Y) materially or substantially change the business, assets or capital of the Company, including its interests in subsidiaries.

o. No Default. Neither the Company nor any of its subsidiaries is in default in the performance or observance of any material obligation, agreement, covenant or condition contained in any material indenture, mortgage, deed of trust or other material instrument or agreement to which it is a party or by which it or its property is bound.

p. No Integrated Offering. Neither the Company nor any of its Affiliates nor any person acting on its or their behalf has, directly or indirectly, at any time since April 30, 2003, made any offer or sales of any security or solicited any offers to buy any security under circumstances that would eliminate the availability of the exemption from registration under Regulation D in connection with the offer and sale of the Securities as contemplated hereby.

q. Dilution. The number of Shares issuable upon conversion of the Debentures may have a dilutive effect on the ownership interests of the other shareholders (and Persons having the right to become shareholders) of the Company. The Company's executive officers and directors have studied and fully understand the nature of the Securities being sold hereby and recognize that they have such a potential dilutive effect. The board of directors of the Company has concluded, in its good faith business judgment,

that such issuance is in the best interests of the Company. The Company specifically acknowledges that its obligation to issue the Shares upon conversion of the Debentures and upon exercise of the Warrants is binding upon the Company and enforceable regardless of the dilution such issuance may have on the ownership interests of other shareholders of the Company, and the Company will honor every Notice of Conversion (as defined in the Debentures) relating to the conversion of the Debentures, and every Notice of Exercise (as contemplated by the Warrants), unless the Company is subject to an injunction (which injunction was not sought by the Company) prohibiting the Company from doing so.

r. Trading in Securities. The Company specifically acknowledges that, except to the extent specifically provided herein or in any of the other Transaction Agreements (but limited in each instance to the extent so specified), the Lender retains the right (but is not otherwise obligated) to buy, sell, engage in hedging transactions or otherwise trade in the securities of the Company, including, but not necessarily limited to, the Securities, at any time before, contemporaneous with or after the execution of this Agreement or from time to time, but only, in each case, in any manner whatsoever permitted by applicable federal and state securities laws.

s. Fees to Brokers, Finders and Others. Except for payment of fees to the Finder, payment of which is the sole responsibility of the Company, the Company has taken no action which would give rise to any claim by any Person for brokerage commission, finder's fees or similar payments by Lender relating to this Agreement or the transactions contemplated hereby. Lender shall have no obligation with respect to such fees or with respect to any claims made by or on behalf of other Persons for fees of a type contemplated in this paragraph that may be due in connection with the transactions contemplated hereby. The Company shall indemnify and hold harmless each of Lender, its employees, officers, directors, agents, and partners, and their respective Affiliates, from and against all claims, losses, damages, costs (including the costs of preparation and attorney's fees) and expenses suffered in respect of any such claimed or existing fees, as and when incurred.

t. Multiple Closing Dates. The Company understands that if there is more than one Closing Date, the terms applicable on the Initial Closing Date (such as the amount of the Fixed Conversion Price, the determination of the number of Warrants and the Warrant Exercise Price) will apply to subsequent closings as well, although certain facts, such as Closing Prices may vary from those applicable to the Initial Closing Date.

4. CERTAIN COVENANTS AND ACKNOWLEDGMENTS.

a. Transfer Restrictions. The Lender acknowledges that (1) the Securities have not been and are not being registered under the provisions of the 1933 Act and, except as provided in the Registration Rights Agreement or otherwise included in an effective registration statement, the Shares have not been and are not being registered under the 1933 Act, and may not be transferred unless (A) subsequently registered thereunder or (B) the Lender shall have delivered to the Company an opinion of counsel, reasonably satisfactory in form, scope and substance to the Company, to the effect that the Securities to be sold or transferred may be sold or transferred pursuant to an exemption from such registration; (2) any sale of the Securities made in reliance on Rule 144 promulgated under the 1933 Act may be made only in accordance with the terms of said Rule and further, if said Rule is not applicable, any resale of such Securities under circumstances in which the seller, or the Person through whom the sale is made, may be deemed to be an underwriter, as that term is used in the 1933 Act, may require compliance with some other exemption under the 1933 Act or the rules and regulations of the SEC thereunder; and (3) neither the Company nor any other Person is under any obligation to register the Securities (other than pursuant to the Registration Rights Agreement) under the 1933 Act or to comply with the terms and conditions of any exemption thereunder.

b. Restrictive Legend. The Lender acknowledges and agrees that, until such time as the Common Stock has been registered under the 1933 Act as contemplated by the Registration Rights Agreement and sold in accordance with an effective Registration Statement or otherwise in accordance with another effective registration statement, the certificates and other instruments representing any of the Securities (including the Shares) shall bear a restrictive legend in substantially the following form (and a stop-transfer order may be placed against transfer of any such Securities):

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE SOLD OR OFFERED FOR SALE IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES OR AN OPINION OF COUNSEL OR OTHER EVIDENCE ACCEPTABLE TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED.

c. Filings. The Company undertakes and agrees to make all necessary filings in connection with the sale of the Securities to the Lender under any United States laws and regulations applicable to the Company, or by any domestic securities exchange or trading market, and to provide a copy thereof to the Lender promptly after such filing.

d. Reporting Status. So long as the Lender beneficially owns any of the Securities, the Company shall file all reports required to be filed with the SEC pursuant to Section 13 or 15(d) of the 1934 Act, shall take all reasonable action under its control to ensure that adequate current public information with respect to the Company, as required in accordance with Rule 144(c)(2) of the 1933 Act, is publicly available, and shall not terminate its status as an issuer required to file reports under the 1934 Act even if the 1934 Act or the rules and regulations thereunder would permit such termination. The Company will take all reasonable action under its control to maintain the continued listing and quotation and trading of its Common Stock on the Principal Trading Market or a listing on the NASDAQ/Small Cap or National Markets, or the American Stock Exchange, or the New York Stock Exchange, and, to the extent applicable to it, will comply in all material respects with the Company's reporting, filing and other obligations under the by-laws or rules of the Principal Trading Market and/or the National Association of Securities Dealers, Inc., as the case may be, at least through the date which is thirty (30) days after the later of the date on which all of the Debentures have been converted or all of the Warrants have been exercised or have expired.

e. Use of Proceeds. The Company will use the proceeds received hereunder (excluding amounts paid by the Company for legal fees, finder's fees and escrow fees in connection with the sale of the Securities) for general corporate purposes.

f. Warrants. The Company agrees to issue to the Initial Investor on the Closing Date warrants (the "Warrants") exercisable at \$.50 per share per Warrant for the purchase of a number of shares equal to 7 Warrants for each \$10 of the Purchase Price. The Warrants will expire on the last day of the calendar month in which the third annual anniversary of the Initial Closing Date occurs. Each of the Warrants shall be in the form annexed hereto as **Annex VI**, and shall have (x) registration rights as provided in the Registration Rights Agreement, and (y) piggy-back registration rights after the effectiveness of the Registration Statement expires, as contemplated by the Registration Rights Agreement.

g. Certain Agreements.

(i) The Company covenants and agrees that, except for the sale of Debentures and Warrants to the Other Lenders, during the period (the “New Transaction Period”) from the Initial Closing Date and until 90 days after the Effective Date, any subsequent or further offer or sale of Common Stock or securities convertible into and/or other rights exercisable for the issuance of Common Stock (collectively, “New Common Stock”) to or with any third party will constitute a “New Transaction”.

(ii) In the event there is a New Transaction:

(A) the Conversion Price on any Unconverted Debenture (as defined in the Debenture) shall be adjusted to an amount (the “Adjusted Conversion Price”) equal to the lower of (1) the then existing Conversion Price, or (2) the lowest conversion price which would be applicable under the terms of the New Transaction;

(B) with respect to all portions of the principal and interest of the Debenture converted prior to such date (or converted before the adjustment referred to in the immediately preceding subparagraph (A) is effected), the Company will issue to the Holder additional shares of Common Stock (“Additional Shares”) equal to the excess, if any, of (1) (X) the aggregate amount of the principal and accrued interest of the Debenture so converted, divided by (Y) the Adjusted Conversion Price, over (2) the number of Conversion Shares and Additional Shares, if any, previously issued in connection with such conversion;

(C) the number of Warrants shall be adjusted to equal the higher of (1) the number of Warrant Shares originally provided in the Warrants or (2) the number of warrants under the terms of the New Transaction multiplied by the lesser of (I) the number 1, if the exercise price of the warrants under the terms of the New Transaction (“the New Transaction Warrant Price”) is less than or equal to the existing Warrant Price and (II) the quotient of the existing Warrant Price divided by the New Transaction Warrant Price, if the New Transaction Warrant Price exceeds the existing Warrant Price; and

(D) the Exercise Price on the Warrants shall be adjusted to equal the lower of (1) the then existing Warrant Price or (2) the New Transaction Warrant Price; and

(E) the Holder will have the such other rights as provided in Debenture.

h. Reimbursement. If (i) the Lender, other than by reason of its gross negligence or willful misconduct, becomes involved in any capacity in any action, proceeding or investigation brought by any shareholder of the Company, in connection with or as a result of the consummation of the transactions contemplated by the Transaction Agreements, or if the Lender is impleaded in any such action, proceeding or investigation by any Person, or (ii) the Lender, other than by reason of its gross negligence or willful misconduct or by reason of its trading of the Common Stock in a manner that is illegal under the federal securities laws, becomes involved in any capacity in any action, proceeding or investigation brought by the SEC against or involving the Company or in connection with or as a result of the consummation of the transactions contemplated by the Transaction Agreements, or if the Lender is impleaded in any such action, proceeding or investigation by any Person, then in any such case, the Company will reimburse the Lender for its reasonable legal and other expenses (including the cost of any investigation and preparation) incurred in connection therewith, as such expenses are incurred. In addition, other than with respect to any matter in which Lender is a named party, the Company will pay to the Lender the charges, as reasonably

determined by Lender, for the time of any officers or employees of the Lender devoted to appearing and preparing to appear as witnesses, assisting in preparation for hearings, trials or pretrial matters, or otherwise with respect to inquiries, hearing, trials, and other proceedings relating to the subject matter of this Agreement. The reimbursement obligations of the Company under this section shall be in addition to any liability which the Company may otherwise have, shall extend upon the same terms and conditions to any Affiliates of the Lender who or which are actually named in such action, proceeding or investigation, and partners, directors, agents, employees and controlling persons (if any), as the case may be, of Lender and any such affiliate, and shall be binding upon and inure to the benefit of any successors, assigns, heirs and personal representatives of the Company, Lender and any such affiliate and any such person. The Company also agrees that neither the Lender nor any such affiliate, partner, director, agent, employee or controlling person shall have any liability to the Company or any Person asserting claims on behalf of or in right of the Company in connection with or as a result of the consummation of any of the Transaction Agreements, except as may be expressly and specifically provided in or contemplated by this Agreement.

i. Available Shares. The Company shall have at all times authorized and reserved for issuance, free from preemptive rights, a number of shares (the “Minimum Available Shares”) at least equal to the sum of (x) one hundred percent (100%) of the number of shares of Common Stock issuable as may be required to satisfy the conversion rights of the Holders of all outstanding Convertible Debentures, plus (y) the number of shares issuable upon exercise of all outstanding Warrants held by all Holders (in each case, whether such Convertible Debentures or Warrants were originally issued to the Holder, the Lender or to any other Holder or Lender). For the purposes of such calculations, the Company should assume that all such Debentures were then convertible and all Warrants were then exercisable without regard to any restrictions which might limit any Lender’s right to convert any of the Convertible Debentures or exercise any of the Warrants held by any Holder.

j. Publicity, Filings, Releases, Etc. Each of the parties agrees that it will not disseminate any information relating to the Transaction Agreements or the transactions contemplated thereby, including issuing any press releases, holding any press conferences or other forums, or filing any reports (collectively, “Publicity”), without giving the other party reasonable advance notice and an opportunity to comment on the contents thereof. Neither party will include in any such Publicity any statement or statements or other material to which the other party reasonably objects. In furtherance of the foregoing, the Company will provide to the Lender drafts of the applicable text of any filing intended to be made with the SEC which refers to the Transaction Agreements or the transactions contemplated thereby as soon as practicable (but at least three (3) business days before such filing will be made and will not include in such filing any statement or statements or other material to which the other party reasonably objects. Notwithstanding the foregoing, each of the parties hereby consents to the inclusion of the text of the Transaction Agreements in filings made with the SEC (but any descriptive text accompanying or part of such filing shall be subject to the other provisions of this paragraph).

k. Performance by the Company. The Company agrees that unless and until (i) the Company has affirmatively demonstrated by the use of specific clear and convincing evidence that the Lender has traded in securities of the Company in violation of applicable federal securities laws, and (ii) there has been issued against the Lender a final non-appealable decision from a court of competent jurisdiction to the effect that the Lender has violated applicable federal securities laws with respect to its trading of the Company’s securities, the Lender shall be assumed to be in compliance with such laws and the Company shall remain obligated to fulfill all of its obligations under each of the Transaction Agreements; provided, further, that the Company shall under no circumstances be entitled to request or demand that the Lender affirmatively demonstrate that it has not engaged in any such violations as a condition to the Company’s fulfillment of its obligations under any of the Transaction Agreements and

shall not assert, whether as an affirmative claim or a defense to any claim made against the Company, that the Lender's failure to demonstrate such absence of such violations (including, but not limited to, its failure to provide any trading or other records, it being specifically agreed that the Company, directly or indirectly, will request the Lender or any of its agents, advisors, brokers or representatives to provide such records in any forum) serves either as a defense to any breach of the Company's obligations under any of the Transaction Agreements or otherwise reflects adversely in any manner on the legality of any action taken by the Lender.

1. Change In Control. If the Company enters into a Change of Control, as defined by section 8 of the Debenture, the Holder will have the rights as set out in section 8 of the Debenture.

5. TRANSFER AGENT INSTRUCTIONS.

The Company warrants that, with respect to the Securities, other than the stop transfer instructions to give effect to Section 4(a) hereof, it will give its transfer agent no instructions inconsistent with instructions to issue Common Stock from time to time upon conversion of the Debentures in such amounts as specified from time to time by the Company to the transfer agent, bearing the restrictive legend specified in Section 4(b) of this Agreement prior to registration of the Shares under the 1933 Act, registered in the name of the Lender or its nominee and in such denominations to be specified by the Lender in connection with each conversion of the Debentures. Except as so provided, the Shares shall otherwise be freely transferable on the books and records of the Company as and to the extent provided in this Agreement and the Registration Rights Agreement. Nothing in this Section shall affect in any way the Lender's obligations and agreement to comply with all applicable securities laws upon resale of the Securities. If the Lender provides the Company with an opinion of counsel reasonably satisfactory to the Company that registration of a resale by the Lender of any of the Securities in accordance with clause (1)(B) of Section 4(a) of this Agreement is not required under the 1933 Act, the Company shall (except as provided in clause (2) of Section 4(a) of this Agreement) permit the transfer of the Securities and, in the case of the Conversion Shares, promptly instruct the Company's transfer agent to issue one or more certificates for Common Stock without legend in such name and in such denominations as specified by the Lender.

Subject to the provisions of this Agreement, the Company will permit the Lender to exercise its right to convert the Debentures in the manner contemplated by the Debentures and to exercise the Warrants in the manner contemplated by the Warrants.

The Company understands that a delay in the issuance of the Shares of Common Stock beyond the Delivery Date (as defined in the Debentures) could result in economic loss to the Lender. As compensation to the Lender for such loss, the Company agrees to pay late payments to the Lender for late issuance of Shares upon Conversion in accordance with the following schedule (where "No. Business Days Late" refers to the number of business days which is beyond two (2) business days after the Delivery Date):(1)

(1) Example: Notice of Conversion is delivered on Monday, October 3, 2004. The Delivery Date would be Thursday, October 6 (the third business day after such delivery). If the certificate is delivered by Monday October 10 (2 business days after the Delivery Date), no payment under this provision is due. If the certificates are delivered on October 11, that is 1 "Business Day Late" in the table below; if delivered on October 18, that 6 "Business Days Late" in the table.

Late Payment For Each \$10,000 of Debenture Principal or Interest	
No. Business Days Late	Amount Being Converted
1	\$100
2	\$200
3	\$300
4	\$400
5	\$500
6	\$600
7	\$700
8	\$800
9	\$900
10	\$1,000
>10	\$1,000 + \$200 for each Business Day Late beyond 10 days

The Company shall pay any payments incurred under this Section in immediately available funds upon demand as the Lender's exclusive remedy (other than the following provisions of this Section 5(c) and the provisions of the immediately following Section 5(d) of this Agreement) for such delay. Furthermore, in addition to any other remedies which may be available to the Lender, in the event that the Company fails for any reason to effect delivery of such shares of Common Stock by close of business on the Delivery Date, the Lender will be entitled to revoke the relevant Notice of Conversion by delivering a notice to such effect to the Company, whereupon the Company and the Lender shall each be restored to their respective positions immediately prior to delivery of such Notice of Conversion; provided, however, that an amount equal to any payments contemplated by this Section 5(c) which have accrued through the date of such revocation notice shall remain due and owing to the Converting Holder notwithstanding such revocation. Anything in the foregoing provisions of this paragraph (c) to the contrary notwithstanding, the total amount payable by the Company under this paragraph (c) shall be reduced by an amount equal to fifty percent (50%) of any Buy-In Adjustment Amount (as defined below) actually paid by the Company to the Holder (but not by more than the total amount due without regard to the provisions of this sentence).

If, by the relevant Delivery Date, the Company fails for any reason to deliver the Shares to be issued upon conversion of a Debenture and after such Delivery Date, the Holder of the Debentures being converted (a "Converting Holder") purchases, in an arm's-length open market transaction or otherwise, shares of Common Stock (the "Covering Shares") in order to make delivery in satisfaction of a sale of Common Stock by the Converting Holder (the "Sold Shares"), which delivery such Converting Holder anticipated to make using the Shares to be issued upon such conversion (a "Buy-In"), the Converting Holder shall have the right, to require the Company to pay to the Converting Holder, in addition to and not in lieu of the amounts due under Section 5(c) hereof (but in addition to all other amounts contemplated in other provisions of the Transaction Agreements, and not in lieu of any such other amounts), the Buy-In Adjustment Amount (as defined below). The "Buy-In Adjustment Amount" is the amount equal to the excess, if any, of (x) the Converting Holder's total purchase price (including brokerage commissions, if any) for the Covering Shares over (y) the net proceeds (after brokerage commissions, if any) received by the Converting Holder from the sale of the Sold Shares. The Company shall pay the Buy-In Adjustment Amount to the Converting Holder in immediately available funds immediately upon demand by the Converting Holder. By way of illustration and not in limitation of the foregoing, if the Converting Holder purchases shares of Common Stock having a total purchase price (including brokerage commissions) of \$11,000 to cover a Buy-In with respect to shares of Common Stock it sold for net proceeds of \$10,000, the Buy-In Adjustment Amount which Company will be required to pay to the Converting Holder will be \$1,000.

In lieu of delivering physical certificates representing the Common Stock issuable upon conversion, provided the Company's transfer agent is participating in the Depository Trust Company ("DTC") Fast Automated Securities Transfer program, upon request of the Holder and its compliance with the provisions contained in this paragraph, so long as the certificates therefor do not bear a legend and the Holder thereof is not obligated to return such certificate for the placement of a legend thereon, the Company shall use its best efforts to cause its transfer agent to electronically transmit the Common Stock issuable upon conversion to the Holder by crediting the account of Holder's Prime Broker with DTC through its Deposit Withdrawal Agent Commission system.

The holder of any Debentures shall be entitled to exercise its conversion privilege with respect to the Debentures notwithstanding the commencement of any case under 11 U.S.C. §101 et seq. (the "Bankruptcy Code"). In the event the Company is a debtor under the Bankruptcy Code, the Company hereby waives, to the fullest extent permitted, any rights to relief it may have under 11 U.S.C. §362 in respect of such holder's conversion privilege. The Company hereby waives, to the fullest extent permitted, any rights to relief it may have under 11 U.S.C. §362 in respect of the conversion of the Debentures. The Company agrees, without cost or expense to such holder, to take or to consent to any and all action necessary to effectuate relief under 11 U.S.C. §362.

The Company will authorize its transfer agent to give information relating to the Company directly to the Lender or the Lender's representatives upon the request of the Lender or any such representative, to the extent such information relates to (i) the status of shares of Common Stock issued or claimed to be issued to the Lender in connection with a Notice of Conversion or exercise of a Warrant, or (ii) the number of outstanding shares of Common Stock of all shareholders as of a current or other specified date. On the Closing Date, the Company will provide the Lender with a copy of the authorization so given to the transfer agent.

6. CLOSING DATE.

a. The Initial Closing Date shall be no later than December 31, 2003 and shall occur on the date which is the first Trading Day after each of the conditions contemplated by Sections 7 and 8 hereof shall have either been satisfied or been waived by the party in whose favor such conditions run; provided, however, that, at the option of the Finder, the Initial Closing Date may be deferred up to no later than December 31, 2003 to allow for additional subscriptions (up to the Maximum Purchase Price) to be included in the transactions effected on the Initial Closing Date. If additional subscriptions and the related Purchase Price are received after the Initial Closing Date, one or more additional Closing Dates may be held by mutual agreement of the Company and the Finder.

Each closing of the purchase and issuance of Debentures and Warrants shall occur on the Closing Date at the offices of the Escrow Agent and shall take place no later than 3:00 P.M., New York time, on such day or such other time as is mutually agreed upon by the Company and the Finder.

Notwithstanding anything to the contrary contained herein, the Escrow Agent will be authorized to release the Escrow Funds to the Company and to others and to release the other Escrow Property on the Closing Date upon satisfaction of the conditions set forth in Sections 7 and 8 hereof and as provided in the Joint Escrow Instructions.

7. CONDITIONS TO THE COMPANY'S OBLIGATION TO SELL.

The Lender understands that the Company's obligation to sell the Debentures and the Warrants to the Lender pursuant to this Agreement on the relevant Closing Date is conditioned upon:

The execution and delivery of this Agreement and the Registration Rights Agreement by the Lender;

Delivery by the Lender to the Escrow Agent of good funds as payment in full of an amount equal to the Purchase Price for the Securities in accordance with this Agreement;

The accuracy on such Closing Date of the representations and warranties of the Lender contained in this Agreement, each as if made on such date, and the performance by the Lender on or before such date of all covenants and agreements of the Lender required to be performed on or before such date; and

There shall not be in effect any law, rule or regulation prohibiting or restricting the transactions contemplated hereby, or requiring any consent or approval which shall not have been obtained.

8. CONDITIONS TO THE LENDER'S OBLIGATION TO PURCHASE.

The Company understands that the Lender's obligation to purchase the Debentures and the Warrants on the relevant Closing Date is conditioned upon:

The execution and delivery of this Agreement and the other Transaction Agreements by the Company;

Delivery by the Company to the Escrow Agent of the Certificates in accordance with this Agreement;

The accuracy in all material respects on such Closing Date of the representations and warranties of the Company contained in this Agreement, each as if made on such date, and the performance by the Company on or before such date of all covenants and agreements of the Company required to be performed on or before such date;

On such Closing Date, the Registration Rights Agreement shall be in full force and effect and the Company shall not be in default thereunder;

On such Closing Date, the Lender shall have received an opinion of counsel for the Company, dated the Initial Closing Date (provided, however, that such counsel shall advise the Escrow Agent in writing after the Initial Closing Date if the opinion issued on the Initial Closing Date would not be issued on any subsequent Closing Date), in form, scope and substance reasonably satisfactory to the Lender, substantially to the effect set forth in **Annex III** attached hereto;

There shall not be in effect any law, rule or regulation prohibiting or restricting the transactions contemplated hereby, or requiring any consent or approval which shall not have been obtained; and

From and after the date hereof to and including such Closing Date, each of the following conditions will remain in effect: (i) the trading of the Common Stock shall not have been suspended by the SEC or on the Principal Trading Market; (ii) trading in securities generally on the Principal Trading Market shall not have been suspended or limited; (iii), no minimum prices shall be established for securities traded on the Principal Trading Market; and (iv) there shall not have been any material adverse change in any financial market that, in the reasonable judgment of the Lender, makes it impracticable or inadvisable to purchase the Debentures.

9. INDEMNIFICATION.

a. (i) The Company agrees to indemnify and hold harmless Lender and its officers, directors, employees, and agents, and each Lender Control Person from and against any losses, claims, damages, liabilities or expenses incurred (collectively, "Damages"), joint or several, and any action in respect thereof to which Lender, its partners, Affiliates, officers, directors, employees, and duly authorized agents, and any such Lender Control Person becomes subject to, resulting from, arising out of or relating to any misrepresentation, breach of warranty or nonfulfillment of or failure to perform any covenant or agreement on the part of Company contained in this Agreement, as such Damages are incurred, except to the extent such Damages result primarily from Lender's failure to perform any covenant or agreement contained in this Agreement or Lender's or its officers, directors, employees, agents or Lender Control Persons negligence, recklessness or bad faith in performing its obligations under this Agreement.

(ii) If (x) the Lender becomes involved in any capacity in any action, proceeding or investigation brought by any stockholder of the Company, in connection with or as a result of the consummation of the transactions contemplated by this Agreement or the other Transaction Agreements, or if the Lender is impleaded in any such action, proceeding or investigation by any Person, or (y) the Lender becomes involved in any capacity in any action, proceeding or investigation brought by the SEC, any self-regulatory organization or other body having jurisdiction, against or involving the Company or in connection with or as a result of the consummation of the transactions contemplated by this Agreement or the other Transaction Agreements, or if the Lender is impleaded in any such action, proceeding or investigation by any Person, then in any such case, other than by reason of the Lender's actions (other than the Lender's execution of the Transaction Agreements to which it is a signatory, the payment of the Purchase Price, and/or the exercise of any of the Lender's rights under any one or more of the Transaction Agreements), the Company hereby agrees to indemnify, defend and hold harmless the Lender from and against and in respect of all losses, claims, liabilities, damages or expenses resulting from, imposed upon or incurred by the Lender, directly or indirectly, and reimburse such Lender for its reasonable legal and other expenses (including the cost of any investigation and preparation) incurred in connection therewith, as such expenses are incurred. In addition, the Company will reimburse the Lender for reasonable internal and overhead costs for the time of any officers or employees of the Lender devoted to appearing and preparing to appear as witnesses, assisting in preparation for hearings, trials or pretrial matters, or otherwise with respect to inquiries, hearing, trials, and other proceedings relating to the subject matter of this Agreement or the other Transaction Agreements, other than by reason of the Lender's actions (other than the Lender's execution of the Transaction Agreements to which it is a signatory, the payment of the Purchase Price, and/or the exercise of any of the Lender's rights under any one or more of the Transaction Agreements). The indemnification and reimbursement obligations of the Company under this paragraph shall be in addition to any liability which the Company may otherwise have (other than matters specifically addressed in the Registration Rights Agreement, which shall be governed solely by that agreement), shall extend upon the same terms and conditions to any Affiliates of the Lender who are actually named in such action, proceeding or investigation, and partners, directors, agents, employees and Lender Control Persons (if any), as the case may be, of the Lender and any such Affiliate, and shall be binding upon and inure to the benefit

of any successors, assigns, heirs and personal representatives of the Company, the Lender, any such Affiliate and any such Person. The Company also agrees that neither the Lender nor any such Affiliate, partner, director, agent, employee or Lender Control Person shall have any liability to the Company or any Person asserting claims on behalf of or in right of the Company in connection with or as a result of the consummation of this Agreement or the other Transaction Agreements, other than by reason of the Lender's actions (other than the Lender's execution of the Transaction Agreements to which it is a signatory, the payment of the Purchase Price, and/or the exercise of any of the Lender's rights under any one or more of the Transaction Agreements)

All claims for indemnification by any Indemnified Party (as defined below) under this Section 9 shall be asserted and resolved as follows:

(i) In the event any claim or demand in respect of which any Person claiming indemnification under any provision of this Section 9 (an "Indemnified Party") might seek indemnity under Section 9(a) is asserted against or sought to be collected from such Indemnified Party by a Person other than a party hereto or an Affiliate thereof (a "Third Party Claim"), the Indemnified Party shall deliver a written notification, enclosing a copy of all papers served, if any, and specifying the nature of and basis for such Third Party Claim and for the Indemnified Party's claim for indemnification that is being asserted under any provision of this Section 9 against any Person (the "Indemnifying Party"), together with the amount or, if not then reasonably ascertainable, the estimated amount, determined in good faith, of such Third Party Claim (a "Claim Notice") with reasonable promptness to the Indemnifying Party. If the Indemnified Party fails to provide the Claim Notice with reasonable promptness after the Indemnified Party receives notice of such Third Party Claim, the Indemnifying Party shall not be obligated to indemnify the Indemnified Party with respect to such Third Party Claim to the extent that the Indemnifying Party's ability to defend has been prejudiced by such failure of the Indemnified Party. The Indemnifying Party shall notify the Indemnified Party as soon as practicable within the period ending thirty (30) calendar days following receipt by the Indemnifying Party of either a Claim Notice or an Indemnity Notice (as defined below) (the "Dispute Period") whether the Indemnifying Party disputes its liability or the amount of its liability to the Indemnified Party under this Section 9 and whether the Indemnifying Party desires, at its sole cost and expense, to defend the Indemnified Party against such Third Party Claim. The following provisions shall also apply.

(x) If the Indemnifying Party notifies the Indemnified Party within the Dispute Period that the Indemnifying Party desires to defend the Indemnified Party with respect to the Third Party Claim pursuant to this Section 9(b), then the Indemnifying Party shall have the right to defend, with counsel reasonably satisfactory to the Indemnified Party, at the sole cost and expense of the Indemnifying Party, such Third Party Claim by all appropriate proceedings, which proceedings shall be vigorously and diligently prosecuted by the Indemnifying Party to a final conclusion or will be settled at the discretion of the Indemnifying Party (but only with the consent of the Indemnified Party in the case of any settlement that provides for any relief other than the payment of monetary damages or that provides for the payment of monetary damages as to which the Indemnified Party shall not be indemnified in full pursuant to Section 9(a)). The Indemnifying Party shall have full control of such defense and proceedings, including any compromise or settlement thereof; provided, however, that the Indemnified Party may, at the sole cost and expense of the Indemnified Party, at any time prior to the Indemnifying Party's delivery of the notice referred to in the first sentence of this subparagraph (x), file any motion, answer or other pleadings or take any other action that the Indemnified Party reasonably believes to be necessary or appropriate protect its interests; and provided further, that if requested by the Indemnifying Party, the Indemnified Party

will, at the sole cost and expense of the Indemnifying Party, provide reasonable cooperation to the Indemnifying Party in contesting any Third Party Claim that the Indemnifying Party elects to contest. The Indemnified Party may participate in, but not control, any defense or settlement of any Third Party Claim controlled by the Indemnifying Party pursuant to this subparagraph (x), and except as provided in the preceding sentence, the Indemnified Party shall bear its own costs and expenses with respect to such participation. Notwithstanding the foregoing, the Indemnified Party may take over the control of the defense or settlement of a Third Party Claim at any time if it irrevocably waives its right to indemnity under Section 9(a) with respect to such Third Party Claim.

(y) If the Indemnifying Party fails to notify the Indemnified Party within the Dispute Period that the Indemnifying Party desires to defend the Third Party Claim pursuant to Section 9(b), or if the Indemnifying Party gives such notice but fails to prosecute vigorously and diligently or settle the Third Party Claim, or if the Indemnifying Party fails to give any notice whatsoever within the Dispute Period, then the Indemnified Party shall have the right to defend, at the sole cost and expense of the Indemnifying Party, the Third Party Claim by all appropriate proceedings, which proceedings shall be prosecuted by the Indemnified Party in a reasonable manner and in good faith or will be settled at the discretion of the Indemnified Party (with the consent of the Indemnifying Party, which consent will not be unreasonably withheld). The Indemnified Party will have full control of such defense and proceedings, including any compromise or settlement thereof; provided, however, that if requested by the Indemnified Party, the Indemnifying Party will, at the sole cost and expense of the Indemnifying Party, provide reasonable cooperation to the Indemnified Party and its counsel in contesting any Third Party Claim which the Indemnified Party is contesting. Notwithstanding the foregoing provisions of this subparagraph (y), if the Indemnifying Party has notified the Indemnified Party within the Dispute Period that the Indemnifying Party disputes its liability or the amount of its liability hereunder to the Indemnified Party with respect to such Third Party Claim and if such dispute is resolved in favor of the Indemnifying Party in the manner provided in subparagraph(z) below, the Indemnifying Party will not be required to bear the costs and expenses of the Indemnified Party's defense pursuant to this subparagraph (y) or of the Indemnifying Party's participation therein at the Indemnified Party's request, and the Indemnified Party shall reimburse the Indemnifying Party in full for all reasonable costs and expenses incurred by the Indemnifying Party in connection with such litigation. The Indemnifying Party may participate in, but not control, any defense or settlement controlled by the Indemnified Party pursuant to this subparagraph (y), and the Indemnifying Party shall bear its own costs and expenses with respect to such participation.

(z) If the Indemnifying Party notifies the Indemnified Party that it does not dispute its liability or the amount of its liability to the Indemnified Party with respect to the Third Party Claim under Section 9(a) or fails to notify the Indemnified Party within the Dispute Period whether the Indemnifying Party disputes its liability or the amount of its liability to the Indemnified Party with respect to such Third Party Claim, the amount of Damages specified in the Claim Notice shall be conclusively deemed a liability of the Indemnifying Party under Section 9(a) and the Indemnifying Party shall pay the amount of such Damages to the Indemnified Party on demand. If the Indemnifying Party has timely disputed its liability or the amount of its liability with respect to such claim, the Indemnifying Party and the Indemnified Party shall proceed in good faith to negotiate a resolution of such dispute; provided, however, that if the dispute is not resolved within thirty (30) days after the Claim

Notice, the Indemnifying Party shall be enlisted to institute such legal action as it deems appropriate.

(ii) In the event any Indemnified Party should have a claim under Section 9(a) against the Indemnifying Party that does not involve a Third Party Claim, the Indemnified Party shall deliver a written notification of a claim for indemnity under Section 9(a) specifying the nature of and basis for such claim, together with the amount or, if not then reasonably ascertainable, the estimated amount, determined in good faith, of such claim (an "Indemnity Notice") with reasonable promptness to the Indemnifying Party. The failure by any Indemnified Party to give the Indemnity Notice shall not impair such party's rights hereunder except to the extent that the Indemnifying Party demonstrates that it has been irreparably prejudiced thereby. If the Indemnifying Party notifies the Indemnified Party that it does not dispute the claim or the amount of the claim described in such Indemnity Notice or fails to notify the Indemnified Party within the Dispute Period whether the Indemnifying Party disputes the claim or the amount of the claim described in such Indemnity Notice, the amount of Damages specified in the Indemnity Notice will be conclusively deemed a liability of the Indemnifying Party under Section 9(a) and the Indemnifying Party shall pay the amount of such Damages to the Indemnified Party on demand. If the Indemnifying Party has timely disputed its liability or the amount of its liability with respect to such claim, the Indemnifying Party and the Indemnified Party shall proceed in good faith to negotiate a resolution of such dispute; provided, however, that if the dispute is not resolved within thirty (30) days after the Claim Notice, the Indemnifying Party shall be enlisted to institute such legal action as it deems appropriate.

The indemnity agreements contained herein shall be in addition to (i) any cause of action or similar rights of the indemnified party against the indemnifying party or others, and (ii) any liabilities the indemnifying party may be subject to.

10. JURY TRIAL WAIVER. The Company and the Lender hereby waive a trial by jury in any action, proceeding or counterclaim brought by either of the Parties hereto against the other in respect of any matter arising out or in connection with the Transaction Agreements.

11. GOVERNING LAW: MISCELLANEOUS.

This Agreement shall be governed by and interpreted in accordance with the laws of the State of New York for contracts to be wholly performed in such state and without giving effect to the principles thereof regarding the conflict of laws. Each of the parties consents to the exclusive jurisdiction of the federal courts whose districts encompass any part of the City of New York or the state courts of the State of New York sitting in the City of New York in connection with any dispute arising under this Agreement or any of the other Transaction Agreements and hereby waives, to the maximum extent permitted by law, any objection, including any objection based on *forum non conveniens*, to the bringing of any such proceeding in such jurisdictions. To the extent determined by such court, the prevailing party shall be reimbursed for any reasonable legal fees and disbursements incurred relating to the enforcement of or protection of any of its rights under any of the Transaction Agreements.

Failure of any party to exercise any right or remedy under this Agreement or otherwise, or delay by a party in exercising such right or remedy, shall not operate as a waiver thereof.

This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties hereto.

All pronouns and any variations thereof refer to the masculine, feminine or neuter, singular or plural, as the context may require.

A facsimile transmission of this signed Agreement shall be legal and binding on all parties hereto.

This Agreement may be signed in one or more counterparts, each of which shall be deemed an original.

The headings of this Agreement are for convenience of reference and shall not form part of, or affect the interpretation of, this Agreement.

If any provision of this Agreement shall be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the remainder of this Agreement or the validity or enforceability of this Agreement in any other jurisdiction.

This Agreement may be amended only by an instrument in writing signed by the party to be charged with enforcement thereof.

This Agreement supersedes all prior agreements and understandings among the parties hereto with respect to the subject matter hereof.

12. NOTICES. Any notice required or permitted hereunder shall be given in writing (unless otherwise specified herein) and shall be deemed effectively given on the earliest of

- (a) the date delivered, if delivered by personal delivery as against written receipt therefor or by confirmed facsimile transmission,
- (b) the seventh business day after deposit, postage prepaid, in the United States Postal Service by registered or certified mail, or
- (c) the third business day after mailing by domestic or international express courier, with delivery costs and fees prepaid,

in each case, addressed to each of the other parties thereunto entitled at the following addresses (or at such other addresses as such party may designate by ten (10) days' advance written notice similarly given to each of the other parties hereto):

Company: VALIDIAN CORPORATION
at its address at the head of this Agreement
Attn: Dr. Andre Maisonneuve
Telephone No.: (613) 230-7211
Telecopier No.: (613) 230-6055

Lender: At the address set forth on the signature page of this Agreement.

with a copy to:

Alan R. Turem, P.C.
4651 Roswell Road, NE
Suite B-105
Atlanta, Georgia 30342-3048
Attn: Alan R. Turem
Telephone No.: (404) 256-1963
Telecopier No. (404) 256-2500

Escrow Agent: Alan R. Turem, P.C.
4651 Roswell Road, NE
Suite B-105
Atlanta, Georgia 30342-3048
Attn: Alan R. Turem
Telephone No.: (404) 256-1963
Telecopier No. (404) 256-2500

13. SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The Company's and the Lender's representations and warranties herein shall survive the execution and delivery of this Agreement and the delivery of the Certificates and the payment of the Purchase Price, and shall inure to the benefit of the Lender and the Company and their respective successors and assigns.

[BALANCE OF PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, this Agreement has been duly executed by the Lender (if an entity, by one of its officers thereunto duly authorized) as of the date set forth below.

PURCHASE PRICE: \$ _____
NUMBER OF WARRANTS: _____

SIGNATURES FOR LENDERS

IN WITNESS WHEREOF, the undersigned represents that the foregoing statements are true and correct and that it has caused this Securities Purchase Agreement to be duly executed on its behalf this _____ day of _____, 2003.

Address

Printed Name of Lender

Telecopier No.

By:
(Signature of Authorized Person)

Jurisdiction of Incorporation
or Organization

Printed Name and Title

As of the date set forth below, the undersigned hereby accepts this Agreement and represents that the foregoing statements are true and correct and that it has caused this Securities Purchase Agreement to be duly executed on its behalf.

VALIDIAN CORPORATION

By: /s/ Andre Maisonneuve

Name: Andre Maisonneuve
Title: President

Date: December 30, 2003

ANNEX I	FORM OF DEBENTURE
ANNEX II	JOINT ESCROW INSTRUCTIONS
ANNEX III	OPINION OF COUNSEL
ANNEX IV	REGISTRATION RIGHTS AGREEMENT
ANNEX V	COMPANY DISCLOSURE MATERIALS
ANNEX VI	FORM OF WARRANT
ANNEX VII	COMPANY’S SEC DOCUMENTS AVAILABLE ON EDGAR

Index of Signatories

<u>Name</u>	<u>\$ Debentures</u>	<u>Warrants</u>
Alpha Capital	150,000	105,000
Michael D. Madden	100,000	110,000
Thomas A. & Marilyn Slamecka	100,000	70,000
Scott Christie Keogh	100,000	110,000
Professional Traders Fund, LLC	100,000	70,000
WEC Partners, LLC	50,000	35,000
Zenny Trading	100,000	70,000
Parker Consultants Ltd.	350,000	245,000
David Stefansky	70,000	178,510
Richard Rosenblum	30,000	150,510
Bonnie Quinn	50,000	55,000
Bradley J. Goldstone	25,000	27,500
The London Family Trust	300,000	210,000
Robert Prag	100,000	230,000
Daniel B. Steinberg	100,000	110,000
Andrew W. & Karen M. Watling	25,000	27,500
Marc Weisman	100,000	110,000
Brian Wildes	100,000	110,000
PEF Advisors, LTD	50,000	55,000
Total	2,000,000	2,079,020

EXHIBIT 10.5

REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT, dated as of December 30, 2003 (this "Agreement"), is made by and between **VALIDIAN CORPORATION**, a Nevada corporation, with an office located at 30 Metcalfe Street, Ottawa, Ontario, Canada K1P 5L4 (the "Company"), and each entity named on a signature page hereto (each, an "Initial Investor") (each agreement with an Initial Investor being deemed a separate and independent agreement between the Company and such Initial Investor, except that each Initial Investor acknowledges and consents to the rights granted to each other Initial Investor under such agreement).

WITNESSETH:

WHEREAS, upon the terms and subject to the conditions of the Securities Purchase Agreement, dated as of January 30, 2004, between the Initial Investor and the Company (the "Securities Purchase Agreement"; capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Securities Purchase Agreement), the Company has agreed to issue and sell to the Initial Investors the Debentures; and

WHEREAS, the Debentures are convertible into shares of Common Stock (the "Conversion Shares"; which term, for purposes of this Agreement, shall include shares of Common Stock of the Company issuable in lieu of accrued interest through the Maturity Date of the Debentures, as that term is defined in and as contemplated by the Debentures) upon the terms and subject to the conditions contained in the Debentures; and

WHEREAS, upon and subject to the terms of the Securities Purchase Agreement, the Company has agreed to issue the Warrants to the Initial Investor and vFinance in connection with the issuance of the Debentures, and the Warrants may be exercised for the purchase of shares of Common Stock (the "Warrant Shares") upon the terms and conditions of the Warrants; and

WHEREAS, to induce the Initial Investor to execute and deliver the Securities Purchase Agreement, the Company has agreed to provide certain registration rights under the Securities Act of 1933, as amended, and the rules and regulations thereunder, or any similar successor statute (collectively, the "Securities Act"), with respect to the Registrable Securities (as defined below);

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Initial Investor hereby agree as follows:

1. **Definitions.** As used in this Agreement, the following terms shall have the following meanings:

(a) "Closing Date" shall mean January 30, 2004.

(b) "Effective Date" means the date the SEC declares a Registration Statement covering Registrable Securities and otherwise meeting the conditions contemplated hereby to be effective.

(c) “Held Shares Value” means, for shares of Common Stock acquired by the Investor upon a conversion of a Debenture within the thirty (30) days preceding the Restricted Sale Date, but not yet sold by the Investor, the principal amount of the Debentures converted into such Conversion Shares; provided, however, that if the Investor effected more than one such conversion during such thirty (30) day period and sold less than all of such shares, the sold shares shall be deemed to be derived first from the conversions in the sequence of such conversions (that is, for example, until the number of shares from the first of such conversions have been sold, all shares shall be deemed to be from the first conversion; thereafter, from the second conversion until all such shares are sold).

(d) “Investor” means the Initial Investor and any permitted transferee or assignee who agrees to become bound by the provisions of this Agreement in accordance with Section 9 hereof and who holds Debentures, Warrants or Registrable Securities.

(e) “Payment Shares” means shares of Common Stock issued by the Company as provided in Section 2(b) below.

(f) “Potential Material Event” means any of the following: (i) the possession by the Company of material information not ripe for disclosure in a registration statement, which shall be evidenced by a determination in good faith by the Board of Directors of the Company that disclosure of such information in the registration statement would be detrimental to the business and affairs of the Company or (ii) any material engagement or activity by the Company which would, in the good faith determination of the Board of Directors of the Company, be adversely affected by disclosure in a registration statement at such time; in each case where such determination shall be accompanied by a good faith determination by the Board of Directors of the Company that the registration statement would be materially misleading absent the inclusion of such information.

(g) “Register,” “Registered,” and “Registration” refer to a registration effected by preparing and filing a Registration Statement or Statements in compliance with the Securities Act and pursuant to Rule 415 under the Securities Act or any successor rule providing for offering securities on a continuous basis (“Rule 415”), and the declaration or ordering of effectiveness of such Registration Statement by the United States Securities and Exchange Commission (the “SEC”).

(h) “Registrable Securities” means, collectively, the Conversion Shares, the Warrant Shares, the Additional Shares and the Payment Shares.

(i) “Registration Statement” means a registration statement of the Company under the Securities Act covering Registrable Securities on Form S-3, if the Company is then eligible to file using such form, and if not eligible, on Form S-2 or other appropriate form.

(j) “Required Effective Date” means the relevant Initial Required Effective Date or Increased Required Effective Date (as those terms are defined below).

(k) “Restricted Sale Date” means the first date, other than a date during a Permitted Suspension Period (as defined below), on which the Investor is restricted from making sales of Registrable Securities covered by any previously effective Registration Statement.

2. Registration.

(a) Mandatory Registration.

(i) The Company shall prepare and file with the SEC, as soon as practicable after the Closing Date but no later than forty-five (45) days after the Closing Date (the “Required Filing Date”), either a Registration Statement or an amendment to an existing Registration Statement, in either event registering for resale by the Investor a sufficient number of shares of Common Stock for the Initial Investors to sell the Registrable Securities, but in no event less than the number of shares equal to one hundred fifty percent (150%) of the aggregate of (x) the number of shares into which the Debentures and all interest thereon through the Maturity Date would be convertible at the time of filing of such Registration Statement (assuming for such purposes that all Debentures had been issued, had been eligible to be converted, and had been converted, into Conversion Shares in accordance with their terms, whether or not such issuance, eligibility, accrual of interest or conversion had in fact occurred as of such date) and (y) the number of Warrant Shares which would be issuable on exercise of the Warrants (assuming for such purposes that all Warrants had been issued, had been eligible for exercise and had been exercised for Warrant Shares in accordance with their terms, whether or not such issuance, eligibility or exercise had in fact occurred as of such date). Unless otherwise specifically agreed to in writing in advance by the Initial Investor, the Registration Statement (W) shall include only the Registrable Securities, and (X) shall also state that, in accordance with Rule 416 and 457 under the Securities Act, it also covers such indeterminate number of additional shares of Common Stock as may become issuable upon conversion of the Debentures or exercise of the Warrants to prevent dilution resulting from stock splits, or stock dividends. The Company will use its reasonable best efforts to cause such Registration Statement to be declared effective on a date (the “Initial Required Effective Date”) which is no later than the earlier of (Y) five (5) days after oral or written notice by the SEC that it may be declared effective or (Z) one hundred twenty (120) days after the Closing Date.

(ii) If at any time (an “Increased Registered Shares Date”), the number of shares of Common Stock represented by the Registrable Shares, issued or to be issued as contemplated by the Transaction Agreements, exceeds seventy percent (70%) of the aggregate number of shares of Common Stock then registered, the Company shall either

(X) amend the relevant Registration Statement filed by the Company pursuant to the preceding provisions of this Section 2, if such Registration Statement has not been declared effective by the SEC at that time, to register, in the aggregate, at least the number of shares (the “Increased Shares Amount”) equal to (A) the number of shares theretofore issued on conversion of the Debentures (including any interest paid on conversion by the issuance of Conversion Shares), plus (B) the number of shares theretofore issued on exercise of the Warrants, plus (C) one hundred fifty percent (150%) of

(I) the number of shares into which the unconverted Debentures and all interest thereon through the Maturity Date would be convertible at the date of such filing (assuming for such purposes that all such Debentures had been issued, had been eligible to be converted, and had been converted, into Conversion Shares in accordance with their terms, whether or not such issuance eligibility, accrual of interest, or conversion had in fact occurred as of such date), and

(II) the number of Warrant Shares which would be issuable on exercise of the unexercised Warrants (assuming for such purposes that all such Warrants had been issued, had been eligible for exercise and had been exercised for Warrant Shares in accordance with their terms, whether or not such issuance, eligibility or exercise had in fact occurred as of such date), or

(Y) if such Registration Statement has been declared effective by the SEC at that time, file with the SEC an additional Registration Statement (an “Additional Registration Statement”) to register the number of shares equal to the excess of the Increased Shares Amount over the aggregate number of shares of Common Stock already registered.

The Company will use its reasonable best efforts to cause such Registration Statement to be declared effective on a date (each, an “Increased Required Effective Date”) which is no later than (q) with respect to a Registration Statement under clause (X) of this subparagraph (ii), the Initial Required Effective Date and (r) with respect to an Additional Registration Statement, the earlier of (I) five (5) days after notice by the SEC that it may be declared effective or (II) thirty (30) days after the Increased Registered Shares Date.

(iii) The aggregate number of shares registered for the Investors in each Registration Statement or amendment thereto shall be allocated among the Investors on a pro rata basis among them according to their relative Registrable Shares included in such Registration Statement.

(b) Payments by the Company.

(i) If the Registration Statement covering the Registrable Securities is not filed in proper form with the SEC by the Required Filing Date, the Company will make payment to the Initial Investor in such amounts and at such times as shall be determined pursuant to this Section 2(b).

(ii) If the Registration Statement covering the Registrable Securities is not effective by the relevant Required Effective Date or if there is a Restricted Sale Date, then the Company will make payments to the Initial Investor in such amounts and at such times as shall be determined pursuant to this Section 2(b).

(iii) The amount (the “Periodic Amount”) to be paid by the Company to the Initial Investor shall be determined as of each Computation Date (as defined below) and such amount shall be equal to the Periodic Amount Percentage (as defined below) of the Purchase Price for all Debentures for the period from the date following the relevant Required Filing Date or the Required Effective Date or a Restricted Sale Date, as the case may be, to the first relevant Computation Date, and thereafter to each subsequent Computation Date. The “Periodic Amount Percentage” means (A) one percent (1%) of the Purchase Price of all Debentures for the first Computation Date after the relevant Required Filing Date, Required Effective Date or Restricted Sale Date, as the case may be; and (B) two percent (2%) of the Purchase Price of all Debentures to each Computation Date thereafter. Anything in the preceding provisions of this paragraph (iii) to the contrary notwithstanding, after the relevant Effective Date the Purchase Price shall be deemed to refer to the sum of (X) the principal amount of all Debentures not yet converted and (Y) the Held Shares Value. By way of illustration and not in limitation of the foregoing, if the Registration Statement is filed on or before the Required Filing Date, but is not declared effective until two hundred (200) days after the Closing Date, the Periodic Amount will aggregate five percent (5%) of the Purchase Price of the Debentures theretofore issued (1% for days 120-150, plus 2% for days 150-180, plus 2% for days 180-200).

(iv) Each Periodic Amount will be payable by the Company, except as provided in the other provisions of this subparagraph (iv), in cash or other immediately available funds to the Investor (1) on the day after the Required Filing Date, the Required Effective Date or a Restricted Sale Date, as the case may be, and (2) on the earlier of (A) each thirtieth day thereafter, (B) the third business day after the date the Registration Statement is filed or is declared effective, or (C) the third business day after the Registration Statement has its restrictions removed after the relevant Effective Date, in each case without requiring demand therefor by the Investor.

(v) Notwithstanding the provisions of the immediately preceding subparagraph (iv),

(i) at the option of the Company, exercisable in its discretion on the date the Periodic Amount is due; provided, however, that the Company may exercise this discretion if, but only if the Effective Date is within one hundred fifty (150) days after the Closing Date and the Registration Statement covering the Payment Shares is then effective; or

(ii) at the option of the Investor, exercisable in its sole and absolute discretion by written notice to the Company at any time before the Periodic Amount is paid,

all or a portion of the Periodic Amount shall be paid by the issuance of additional shares of Common Stock to the Investor ("Payment Shares") in an amount equal to the Periodic Amount being paid thereby divided by the then applicable Conversion Price; provided, further that the Delivery Date for the Payment Shares shall be three (3) business days after the date the Periodic Amount is due (if the election is made by the Company) or after the Investor gives the notice contemplated by clause (ii) of this subparagraph.

(vi) The parties acknowledge that the damages which may be incurred by the Investor if the Registration Statement is not filed by the Required Filing Date or the Registration Statement has not been declared effective by a Required Effective Date, including if the right to sell Registrable Securities under a previously effective Registration Statement is suspended or the shares of the Company's stock are not listed on the Principal Trading Market, may be difficult to ascertain. The parties agree that the amounts payable pursuant to the foregoing provisions of this Section 2(b) represent a reasonable estimate on the part of the parties, as of the date of this Agreement, of the amount of such damages.

(vii) Notwithstanding the foregoing, the amounts payable by the Company pursuant to this provision shall not be payable to the extent any delay in the filing or effectiveness of the Registration Statement occurs because of an act of, or a failure to act or to act timely by the Initial Investor or its counsel.

(viii) "Computation Date" means (A) the date which is the earlier of (1) thirty (30) days after the Required Filing Date, any relevant Required Effective Date or a Restricted Sale Date, as the case may be, or (2) the date after the Required Filing Date, such Required Effective Date or Restricted Sale Date on which the Registration Statement is filed (with respect to payments due as contemplated by Section 2(b) hereof) or is declared effective or has its restrictions removed or the shares of the Company's stock are listed on the Principal Trading Market (with respect to payments due as contemplated by Section 2(b)(ii) hereof), as the case may be, and (B) each date which is the earlier of (1) thirty (30) days after the previous Computation Date or (2) the date after the previous Computation Date on which the Registration Statement is filed (with respect to payments due as contemplated by Section 2(b) hereof) or is declared effective or has its restrictions removed or the shares of the Company's stock are listed on the Principal Trading Market (with respect to payments due as contemplated by Section 2(b)(ii) hereof), as the case may be.

3. Obligations of the Company. In connection with the registration of the Registrable Securities, the Company shall do each of the following:

(a) Prepare promptly, and file with the SEC by the Required Filing Date a Registration Statement with respect to not less than the number of Registrable Securities provided in Section 2(a) above, and thereafter use its reasonable best efforts to cause such Registration Statement relating to Registrable Securities to become effective by the Required Effective Date and keep the Registration Statement effective at all times during the period (the “Registration Period”) continuing until the earlier of (i) the date when the Investors may sell all Registrable Securities under Rule 144 without volume or other restrictions or limits or (ii) the date the Investors no longer own any of the Registrable Securities, which Registration Statement (including any amendments or supplements thereto and prospectuses contained therein) shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading;

(b) Prepare and file with the SEC such amendments (including post-effective amendments) and supplements to the Registration Statement and the prospectus used in connection with the Registration Statement as may be necessary to keep the Registration Statement effective at all times during the Registration Period, and, during the Registration Period, comply with the provisions of the Securities Act with respect to the disposition of all Registrable Securities of the Company covered by the Registration Statement until such time as all of such Registrable Securities have been disposed of in accordance with the intended methods of disposition by the seller or sellers thereof as set forth in the Registration Statement;

(c) Permit a single firm of counsel designated by the Initial Investors (which, until further notice, shall be deemed to be Krieger & Prager LLP, Attn: Samuel Krieger, Esq., which firm has requested to receive such notification; each, an “Investor’s Counsel”) to review the Registration Statement and all amendments and supplements thereto a reasonable period of time (but not less than three (3) business days) prior to their filing with the SEC, and not file any document in a form to which such counsel reasonably objects;

(d) Notify each Investor and the Investor’s Counsel and any managing underwriters immediately (and, in the case of (i)(A) below, not less than three (3) business days prior to such filing) and (if requested by any such person) confirm such notice in writing no later than one (1) business day following the day (i)(A) when a Prospectus or any Prospectus supplement or post-effective amendment to the Registration Statement is proposed to be filed; (B) whenever the SEC notifies the Company whether there will be a “review” of such Registration Statement; (C) whenever the Company receives (or a representative of the Company receives on its behalf) any oral or written comments from the SEC in respect of a Registration Statement (copies or, in the case of oral comments, summaries of such comments shall be promptly furnished by the Company to the Investors); and (D) with respect to the Registration Statement or any post-effective amendment, when the same has become effective; (ii) of any request by the SEC or any other Federal or state governmental authority for amendments or supplements to the Registration Statement or Prospectus or for additional information; (iii) of the issuance by the SEC of any stop order suspending the effectiveness of the Registration Statement covering any or all of the Registrable Securities or the initiation of any proceedings for that purpose; (iv) if at any time any of the representations or warranties of the Company contained in any agreement (including any underwriting agreement) contemplated hereby ceases to be true and correct in all material respects; (v) of the receipt by the Company of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Registrable Securities for sale in any jurisdiction, or the initiation or threatening of any proceeding for such purpose; and (vi) of the occurrence of any event that to the best knowledge of

the Company makes any statement made in the Registration Statement or Prospectus or any document incorporated or deemed to be incorporated therein by reference untrue in any material respect or that requires any revisions to the Registration Statement, Prospectus or other documents so that, in the case of the Registration Statement or the Prospectus, as the case may be, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. In addition, the Company shall furnish the Investor's Counsel with copies of all intended written responses to the comments contemplated in clause (C) of this Section 3(d) not later than one (1) business day in advance of the filing of such responses with the SEC so that the Investors shall have the opportunity to comment thereon;

(e) Furnish to each Investor and to Investor's Counsel (i) promptly after the same is prepared and publicly distributed, filed with the SEC, or received by the Company, one (1) copy of the Registration Statement, each preliminary prospectus and prospectus, and each amendment or supplement thereto, and (ii) such number of copies of a prospectus, and all amendments and supplements thereto and such other documents, as such Investor may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such Investor;

(f) As promptly as practicable after becoming aware thereof, notify each Investor of the happening of any event of which the Company has knowledge, as a result of which the prospectus included in the Registration Statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and use its best efforts promptly to prepare a supplement or amendment to the Registration Statement or other appropriate filing with the SEC to correct such untrue statement or omission, and deliver a number of copies of such supplement or amendment to each Investor as such Investor may reasonably request;

(g) As promptly as practicable after becoming aware thereof, notify each Investor who holds Registrable Securities being sold (or, in the event of an underwritten offering, the managing underwriters) of the issuance by the SEC of a Notice of Effectiveness or any notice of effectiveness or any stop order or other suspension of the effectiveness of the Registration Statement at the earliest possible time;

(h) Comply with Regulation FD or any similar rule or regulation regarding the dissemination of information regarding the Company, and in furtherance of the foregoing, and not in limitation thereof, not disclose to the Investor any non-public material information regarding the Company;

(i) Notwithstanding the foregoing, if at any time or from time to time after the date of effectiveness of the Registration Statement, the Company notifies the Investors in writing that the effectiveness of the Registration Statement is suspended for any reason, whether due to a Potential Material Event or otherwise, the Investors shall not offer or sell any Registrable Securities, or engage in any other transaction involving or relating to the Registrable Securities, from the time of the giving of such notice until such Investor receives written notice from the Company that such the effectiveness of the Registration Statement has been restored, whether because the Potential Material Event has been disclosed to the public or it no longer constitutes a Potential Material Event or otherwise; provided, however, that the Company may not so suspend the right to such holders of Registrable Securities during the periods the Registration Statement is required to be in effect other than during a Permitted Suspension Period (and the applicable provisions of Section 2(b) shall apply with respect to any such suspension other than during a Permitted Suspension Period) . The term "Permitted Suspension Period" means up to two such suspension periods

during any consecutive 12-month period, each of which suspension period shall not either (i) be for more than five (5) days or (ii) begin less than ten (10) business days after the last day of the preceding suspension (whether or not such last day was during or after a Permitted Suspension Period);

(j) Use its reasonable efforts to secure and maintain the designation of all the Registrable Securities covered by the Registration Statement on the Principal Trading Market within the meaning of Rule 11Aa2-1 of the SEC under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the quotation of the Registrable Securities on the Principal Trading Market;

(k) Provide a transfer agent (“Transfer Agent”) and registrar, which may be a single entity, for the Registrable Securities not later than the initial Effective Date;

(l) Cooperate with the Investors who hold Registrable Securities being offered to facilitate the timely preparation and delivery of certificates for the Registrable Securities to be offered pursuant to the Registration Statement and enable such certificates for the Registrable Securities to be in such denominations or amounts as the case may be, as the Investors may reasonably request, and, within five (5) business days after a Registration Statement which includes Registrable Securities is ordered effective by the SEC, the Company shall deliver, and shall cause legal counsel selected by the Company to deliver, to the Transfer Agent for the Registrable Securities (with copies to the Investors whose Registrable Securities are included in such Registration Statement) an appropriate instruction and opinion of such counsel, which shall include, without limitation, directions to the Transfer Agent to issue certificates of Registrable Securities (including certificates for Registrable Securities to be issued after the Effective Date and replacement certificates for Registrable Securities previously issued) without legends or other restrictions; and

(m) Take all other reasonable actions necessary to expedite and facilitate disposition by the Investor of the Registrable Securities pursuant to the Registration Statement.

4. Obligations of the Investors. In connection with the registration of the Registrable Securities, the Investors shall have the following obligations:

(a) Each Investor, by such Investor's acceptance of the Registrable Securities, agrees to cooperate with the Company as reasonably requested by the Company in connection with the preparation and filing of the Registration Statement hereunder, unless such Investor has notified the Company in writing of such Investor's election to exclude all of such Investor's Registrable Securities from the Registration Statement; and

(b) Each Investor agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 3(f) or 3(g), above, such Investor will immediately discontinue disposition of Registrable Securities pursuant to the Registration Statement covering such Registrable Securities until such Investor's receipt of the copies of the supplemented or amended prospectus contemplated by Section 3(f) or 3(g) and, if so directed by the Company, such Investor shall deliver to the Company (at the expense of the Company) or destroy (and deliver to the Company a certificate of destruction) all copies in such Investor's possession, of the prospectus covering such Registrable Securities current at the time of receipt of such notice.

5. **Expenses of Registration.** All reasonable expenses (other than underwriting discounts and commissions of the Investor) incurred in connection with registrations, filings or qualifications pursuant to Section 3, but including, without limitation, all registration, listing, and qualifications fees, printers and accounting fees, the fees and disbursements of counsel for the Company shall be borne by the Company. In addition, a fee for a single counsel for the Investors (as a group and not individually) equal to \$4,500 for the review of each Registration Statement shall be borne by the Company.

6. **Indemnification.** In the event any Registrable Securities are included in a Registration Statement under this Agreement:

(a) To the extent permitted by law, the Company will indemnify and hold harmless each Investor who holds such Registrable Securities, the directors, if any, of such Investor, the officers, if any, of such Investor, and each Lender Control Person (each, an "Indemnified Party"), against any losses, claims, damages, liabilities or expenses (joint or several) incurred (collectively, "Claims") to which any of them may become subject under the Securities Act, the Exchange Act or otherwise, insofar as such Claims (or actions or proceedings, whether commenced or threatened, in respect thereof) arise out of or are based upon any of the following statements, omissions or violations in the Registration Statement, or any post-effective amendment thereof, or any prospectus included therein: (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any post-effective amendment thereof or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) any untrue statement or alleged untrue statement of a material fact contained in the final prospectus (as amended or supplemented, if the Company files any amendment thereof or supplement thereto with the SEC) or the omission or alleged omission to state therein any material fact necessary to make the statements made therein, in light of the circumstances under which the statements therein were made, not misleading or (iii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any state securities law or any rule or regulation under the Securities Act, the Exchange Act or any state securities law (the matters in the foregoing clauses (i) through (iii) being, collectively referred to as "Violations"). Subject to clause (b) of this Section 6, the Company shall reimburse the Investors, promptly as such expenses are incurred and are due and payable, for any legal fees or other reasonable expenses incurred by them in connection with investigating or defending any such Claim. Notwithstanding anything to the contrary contained herein, the indemnification agreement contained in this Section 6(a) shall not (I) apply to any Claim arising out of or based upon a Violation which occurs in reliance upon and in conformity with information furnished in writing to the Company by or on behalf of such Indemnified Party expressly for use in connection with the preparation of the Registration Statement or any such amendment thereof or supplement thereto, if such prospectus was timely made available by the Company pursuant to Section 3(b) hereof; (II) be available to the extent such Claim is based on a failure of the Investor to deliver or cause to be delivered the prospectus made available by the Company or the amendment or supplement thereto made available by the Company; (III) be available to the extent such Claim is based on the delivery of a prospectus by the Investor after receiving notice from the Company under Section 3(f), (g) or (h) hereof (other than a notice regarding the effectiveness of the Registration Statement or any amendment or supplement thereto), or (IV) apply to amounts paid in settlement of any Claim if such settlement is effected without the prior written consent of the Company, which consent shall not be unreasonably withheld or delayed. The Investor will indemnify the Company and its officers, directors and agents (each, an "Indemnified Party") against any claims arising out of or based upon a Violation which occurs in reliance upon and in conformity with information furnished in writing to the Company, by or on behalf of such Investor, expressly for use in connection with the preparation of the Registration Statement or the amendment or supplement thereto, subject to such limitations and conditions as are applicable to the indemnification provided by the Company to this Section

6. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Indemnified Party and shall survive the transfer of the Registrable Securities by the Investors pursuant to Section 9.

(b) Promptly after receipt by an Indemnified Party under this Section 6 of notice of the commencement of any action (including any governmental action), such Indemnified Party shall, if a Claim in respect thereof is to be made against any indemnifying party under this Section 6, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume control of the defense thereof with counsel mutually satisfactory to the indemnifying party and the Indemnified Party or the Indemnified Party, as the case may be. In case any such action is brought against any Indemnified Party, and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate in, and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, assume the defense thereof, subject to the provisions herein stated and after notice from the indemnifying party to such Indemnified Party of its election so to assume the defense thereof, the indemnifying party will not be liable to such Indemnified Party under this Section 6 for any legal or other reasonable out-of-pocket expenses subsequently incurred by such Indemnified Party in connection with the defense thereof other than reasonable costs of investigation, unless the indemnifying party shall not pursue the action to its final conclusion. The Indemnified Party shall have the right to employ separate counsel in any such action and to participate in the defense thereof, but the fees and reasonable out-of-pocket expenses of such counsel shall not be at the expense of the indemnifying party if the indemnifying party has assumed the defense of the action with counsel reasonably satisfactory to the Indemnified Party provided such counsel is of the opinion that all defenses available to the Indemnified Party can be maintained without prejudicing the rights of the indemnifying party. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action shall not relieve such indemnifying party of any liability to the Indemnified Party under this Section 6, except to the extent that the indemnifying party is prejudiced in its ability to defend such action. The indemnification required by this Section 6 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as such expense, loss, damage or liability is incurred and is due and payable.

7. **Contribution.** To the extent any indemnification by an indemnifying party is prohibited or limited by law, the indemnifying party agrees to make the maximum contribution with respect to any amounts for which it would otherwise be liable under Section 6 to the fullest extent permitted by law; provided, however, that (a) no contribution shall be made under circumstances where the maker would not have been liable for indemnification under the fault standards set forth in Section 6; (b) no seller of Registrable Securities guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any seller of Registrable Securities who was not guilty of such fraudulent misrepresentation; and (c) except where the seller has committed fraud (other than a fraud by reason of the information included or omitted from the Registration Statement as to which the Company has not given notice as contemplated under Section 3 hereof) or intentional misconduct, contribution by any seller of Registrable Securities shall be limited in amount to the net amount of proceeds received by such seller from the sale of such Registrable Securities.

8. **Reports under Securities Act and Exchange Act.** With a view to making available to Investor the benefits of Rule 144 promulgated under the Securities Act or any other similar rule or regulation of the SEC that may at any time permit Investor to sell securities of the Company to the public without Registration (“Rule 144”), the Company agrees to:

(a) make and keep public information available, as those terms are understood and defined in Rule 144;

(b) file with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act; and

(c) furnish to the Investor so long as the Investor owns Registrable Securities, promptly upon request, (i) a written statement by the Company that it has complied with the reporting requirements of Rule 144, the Securities Act and the Exchange Act, (ii) if not available on the SEC's EDGAR system, a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company and (iii) such other information as may be reasonably requested to permit the Investor to sell such securities pursuant to Rule 144 without Registration; and

(d) at the request of any Investor holding Registrable Securities (a "Holder"), give its Transfer Agent instructions to the effect that, upon the Transfer Agent's receipt from such Holder of

(i) a certificate (a "Rule 144 Certificate") certifying (A) that the Holder's holding period (as determined in accordance with the provisions of Rule 144) for the shares of Registrable Securities which the Holder proposes to sell (the "Securities Being Sold") is not less than (1) year and (B) as to such other matters as may be appropriate in accordance with Rule 144 under the Securities Act, and

(ii) an opinion of counsel acceptable to the Company (for which purposes it is agreed that the initial Investor's Counsel shall be deemed acceptable if not given by Lowenstein Sandler PC) that, based on the Rule 144 Certificate, Securities Being Sold may be sold pursuant to the provisions of Rule 144, even in the absence of an effective Registration Statement,

the Transfer Agent is to effect the transfer of the Securities Being Sold and issue to the buyer(s) or transferee(s) thereof one or more stock certificates representing the transferred Securities Being Sold without any restrictive legend and without recording any restrictions on the transferability of such shares on the Transfer Agent's books and records (except to the extent any such legend or restriction results from facts other than the identity of the Holder, as the seller or transferor thereof, or the status, including any relevant legends or restrictions, of the shares of the Securities Being Sold while held by the Holder). If the Transfer Agent reasonably requires any additional documentation at the time of the transfer, the Company shall deliver or cause to be delivered all such reasonable additional documentation as may be necessary to effectuate the issuance of an unlegended certificate.

9. Assignment of the Registration Rights. The rights to have the Company register Registrable Securities pursuant to this Agreement shall be automatically assigned by the Investors to any transferee of the Registrable Securities (or all or any portion of any unconverted Debentures) only if the Company is, within a reasonable time after such transfer or assignment, furnished with written notice of (a) the name and address of such transferee or assignee and (b) the securities with respect to which such registration rights are being transferred or assigned.

10. Amendment of Registration Rights. Any provision of this Agreement may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and Investors who hold a eighty (80%) percent interest of the Registrable Securities (as calculated by the stated value of the Debentures). Any amendment or waiver effected in accordance with this Section 10 shall be binding upon each Investor and the Company.

11. Miscellaneous.

(a) A person or entity is deemed to be a holder of Registrable Securities whenever such person or entity owns of record such Registrable Securities. If the Company receives conflicting instructions, notices or elections from two or more persons or entities with respect to the same Registrable Securities, the Company shall act upon the basis of instructions, notice or election received from the registered owner of such Registrable Securities.

(b) Notices required or permitted to be given hereunder shall be given in the manner contemplated by the Securities Purchase Agreement, (i) if to the Company or to the Initial Investor, to their respective address contemplated by the Securities Purchase Agreement, and (ii) if to any other Investor, at such address as such Investor shall have provided in writing to the Company, or at such other address as each such party furnishes by notice given in accordance with this Section 11(b).

(c) Failure of any party to exercise any right or remedy under this Agreement or otherwise, or delay by a party in exercising such right or remedy, shall not operate as a waiver thereof.

(d) This Agreement shall be governed by and interpreted in accordance with the laws of the State of New York for contracts to be wholly performed in such state and without giving effect to the principles thereof regarding the conflict of laws. Each of the parties consents to the jurisdiction of the federal courts whose districts encompass any part of the City of New York or the state courts of the State of New York sitting in the City of New York in connection with any dispute arising under this Agreement and hereby waives, to the maximum extent permitted by law, any objection, including any objection based on *forum non conveniens*, to the bringing of any such proceeding in such jurisdictions.

(e) The Company and the Investor hereby waive a trial by jury in any action, proceeding or counterclaim brought by either of the parties hereto against the other in respect of any matter arising out of or in connection with this Agreement or any of the other Transaction Agreements.

(f) If any provision of this Agreement shall be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the remainder of this Agreement or the validity or enforceability of this Agreement in any other jurisdiction.

(g) Subject to the requirements of Section 9 hereof, this Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties hereto.

(h) All pronouns and any variations thereof refer to the masculine, feminine or neuter, singular or plural, as the context may require.

(i) The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning thereof.

(j) This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which shall constitute one and the same agreement. This Agreement, once executed by a party, may be delivered to the other party hereto by telephone line facsimile transmission of a copy of this Agreement bearing the signature of the party so delivering this Agreement.

(k) The Company acknowledges that any failure by the Company to perform its obligations under Section 3(a) hereof, or any delay in such performance could result in loss to the Investors, and the Company agrees that, in addition to any other liability the Company may have by reason of such failure or delay, the Company shall be liable for all direct damages caused by any such failure or delay, unless the same is the result of force majeure. Neither party shall be liable for consequential damages.

(l) This Agreement (including to the extent relevant the provisions of other Transaction Agreements) constitutes the entire agreement among the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings among the parties hereto with respect to the subject matter hereof. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein.

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IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed by their respective officers thereunto duly authorized as of the day and year first above written.

COMPANY:
VALIDIAN CORPORATION

By: /s/ Andre Maisonneuve

Name: Andre Maisonneuve
Title: President

INITIAL INVESTOR:

[Print Name of Initial Investor]

By:
Name:
Title: _____

Index of Signatories

<u>Name</u>	<u>\$ Debentures</u>	<u>Warrants</u>
Alpha Capital	150,000	105,000
Michael D. Madden	100,000	110,000
Thomas A. & Marilyn Slamecka	100,000	70,000
Scott Christie Keogh	100,000	110,000
Professional Traders Fund, LLC	100,000	70,000
WEC Partners, LLC	50,000	35,000
Zenny Trading	100,000	70,000
Parker Consultants Ltd.	350,000	245,000
David Stefansky	70,000	178,510
Richard Rosenblum	30,000	150,510
Bonnie Quinn	50,000	55,000
Bradley J. Goldstone	25,000	27,500
The London Family Trust	300,000	210,000
Robert Prag	100,000	230,000
Daniel B. Steinberg	100,000	110,000
Andrew W. & Karen M. Watling	25,000	27,500
Marc Weisman	100,000	110,000
Brian Wildes	100,000	110,000
PEF Advisors, LTD	50,000	55,000
Total	2,000,000	2,079,020

EXHIBIT 21.1

SUBSIDIARIES OF VALIDIAN CORPORATION

Entity Name	State or Province of Incorporation
Sochrys Technologies Inc.	Canada
Evolusys S.A.	Switzerland

Exhibit 31.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Andre Maisonneuve, Chief Executive Officer of Validian Corporation, certify that:

- (1) I have reviewed this report on Form 10-KSB of Validian Corporation;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operation and cash flows of the small business issuer as of, and for, the periods represented in this report;
- (4) The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the small business issuer's internal control over financial reporting; and
- (5) The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal controls over financial reporting.

/s/Andre Maisonneuve
Andre Maisonneuve
Chief Executive Officer
Date: March_29, 2004

Exhibit 31.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Ronald Benn, Chief Financial Officer of Validian Corporation, certify that:

- (1) I have reviewed this report on Form 10-KSB of Validian Corporation;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operation and cash flows of the small business issuer as of, and for, the periods represented in this report;
- (4) The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the small business issuer's internal control over financial reporting; and
- (5) The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal controls over financial reporting.

/s/Ronald Benn

Ronald Benn

Chief Financial Officer

Date: March_29, 2004

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of Validian Corporation (the “Company”), does hereby certify, to such officer’s knowledge, that:

The Annual Report on Form 10-KSB for the year ended December 31, 2003 (the “Form 10-KSB”) of the Company fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and the information contained in the Form 10-KSB fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Form 10-KSB.

Dated: March 29, 2004

/s/Andre Maisonneuve
Andre Maisonneuve
Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of Validian Corporation (the “Company”), does hereby certify, to such officer’s knowledge, that:

The Report on Form 10-KSB for the year ended December 31, 2003 (the “Form 10-KSB”) of the Company fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and the information contained in the Form 10-KSB fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Form 10-KSB.

Dated: March 29, 2004

/s/Ronald Benn
Ronald Benn
Chief Financial Officer

The foregoing certification is being furnished as an exhibit to the Form 10-KSB pursuant to Item 601(b)(32) of Regulation S-B and Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and, accordingly, is not being filed as part of the Form 10-KSB for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.