

bridges.com
1998 ANNUAL REPORT



Bridges.com is an online content provider specializing in the publication of career information services to schools, libraries, colleges, universities and adult learning centres.

Our premier service is CX (Career Explorer), a comprehensive Internet-based library of career-related articles. CX delivers original, up-to-date and engaging career profiles, labour market analysis and career development tools to over 2,500 subscribing sites in North America. More than one million students have online access to the service.

Nearly nine million page views were recorded on the Company's national and regional services in 1998. Bridges.com projects that more than 4,500 sites will subscribe to CX by the end of fiscal 1999.

The Company is located in Kelowna, British Columbia, Canada and employs 42 in-house staff. Additional contracted writer/researchers and trainers work from various sites across North America. Bridges.com is publicly traded on the Alberta Stock Exchange (Symbol: BIT).

CEO'S MESSAGE

1998 was a productive year for Bridges.com, and I am pleased to present our shareholders with this record of our financial achievements. The company generated \$3,014,000 in revenues and \$944,000 in net earnings, an increase of more than one million dollars over 1997's loss of \$110,000. Bridges.com recorded earnings of \$0.11 per share in 1998.

Bridges.com has enjoyed **RAPID GROWTH**, more than doubling revenues in each of the last three years. **BUSINESS STABILITY** has supported that growth — in 1998 we maintained our 90 per cent rate of resubscription for the fourth year in a row. And as we increased earnings and maintained customer loyalty, we grew more efficient, **INCREASING PROFIT MARGINS**. Bridges.com has emerged in 1998 as one of the few Internet companies in North America earning a profit.

The **MARKET POTENTIAL** for Bridges.com's resources is significant. Only six per cent of North American middle and secondary schools subscribe to the Company's online career resources. In addition, new digital career resource opportunities are emerging in the adult, home, and elementary school markets.

Bridges.com expects these very positive business trends to continue in 1999. We will continue to increase our market share and develop business efficiencies, while diversifying our products and expanding into new markets.

On behalf of the Board of Directors, I would like to thank Bridges.com's staff for their achievements and commitment to our vision. I would also like to thank our shareholders, who have supported the Company's growth and patiently waited for the market to discover Bridges.com.

Sincerely,



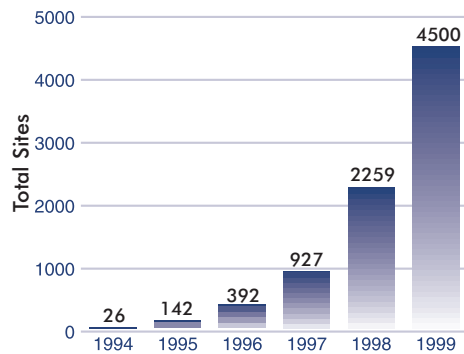
Doug Manning

RAPID GROWTH

Bridges.com is a fast-growing company. This is best demonstrated by three trends — increasing subscribers, increasing earnings, and increasing sales revenue per seller. In 1999, each of these trends is projected to continue.

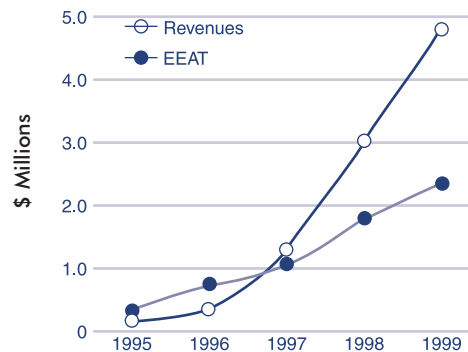
Increasing Subscribers

North American schools are connecting to the Internet at a substantial rate. The number of sites subscribing to Bridges.com's online career development resources has grown considerably. The 2,259 subscribers in 1998 represent a 476 per cent increase over the 392 subscribers in 1996. Bridges.com projects that the number of subscribing sites will double over the next year, to 4,500.



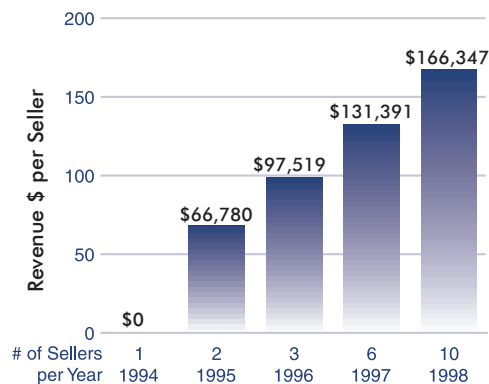
Increasing Earnings

Bridges.com's earnings before amortization and taxes were \$1,240,600 in 1998. This is more than a one million dollar increase over the previous year. More significantly, 1998 earnings before taxes and amortization were 41 per cent of total revenues. In 1999, both of these measures are projected to increase. (EEAT - Expenses excluding amortization and Taxes)



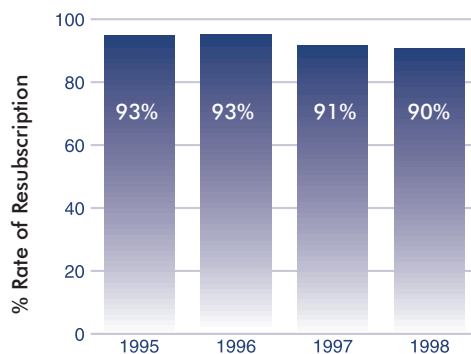
Increasing Sales Revenues per Seller

This is a unique and revealing trend for Bridges.com. By taking the total revenues generated from new sales and dividing them by the number of sellers in the year, it is apparent that sales efficiencies are on the rise. As the market steadily improves for Internet resources, and we become more efficient at selling our services, sales productivity is increasing. This is projected to increase further in 1999.



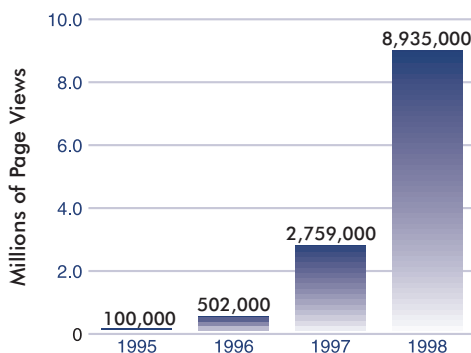
BUSINESS STABILITY

Business stability and customer loyalty enable rapid growth. Not only are more schools using Bridges.com's resources, but individual schools are using them more frequently. This is illustrated by high rates of resubscription, increasing service use, and increasing service use per subscriber. These trends are projected to continue in 1999.



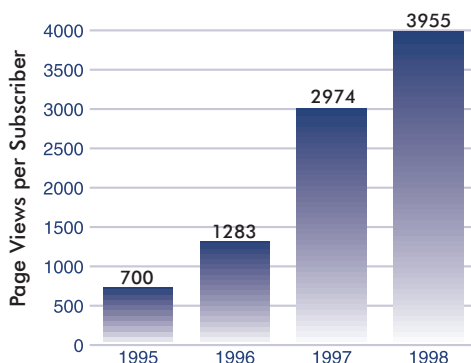
High Rates of Resubscription

We maintain a high rate of resubscription to our online career resources, providing a solid base for continued business growth. This trend will continue in 1999, due to Bridges.com's excellent career publications, a high-quality technical platform, and outstanding customer support services.



Increasing Service Use

Use of Bridges.com's services exploded in 1998, demonstrating a strong demand for dynamic online career resources. Service use is projected to increase significantly again in 1999, as the school market improves the technology and telecommunications infrastructure required to access online services.



Increasing Service Use per Subscriber

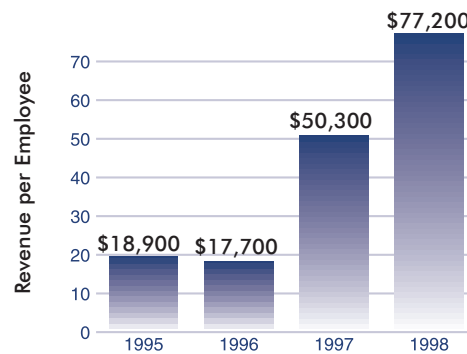
The rapid increase in the usage of Bridges.com's online service is not due only to the increase in the number of users. Existing subscribers are using Bridges.com's services more frequently, averaging 3,955 page views per subscriber in 1998, an increase of 200 per cent over 1996.

INCREASING PROFIT **MARGINS**

Bridges.com's business efficiencies continue to develop. This is illustrated by two unique measures — increasing revenue per employee and decreasing costs per subscriber. Business efficiencies will increase margins of profit and return on investment for shareholders. These positive trends are projected to continue in 1999.

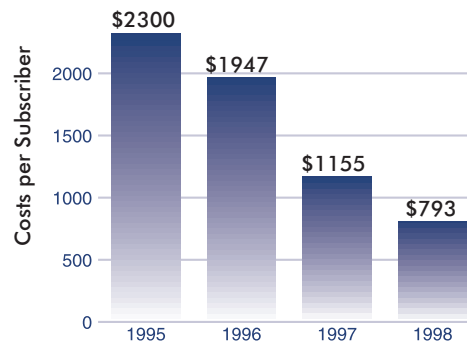
Increasing Revenue per Employee

Bridges.com is becoming more efficient. The company's talented staff have developed systems of publication, sales, administration, and service that have increased revenues per employee each year since 1996. We anticipate this trend will continue in 1999.



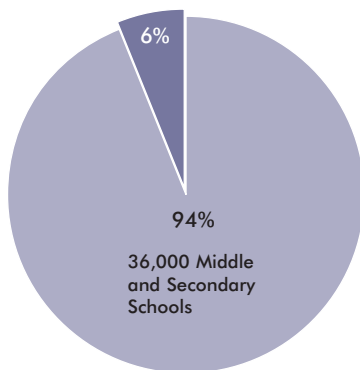
Decreasing Costs per Subscriber

It costs less each year to provide career information services to Bridges.com's subscribers. Production costs remain fairly stable, regardless of the number of subscribers. Only sales and service costs vary as the business grows. This trend is projected to continue, leading to even better operating efficiencies in 1999.



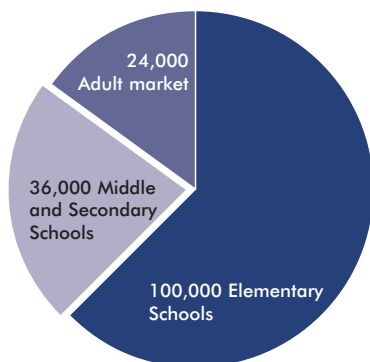
MARKET POTENTIAL

The untapped market before us is significant. Bridges.com's services have just begun to be recognized by North American middle and secondary schools. The Company also believes other institutional markets are ready for the high-quality online career information services that Bridges.com provides. We believe institutional markets outside of North America also offer great potential.



Market Share — Middle Schools/ Secondary Schools in North America

CX is relatively new to the middle and secondary school markets. The Company projects the number of sites subscribing to CX will double from 2,259 in 1998 to 4,500 in 1999, representing a growth in market penetration from six per cent to 12.5 per cent of the North American middle and secondary schools.



New Markets — North America

The elementary school market is interested in career-related resources that introduce children to self assessment, career research, decision making and planning. The adult market -- libraries, post-secondary institutions, employment centres, and adult learning centres -- also offers a sizeable opportunity. Bridges.com intends to develop resources that meet the career development needs of these additional markets in order to secure a broader business base.

MANAGEMENT'S **DISCUSSION & ANALYSIS**

Overview

Bridges.com is a leading provider of online career development information. The Company specializes in the continuous and customized publishing of proprietary content on the Internet.

The Company's flagship product is CX (Career Explorer). Schools purchase CX in one- or three-year subscriptions, receiving both online access and biannual CD-ROM copies. The selling of CX and the on-going customer service function are both performed "virtually," allowing for efficiencies in operations.

Bridges.com also contracts out its Internet publishing expertise in a constant endeavour to create self-sustaining partnerships between business, government and education. The Company's products and services are designed to expand and connect to the multitude of resources available in the career education marketplace, allowing for the creation of new opportunities.

The Company's largest potential market is the United States, representing 32,000 secondary schools. In addition, Bridges.com is already extending the focus of its Web publishing expertise into the adult market -- North America's 24,000 career centres, libraries and post-secondary institutions. The elementary school and home markets are also future considerations.

1998 Results of Operations

The Company generated income before taxes of \$886,500, representing a \$996,700 increase over losses of \$110,200 in fiscal 1997. Income before taxes of \$886,500 represents a 29 per cent profit margin on the strength of \$3,014,000 in revenue.

Well-designed products, effective in-house selling strategies, strong customer loyalty, and online distribution have enabled Bridges.com to produce these strong margins in 1998. The very same factors will enhance the Company's future performance through the increased leveraging of economies of scale.

Revenues increased to \$3,014,000 from \$1,308,000 in 1997, representing an increase of \$1,706,000 or 130 per cent. The increase is primarily attributable to:

- (1) aggressive expansion into the U.S. market
- (2) expansion of Bridges.com's in-house sales force
- (3) the increased number of secondary schools now wired to the Internet
- (4) increased government funding to school career-development programs

Costs of direct content production and delivery and general selling and administration increased to \$1,791,000 in 1998 from \$1,071,000 in 1997, representing an increase of \$720,000, or 67 per cent. The increase in operating expenses is attributable to: increased direct selling and content expenses relating to the 130 per cent increase in revenue over fiscal 1997; and preparations in both staffing and technical platforming in order to meet 1999's projected growth in subscribers.

The Company expenses all product development costs until feasibility is established, after which time such costs are capitalized until the product is available for general release. Capitalized product development costs are generally amortized using the straight-line method over three years. The Company also expenses all on-going development costs associated with existing products.

YEAR 2000

Bridges.com initiated internal Year 2000 risk reviews in 1998. The Company is heavily reliant on its own computer software, as well as that developed by others. Most software and hardware is upgraded continuously during any fiscal year and internal procedures ensure that all new software and hardware purchases are Y2K compliant.

The reprogramming or replacement of any affected software or hardware is expected to be complete by the summer of 1999. Testing and implementation of all systems is expected to be complete by the fall of 1999. Based on the results of a formal evaluation, it is not expected that the costs of becoming Year 2000 compliant will adversely affect the Company's operations or financial position.

However, while Management does not believe the Year 2000 issue represents significant risk to the Company, it is not possible to be certain that all aspects of the Year 2000 issue affecting the entity, including those related to the efforts of customers, suppliers or other third parties, will be fully resolved.

SELECTED FINANCIAL DATA

Balance Sheet

November 30	1998	1997	1996	1995	1994
Current assets	\$1,873,013	\$ 781,962	\$ 194,517	\$ 40,858	\$ 189,605
Capital assets	135,676	135,743	179,101	92,345	47,541
Deferred development costs	576,482	689,329	724,408	325,938	72,100
Total Assets	\$2,585,171	\$1,607,034	\$1,098,026	\$ 459,141	\$ 309,246
Current liabilities	\$ 82,664	\$ 173,172	\$ 88,465	\$ 194,840	\$ 55,757
Share capital	2,454,629	2,329,928	1,795,379	479,875	296,255
Retained earnings	47,878	(896,066)	(785,818)	(215,574)	(42,766)
Total Liabilities and Shareholders' Equity	\$2,585,171	\$1,607,034	\$1,098,026	\$ 459,141	\$ 309,246

Statement for Operations

For the Years ended November 30	1998	1997	1996	1995	1994
Revenues	\$3,014,145	\$1,308,036	\$336,339	\$189,951	\$ -
Expenses	1,790,920	1,070,822	763,009	326,649	42,766
Income (loss) from operations before amortization	1,223,225	237,214	(426,670)	(136,698)	(42,766)
Amortization of capital and development assets	354,150	348,272	169,250	36,110	-
Income (loss) from operations before other income	869,075	(111,058)	(595,920)	(172,808)	(42,766)
Interest income	17,426	810	25,676	-	-
Income (loss) before taxes	886,501	(110,248)	(570,244)	(172,808)	(42,766)
Realization of deferred income taxes	(57,443)	-	-	-	-
Net Income (loss) for the year	\$ 943,944	\$ (110,248)	\$(570,244)	\$(172,808)	\$(42,766)
Earnings per Share	\$0.11	\$(0.01)	\$(0.08)	\$(0.03)	\$(0.01)

THE BRIDGES INITIATIVES INC.

Balance Sheet

November 30

1998

1997

Assets

Current

Cash	\$ 1,167,421	\$ 276,890
Accounts receivable	568,475	293,859
Share subscriptions receivable	-	105,000
Deferred income taxes	57,443	-
Prepaid expenses	79,674	106,213

1,873,013 781,962

Capital assets (Note 1)

135,676 135,743

Deferred development costs (Note 2)

576,482 689,329

\$ 2,585,171 \$ 1,607,034

Liabilities and Shareholders' Equity

Current

Accounts payable and accrued liabilities	\$ 82,664	\$ 80,911
Deferred revenue	-	92,261

82,664 173,172

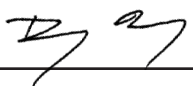
Shareholders' equity

Share capital (Note 3)	2,454,629	2,329,928
Retained earnings	47,878	(896,066)


2,502,507 1,433,862

\$ 2,585,171 \$ 1,607,034

On behalf of the Board:



Director



Director

The accompanying summary of significant policies and notes are an integral part of these financial statements.

THE BRIDGES INITIATIVES INC.

Statement of Operations

For the year ended November 30

	1998	1997
Revenue		
Online services	\$ 2,868,710	\$ 1,014,417
Other services	145,435	293,619
	3,014,145	1,308,036
Expenses		
Direct content and delivery	732,288	466,053
General selling and administrative	1,058,632	604,769
	1,790,920	1,070,822
Income from operations before amortization	1,223,225	237,214
Amortization of capital assets	45,329	57,418
Amortization of deferred development costs	308,821	290,854
Income (loss) from operations before other income	869,075	(111,058)
Interest income	17,426	810
Income (loss) before taxes	886,501	(110,248)
Income taxes		
Current	253,760	-
Deferred	127,585	-
	381,345	-
Utilization of loss carry overs	(311,203)	-
Realization of unrecorded deferred tax assets from prior periods	(127,585)	-
Realization of deferred income tax	(57,443)	-
Net income (loss) for the year	\$ 943,944	\$ (110,248)
Earnings per share	\$ 0.11	\$ (0.01)
Fully diluted earnings per share	\$ 0.10	N/A

Statement of Retained Earnings

For the year ended November 30

	1998	1997
Deficit, beginning of year	\$ (896,066)	\$ (785,818)
Net income (loss) for the year	943,944	(110,248)
Retained earnings, end of year	\$ 47,878	\$ (896,066)

The accompanying summary of significant policies and notes are an integral part of these financial statements.

THE BRIDGES INITIATIVES INC.

Statement of Changes in Financial Position

For the year ended November 30

1998

1997

Cash provided by (used in)

Operating activities

Net Income (loss) for the year	\$ 943,944	\$ (110,248)
Items not involving cash		
Amortization of capital assets	45,329	57,418
Amortization of deferred development costs	308,821	290,854
Deferred income taxes (recovery)	(57,443)	-

1,240,651 238,024

Changes in non-cash working capital

Accounts receivable	(274,616)	(294,196)
Prepays	26,539	1,315
Accounts payable and accrued liabilities	1,753	12,526
Deferred revenue	(92,261)	72,182

902,066 29,851

Investing activities

Purchase of capital assets	(45,263)	(14,060)
Expenditures on deferred development costs	(195,973)	(155,775)
Acquisition of intellectual property	-	(100,000)

(241,236) (269,835)

Financing activities

Issuance of common shares	124,701	534,549
Share subscriptions receivable	105,000	(105,000)

229,701 429,549

Increase in cash during the year

890,531 189,565

Cash, beginning of year

276,890 87,325

Cash, end of year	\$ 1,167,421	\$ 276,890
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The accompanying summary of significant policies and notes are an integral part of these financial statements.

THE BRIDGES INITIATIVES INC.

Summary of Significant Accounting Policies

November 30, 1998

Nature of Business	The Company was incorporated on March 10, 1994 under the Business Corporations Act of Alberta and was registered extra provincially in British Columbia on December 15, 1994. The Company's principal business activity is the marketing of a career information database available through the Internet and CD-ROM products.						
Use of Estimates	The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.						
Financial Instruments	The fair value of the Company's cash, accounts receivable, share subscriptions receivable and accounts payable approximate their carrying value due to the relatively short periods to maturity of these instruments. The maximum credit risk exposure for all financial assets is the carrying value of these assets.						
Capital Assets	<p>Capital assets are stated at cost. Amortization is provided using the following methods and annual rates:</p> <table> <tr> <td>Furniture and equipment</td> <td>- 20% diminishing balance basis</td> </tr> <tr> <td>Computer equipment</td> <td>- 30% diminishing balance basis</td> </tr> <tr> <td>Leasehold improvements</td> <td>- 20% straight line basis</td> </tr> </table> <p>Amortization is provided for at one-half of the above rates in the year of acquisition.</p>	Furniture and equipment	- 20% diminishing balance basis	Computer equipment	- 30% diminishing balance basis	Leasehold improvements	- 20% straight line basis
Furniture and equipment	- 20% diminishing balance basis						
Computer equipment	- 30% diminishing balance basis						
Leasehold improvements	- 20% straight line basis						
Deferred Development Costs	Deferred development costs are stated at cost less accumulated amortization. Deferred development costs include only costs directly related to the development of future products and the enhancement of the career information database, including the cost of intellectual property acquired. Costs are amortized on the straight-line basis over three years. Management performs a periodic assessment of the carrying value of deferred development costs and compares the unamortized balance to the projected revenues to be derived in future periods in an attempt to match as closely as possible, revenues with their related costs. Any impairment in the value of deferred development costs would be recognized in the accounts at the time of such determination.						
Earnings per Common Share	<p>Net income (loss) per common share has been computed by dividing income applicable to common shareholders by the weighted average number of shares of common stock outstanding during the respective years. Foreign Currency Translation Amounts denominated in foreign currencies have been translated into Canadian dollars as follows:</p> <ol style="list-style-type: none"> 1) Monetary assets and liabilities at the rate of exchange prevailing at the balance sheet date; and 2) Revenue and expenses at rates prevailing on the transaction date. Gains or losses on translation are included in earnings. 						
Revenue Recognition	In 1997 the company recognized substantially all proceeds received from online service contracts as revenue at the time access to the service commenced. During the year, management reviewed the requirement to provide future services for online service contracts and determined that no future services were required. Management therefore made the determination that all proceeds received should be recognized as revenue when the service commenced. This change has been accounted for as a change in an accounting estimate.						

THE BRIDGES INITIATIVES INC.

Notes to Financial Statements

November 30, 1998

1. Capital Assets

	1998		1997	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and equipment	\$ 65,376	\$ 26,215	\$ 51,823	\$ 18,119
Computer equipment	229,984	143,784	203,396	110,782
Leasehold improvements	23,714	13,399	18,593	9,168
	\$ 319,074	\$ 183,398	\$ 273,812	\$ 138,069
Net book value		\$ 135,676		\$ 135,743

2. Deferred Development Costs

	1998	1997
Balance, beginning of year	\$ 1,128,337	\$ 872,562
Costs deferred during the year	195,974	155,775
Acquisitions of intellectual property	-	100,000
	1,324,311	1,128,337
Accumulated amortization		
Balance, beginning of year	439,008	148,154
Amortization for the year	308,821	290,854
	747,829	439,008
	\$ 576,482	\$ 689,329

3. Share Capital

Authorized

Unlimited common shares without par value

Unlimited preferred shares without par value

Issued and outstanding

	Common shares			
	1998		1997	
	#	\$	#	\$
Balance, beginning of year	8,596,250	\$ 2,329,928	7,096,250	\$ 1,795,379
Private placements	-	-	1,250,000	434,549
Acquisition of intellectual property	-	-	250,000	100,000
Stock options exercised	41,000	16,701	-	-
Share warrants exercised	300,000	108,000	-	-
	8,937,250	\$ 2,454,629	8,596,250	\$ 2,329,928

THE BRIDGES INITIATIVES INC.

Notes to Financial Statements

November 30, 1998

3. Share Capital (continued)

Warrants

In 1997 the Company had 650,000 warrants outstanding to officers and directors. Each warrant entitles the holder to purchase one common share. During the year the Company issued 300,000 common shares upon exercise of warrants for proceeds of \$108,000. The outstanding warrants are as follows:

Number of warrants	Price per share	Expiry date
100,000	\$ 0.36	June 5, 1999
150,000	\$ 0.37	July 31, 1999
100,000	\$ 0.30	August 9, 1999

350,000

Escrow Shares

At November 30, 1998, 2,099,000 shares (1997- 2,938,600) were held in escrow subject to an order of the Alberta Stock Exchange. The Escrow Agreement provides that the Escrowed Shares be released to the Escrowed Shareholders as to 10% immediately after nine months following the final receipt of the prospectus and 20% immediately after the first, second, and third anniversaries of the initial release and as to 30% immediately after the fourth anniversary of the initial release. If either the Corporation or the Escrow Shareholders believe that an earlier release of a greater number of escrow securities is appropriate, an application may be made to the Alberta Securities Commission.

Stock Option Plan

The Company has reserved common shares pursuant to its stock option plan. The number of common shares of the Company reserved for options equals 10% of the issued and outstanding shares of the Company on a non-diluted basis, and such reservation shall increase or decrease as the number of issued and outstanding common shares of the Company changes. Options to purchase common shares under the plan may be granted to the board of directors, officers, employees and other key personnel of the Company.

The Company has options outstanding under this plan as follows:

November 30, 1998

Issued to	Outstanding Nov. 30, 1997	Issued	Exercised	Cancelled or Expired	Outstanding Nov. 30, 1998	Exercise price	Expiry date
Director and employees	358,000	-	10,000	20,000	328,000	\$0.46	Sept.30, 2000
Directors	25,000	-	-	-	25,000	\$0.46	Dec.20, 2000
Director and employees	194,000	-	16,000	8,600	169,400	\$0.40	Dec.23, 2001
Directors	-	-	-	-	-	\$0.46	Dec.20, 2000
Director and employees	222,600	-	15,000	-	207,600	\$0.38	Oct. 20, 2002
Director and employees	-	15,000	-	-	15,000	\$0.50	Aug.1, 2003
Director and employees	-	10,000	-	-	10,000	\$0.42	May 13, 2003
	799,600	25,000	41,000	28,600	755,000		

THE BRIDGES INITIATIVES INC.

Notes to Financial Statements

November 30, 1998

3. Share Capital (continued)

November 30, 1997

Issued to	Outstanding Nov. 30, 1996	Issued	Exercised	Cancelled or Expired	Outstanding Nov. 30, 1997	Exercise price	Expiry date
Director and employees	627,000	-	-	(627,000)	-	\$0.85	Sept.30, 2000
Directors	50,000	-	-	(50,000)	-	\$0.85	Dec.20, 2000
Director and employees	-	403,000	-	(45,000)	358,000	\$0.46	Sept.30, 2000
Directors	-	50,000	-	(25,000)	25,000	\$0.46	Dec.20, 2000
Director and employees	-	227,000	-	(33,000)	194,000	\$0.40	Dec.23, 2001
Consultant	-	40,000	-	(40,000)	-	\$0.30	May 1, 2003
Director and employees	-	222,600	-	-	222,600	\$0.38	Oct.20, 2002
	677,000	942,600	-	(820,000)	799,600		

4. Income Taxes

The effective rate of income tax varies from the statutory rate as follows:

November 30	1998
Combined tax rates	45%
Expected income tax provision at statutory rate	398,925
Realization of unrecorded deferred tax	
Assets from prior years	(131,033)
Other permanent differences	(17,580)
Utilization of loss carry forward	(307,755)
Actual income tax provision	(57,443)

Subject to confirmation by income tax authorities, the Company has the following approximate undeducted tax pools:

November 30	1998	1997
Non-capital losses carried forward for tax purposes available until 2004	\$ 127,652	\$ 683,900
Financing costs deductible for tax purposes in future years	84,722	127,083
Amounts deducted for accounting in excess of those deducted for tax purposes	-	291,124
Total amounts available to reduce future taxable income	\$ 212,374	\$ 1,102,107

As at November 30, 1998, the Company had loss carry forwards of \$127,652 available to reduce future years income for tax purposes. The tax effect of the loss carry overs has been recorded in the accounts.

THE BRIDGES INITIATIVES INC.

Notes to Financial Statements

November 30, 1998

5. Related Party Transactions

In 1997, the Company issued 250,000 common shares to a corporation controlled by a related party in exchange for the elimination of all revenue-based payments contemplated in an earlier agreement. The Company issued 1,250,000 common shares for proceeds of \$434,549 to officers of the Company under private placements in 1997, of which \$105,000 was receivable from the president at November 30, 1997.

6. Contingencies

The Company rents its premises, computer equipment, vehicles and office equipment under operating leases with various expiry dates to November 30, 2000. The annual rent payable in each of the next three years under these leases is as follows:

1998 - \$68,288 1999 - \$49,283 2000 - \$27,725

7. Comparative Figures

Certain of the 1997 comparative figures have been reclassified to conform with the financial statement presentation adopted in 1998.

8. Segmented Information

Management has determined that the Company operates in one dominant industry segment which is the marketing of a career information database which is available through the Internet and CD-ROM products. All of the Company's operations, assets and employees are located in Canada. Export sales to the United States amounted to \$1,953,507 in 1998 (1997, \$593,472).


9. Uncertainty Due to the Year 2000 Issue

The year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the year 2000 issue may be experienced before, on, or after January 1, 2000.

If the year 2000 issue is not addressed by the Company and its major customers, suppliers and other third party business associates, the impact on the Company's operations and financial reporting may range from minor errors to significant systems failure which could affect the Company's ability to conduct normal business operations. It is not possible to be certain that all aspects of the year 2000 issue affecting the Company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

MANAGEMENT'S REPORT

The financial statements are the responsibility of the management of The Bridges Initiatives Inc. They have been prepared in accordance with generally accepted accounting principles using management's best estimates and judgements, where appropriate. Management is responsible for the reliability and integrity of the financial statements, the notes to the financial statements, and other financial information contained in this report. In the preparation of these statements, estimates are sometimes necessary because a precise determination of certain assets and liabilities is dependent on future events. Management believes such estimates have been based on careful judgements and have been properly reflected in the accompanying financial statements. Management is also responsible for maintaining a system of internal control designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable financial information. BDO Dunwoody, the independent auditors appointed by the shareholders, have audited the Company's financial statements in accordance with generally accepted auditing standards and their report follows.



Doug Manning
Chairman and Chief Executive Officer
Kelowna, British Columbia



Norman Thompson, CGA
Chief Financial Officer
Kelowna, British Columbia

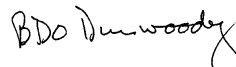
AUDITORS' REPORT

TO THE SHAREHOLDERS OF
The Bridges Initiatives Inc.

We have audited the balance sheet of The Bridges Initiatives Inc. as at November 30, 1998 and the statement of operations, retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at November 30, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. The comparative figures for the prior year were audited by another firm of chartered accountants who rendered an unqualified opinion in their report dated December 23, 1997.



Chartered Accountants
Kelowna, British Columbia
December 18, 1998

CORPORATE **INFORMATION**

Officers & Directors

Doug Manning - Chairman and Chief Executive Officer

Dave Cousins - Director and Secretary

Ed Hall - Director

Frank Bowers - President

Louise Logie-Verkerk - Vice President of Publishing

Mike Martin - Vice President of Sales and Marketing

Norman Thompson - Vice President of Finance

Company Office

The Bridges Initiatives Inc.

7B - 1404 Hunter Court

Kelowna, British Columbia

V1X 6E6 Canada

Telephone: 250-862-8722

Fax: 250-862-8771

E-mail: info@bridges.com

Investor E-mail: investor-relations@bridges.com

Registrar and Transfer Agent

CIBC Mellon Trust Company

600 The Dome Tower

333-7th Avenue S.W.

Calgary, Alberta

T2P 2Z1 Canada

Auditors

BDO Dunwoody

Chartered Accountants

620 Leon Avenue

Kelowna, British Columbia

V1Y 9T2 Canada

Stock Exchange Listing

The Alberta Stock Exchange

Trading Symbol: BIT

Annual General Meeting

April 7, 1999

4 pm - 6 pm

The Grand Okanagan Resort

1310 Water Street

Kelowna, British Columbia