



Interim Report

for the three months ending
September 30, 2004

CEO'S MESSAGE

To Our Shareholders:

I am pleased to report to you for the three months ending September 30, 2004.

The first quarter of 2005 is the final reporting period for the Company's planned two-year restructuring that began in November 2002. During these two years, expenses have been reduced, business processes were improved, our products were re-engineered and our Company was renamed. With restructuring largely complete, we have now turned our attention to the implementation of a new strategic growth plan – a plan designed to broaden and deepen our relationships with education customers in both the United States and Canada and to develop new sources of revenue.

Bridges strategic plan has tactical elements to accomplish the following:

- **Maintaining Market Share** – Bridges' counselling and planning products are used at more than 13,000 sites in the United States and Canada inclusive of approximately 30% of North American high schools. It is strategically vital that we maintain or grow our market presence and accordingly, we have developed product and marketing plans to reduce customer attrition and encourage sales to new customers.
- **Deepening Customer Relationships** – Education customers have a long and trusted relationship with Bridges. They also have new needs for products and services to help them improve their levels of service and accountability. We are ideally positioned to bring new, high quality products and services to our customers and have specific plans to do so.
- **Developing New Sources of Revenue** – We believe that Bridges' relationships with transitioning students will be of growing interest to colleges and employers alike. Within our strategy is the plan to develop new sources of revenue from, or in conjunction with, partners that participate in the workforce development and college admission services markets.

Our strategic plan will not yield instant results. Instead, the implementation of our plan will broaden our base of revenue and, as we gain success, produce a stronger, more diverse and financially stable Company over the forthcoming years. Implementation of our strategic plan for growth began in the first quarter as evidenced by the following:

During the quarter our reported revenues grew by approximately 10% based on subscription invoices generated over the past year mostly for our counselling and planning products. This growth rate appears larger than reality as a result of changes in revenue recognition policies affecting the prior period and should be regarded with caution. Generally, our business activities, adjusted for timing differences, are approximate to our fiscal 2004 levels. While we are concerned about revenue growth rates, it is fundamental to our strategic plan to maintain market share. Accordingly, we began a series of pricing reforms during the quarter that will result in lower prices for almost all of our traditional products. This is likely to result in lower near term revenues from this group of products but will help us to secure and grow our market share over the longer term.

While we reform pricing across our traditional product lines, significant work is being undertaken to broaden our offerings to our education customers. Our newly launched Professional Services Division made great strides in the first quarter. Professional Services is producing a broad array of consultancy, training and program development services under the direction of our president, Doug Manning. The provision of these services has the potential to provide significant growth in the future and, in keeping with our strategic plan, we will add sales and marketing emphasis to Professional Services over the coming quarters.

A relatively new product offering for Bridges is our line of test preparation products re-launched under our Bridges' testGEAR™ brand at the beginning of the quarter. testGEAR™ product sales are beginning to gather more customer interest and we remain highly optimistic about the potential for this product line and its ability to help us to meet aspects of our strategic plan.

Our financial performance during the first quarter was within expectations. Overall costs increased in the first quarter of 2005 by just over \$250,000 as compared to Fiscal 2004. These increased costs are the result of the development of our new Choices Planner product, increased marketing and branding of our testGEAR™ test preparation products, costs associated with the development of our Professional Services Division as well as costs that must now be recorded for stock option and stock appreciation rights expense. Some of these operating costs will reduce over future quarters but the reductions will not be dramatic.

On a comparative basis, our 2005 first quarter EBITDA* was modestly improved over 2004. Unfortunately, currency exchange losses in the quarter were more than our EBITDA*, which resulted in an overall loss. Exchange rates remain a significant concern and could have a continuing effect on profitability. That being said, we do not expect that future or forecasted exchange rates would cause us to deviate from our strategic plan as our balance sheet is, and should remain, strong.

We are fully committed to our strategic plan and we are implementing on schedule. As we do so, we remain mindful of the support of our shareholders.

On behalf of the Board of Directors

"John Simmons"

John C. Simmons
Chief Executive Officer, Director

Management's Discussion & Analysis

Certain statements in this report may constitute forward-looking statements. Such forward looking statements involve risks, uncertainties and other factors which may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. The following discussion and analysis should be read in conjunction with the Company's consolidated financial statements and notes thereto for the period ended September 30, 2004. These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Comparative data from the June 30, 2004 financial statements were audited.

OVERVIEW

Bridges develops, markets and delivers career information database products and services through the Internet and on CD-ROM. These annual subscription resources are designed to assist individuals to achieve education and career success. Approximately 3,500 customers throughout most states and provinces in the U.S. and Canada purchase Bridges' product solutions. These purchases provide Bridges' products to over 13,900 schools, colleges and government agencies – making it North America's leading provider of such resources to institutions and individuals in the career services marketplace. These customers are supported by a sales and service staff distributed across both countries, and by an office in Kelowna, B.C. A telephone-based sales force and customer service call centre are located in Kelowna. During the quarter, Company staff moved to modern new premises.

The Company strategy is to continue to support school guidance counsellors and career management counsellors by providing user-relevant, engaging, time leveraging products. The Company will also seek to develop or acquire new products and services to comply with current and emerging educational trends and that relate to higher level funding sources. The Company believes that it maintains a competitive advantage by offering products as both a CD-ROM and on an Internet delivered platform. CD-ROM products are updated annually and Internet-based products are constantly refreshed and updated. During the quarter the Company successfully moved its Internet-based products to a web hosting service.

The Company's products are used in high schools, middle schools, elementary schools, "one stop" employment centres, two and four-year post-secondary educational institutions as well as prisons, libraries and other markets where career and educational planning is done. The buyer is either the school, institution or business, or may be a school district, province or state, which purchases for multiple sites. Funds for purchasing the Company's products generally come from discretionary spending funds and, as such, initial spending and resubscription funding is subject to a periodic buying decision review by the customer. Often, funding is provided by senior levels of a state or by the federal government. Such funding can be for specific programs suited to the Company's products, or may be for general operating funds. In times of decreased funding or when senior government spending programs are reduced, the Company experiences more challenging market conditions.

The Company employs a sales staff at the Kelowna offices to contact prospective customers and also attend conferences and venues which prospects attend. Additionally, the Company has regionally based sales staff distributed throughout the markets. These staff are titled Regional Sales Managers and have defined market territories within North America. They sell to and support new and existing customers, provide product training, and demonstrate product use to prospective customers. Kelowna based administrative sales staff and customer support staff are used to contact existing customers regarding their annual resubscription.

Selected Key Financial Data

The following is key financial information:

	Quarter ended September 30, 2004	Quarter ended September 30, 2003
Revenue	\$3,239,567	\$2,898,667
Net loss	(\$260,601)	(\$413,394)
Loss per share	(\$0.02)	(\$0.03)
Total assets	\$11,177,712	\$14,806,508
Long-term debt	\$861,885	\$1,080,000
Cash	\$4,128,359	\$4,458,708
Staff Count	93	100

Summary of Quarterly Results:

	Sep 2004	Jun 2004	Mar 2004	Dec 2003	Sep 2003	Jun 2003	Mar 2003	Dec 2002
Revenue	\$3,239,567	\$3,622,446	\$3,743,051	\$3,634,791	\$2,898,667	\$2,063,338	\$2,023,241	\$4,717,986
Net (loss) earnings	(\$260,601)	(\$3,923,824)	\$678,233	\$160,179	(\$413,394)	(\$2,798,862)	(\$1,688,526)	(\$6,119,910)
(Loss) earnings per share	(\$0.02)	(\$0.32)	\$0.06	\$0.01	(\$0.03)	(\$0.17)	(\$0.14)	(\$0.50)
Total assets	\$11,177,712	\$11,811,510	\$12,515,094	\$13,928,729	\$14,806,508	\$13,304,286	\$13,889,711	\$15,763,908
Long-term debt	\$861,885	\$1,003,000	\$936,000	\$1,008,000	\$1,080,000	\$1,080,000	\$1,128,000	\$0
Cash	\$4,128,359	\$4,250,069	\$5,403,097	\$5,723,417	\$4,458,708	\$2,416,227	\$3,758,270	\$4,134,376

The Company has not declared or paid a cash dividend since founded.

KEY ACCOUNTING POLICIES:

Revenue recognition

Revenue from all products is billed and due at the event of initial product delivery, or initial subscription start date for those products sold with an annual site licence. Subscription revenue has represented more than 90% of billings in past periods and this sales mix is expected to continue. Most subscriptions are for a one year term, and consequently revenue for the Company is recognized ratably over twelve months. Consequently the Company records substantial deferred revenue. Deferred revenue will vary during the year depending on the value of early renewed or pre-sold subscriptions, and with the seasonality of billings. The Company experiences very few subscription cancellations or refunds. Revenue from CD only products and Professional Development training is recognized at the time of delivery. During 2004 and the current quarter such revenue is minor.

Tax Assets

The Company has incurred substantial tax operating losses since our inception. In addition, the Company has certain tax assets that may be used to reduce taxable income. Management's assessment is based on its best estimate of taxable income and its assessment of being more likely than not of realization. Judgments in the timing and potential use of such assets are made on the best information available and are reassessed periodically. In light of historical operating results, the Company has not recorded a future tax asset due to the uncertainty surrounding future income.

Stock Based Compensation

Commencing December 1, 2002, the Company has adopted the new recommendations of the CICA for stock-based compensation. The new recommendations require that a fair value be determined for options at the date of grant and that such fair value be recognized in the financial statements. Management's best estimates of fair value are subjective and will impact operating results. During the quarter ended September 30, 2004, the Company recorded \$8,960 as an expense in the financial statements for such costs.

TRENDS

Historically, the Company derives about 90% of revenue from customers in the United States, a trend expected to continue.

Under the Company's current business model, the predominant revenue source is licence resubscriptions by existing customers. Additionally, the Company has sales to new customers. In 2003 and 2004 the installed site resubscription rate was steady in the 81% to 84% range. This trend has continued in the first quarter of 2004.

During fiscal 2004 year the Company introduced a third party line of high stakes test preparation products. Initial marketing and sales plans were launched, and sales during the year were modest. During the quarter the products were re-branded under the testGEAR brand and sales activity, while substantially increased as compared to 2003, remains relatively modest as compared to our planning products. Sales of test prep products carry similar profit margins to career planning products developed by the Company. Given the annual budget and spending cycle characteristic of customers, the Company expects steady sales growth for such test prep products.

During the year the company commenced sales and service activity to prepare and deliver professional development courseware for teachers. Design and course development for the products was done in 2003. During the quarter the Company began to engage training staff on a contract basis to deliver such services for fees. The company expects to grow this service revenue and underpin licensed subscription product sales from the relationships developed.

The company believes that funding will continue to be a challenge to be faced, but in some geographic segments the market is improved and more funding is apparent.

Staff numbers have dropped from a maximum of 175 in 2002 to approximately 93 now. Despite this drop in staff, improved business processes and outsourcing of certain activities has allowed the Company to host higher service volumes and provide improved customer service. Capital spending has reduced year over year and the Company expects capital spending below depreciation rates in the future.

2004 RESTRUCTURING

During the last quarter of 2004 the Company decided to restructure its sales and IT business processes.

The Company abandoned and impaired assets with a carrying value of \$3,289,758 and recorded this as a non-cash restructuring cost. Staff termination expenses of \$754,726 were also recorded. During the quarter the Company continued to carry out the restructuring activities initiated during the final quarter of fiscal 2004. Staff moved to new premises with entirely new desktop equipment, the sales staff was reorganized into Regional Manager positions, trainers were screened and engaged and initial product training was carried out. An information technology hosting service was successfully installed and a new web based Choices Planner product was launched on this service. The Company continues the restructuring implementation and cash expenses will be paid primarily over the next quarter. It is estimated this restructuring will save the Company \$925,000 in annual operating costs.

RESULTS OF OPERATIONS

	September 30, 2004 (Unaudited)	September 30, 2003 (Unaudited)	Variance	Percent Change
Invoicing	\$4,420,025	\$5,803,742	(\$1,383,717)	(23.8%)
Revenue	\$3,239,567	\$2,898,667	\$340,900	11.8%
Cost of goods sold	\$1,250,975	\$1,259,334	\$8,359	0.7%
Overheads	\$1,841,893	\$1,616,279	(\$225,614)	(14.0%)
EBITDA (1)	\$146,699	\$ 23,054	\$123,645	536%

(1) EBITDA – Earnings before Amortization, Foreign Currency Exchange and Other Loss, and Income Taxes. The term EBITDA does not have a standardized meaning prescribed by Canadian generally accepted accounting principles and therefore may not be comparable to similarly titled measures presented by other companies. EBITDA should not be construed as the equivalent of net cashflows from operating activities. The Company considers EBITDA to be a useful measure in assessing ongoing performance.

The Company has a billing pattern which records about 60% of annual invoicing between June 1 and November 30. During June 2004, the Company was very successful with a resubscription promotion. This pulled ahead billings for clients that in the previous year had renewed subscriptions in the first quarter of fiscal 2004. This, along with the foreign exchange impact of a falling US dollar and a decrease in funding available to our customers, resulted in billings for the quarter falling from \$5,803,742 in 2003 to \$4,420,025. Recognized revenue for the quarter rose from \$2,898,667 to \$3,239,567, reflecting the impact of our ratable revenue recognition policy applying to all products except for training and sales of CD only products. The drop in the US dollar is impacting our billings value. The conversion rate dropped from \$1.38 during the first quarter of Fiscal Year 2004 to \$1.33 during the first quarter of Fiscal Year 2005 and accounts for 13% of this year over year invoicing decrease. Due to increased sales activity and the sales promotion referred to above, early renewals as at June 30, 2004 exceeded early renewals as at June 30, 2003 by approximately \$1,055,000.

Cost of Revenue and Gross Margin

The expense cycle is fairly constant on a month to month basis. During the quarter, cost of revenue was relatively flat at \$1,250,975 as compared to \$1,259,334 for the same quarter in Fiscal Year 2004. As a percentage of revenue, cost of revenue decreased to 39% during the quarter compared to 43% for the same quarter in Fiscal Year 2004 largely due to the increase in revenue as a result of more revenue being recognized from previously deferred revenue. Costs of revenue consist primarily of salaries and other personnel-related expenses for technical and product development related staff as well as material and shipping costs and deferred product expenses.

Sales and Marketing

Sales and marketing expense increased by 10% to \$1,229,820 for the quarter compared to \$1,118,915 for the same quarter in Fiscal Year 2004. This increase is largely due to increased marketing and branding of the Company's testGEAR test preparation products.

Sales and marketing expense includes salaries, commissions and other personnel-related costs, travel expenses, advertising programs and other promotional activities associated with selling and marketing the Company's products. Also included are all salaries and other personnel related costs for customer support. In addition, the costs of trade shows, advertising and marketing are included.

Research and Development

Research and development expense increased by 37% to \$93,071 for the quarter compared to \$67,697 for the same quarter in Fiscal Year 2004. This increase is primarily due to the launch of the Company's Professional Services division which is producing a broad array of consultancy, training and program development services.

Research and development expense consists primarily of salaries and other personnel-related costs of professional services personnel and technical personnel associated with the Company's research and product development activities. The Company classifies software engineering and product development expenses related to creating entirely new products as research and development. The costs of maintaining or further developing existing products is classified as cost of revenue. During the quarter research and product development activities were minimal and expenses have been grouped with the Professional Services expenses.

The Company continued to apply its policy whereby research and development costs are expensed as incurred, unless they meet certain criteria under generally accepted accounting principles for deferral and amortization. The Company has determined that none of the research and development costs met those criteria.

Management expects little further expense in research and development expenses as the primary focus is on improving existing products and selling products developed and maintained by 3rd parties.

General and Administration

General and administrative expense increased 21% to \$519,002 for the quarter compared to \$429,667 for the same quarter in Fiscal Year 2004. This increase reflects increased accruals for stock based compensation and stock appreciation rights bonuses.

General and administrative expense consists primarily of salaries and other personnel-related costs of administrative personnel, as well as professional fees and other administrative expenses.

The level of costs of revenue and overheads are expected to remain stable over the forthcoming quarters in fiscal 2005.

Product Upgrade and Web Host Service

In the quarter the company launched the next generation planning product – Choices Planner, and continues to upgrade this and other key products. Management believes that product enhancements, delivered over the new web hosting service, are being enthusiastically accepted by clients, and expects to continue the client migration to the web version for delivery of services to students and other users. During the next quarter more features will be launched. Subscriptions for these new products continue to be billed at the outset of the subscription with revenue recognized ratably over the subscription period. Invoicing and cash flow will not be impacted by the transition to next generation products and the web host service.

Amortization

Amortization of property and equipment decreased by 55% to \$182,065 for the quarter ended September 30, 2004, from \$400,803 for the quarter ended September 30, 2003. The decrease in amortization is the result of the write down of the capital infrastructure.

Other Income

Interest Income

Interest income increased marginally during the quarter to \$17,815.

Foreign Currency

A significant portion of the Company's revenue is received in U.S. dollars and a substantial portion of the Company's expenses are incurred in Canadian dollars. As a result, a change in the value of the Canadian dollar relative to the U.S. dollar can materially affect the Company's operating results.

The Company currently experiences approximately a 52-day lag between the billing date and subsequent collection of accounts receivable. At each balance sheet date, the Company revalues cash, accounts receivable and accounts payable denominated in U.S. funds to current rates. A non-cash currency translation gain or loss may be recognized.

The Company has an independent treasury service on annual retainer to provide advice and currency trading services and to place surplus funds on deposit at optimal rates. The Company maintains a cash reserve in U.S. dollars adequate to meet orderly payment of U.S. funds disbursement needs, and converts the balance of surplus U.S. funds to Canadian funds. During periods that a predominant trend of an appreciating Canadian dollar seems apparent, the Company may commit to forward foreign exchange sales contracts to sell U.S. funds to reduce its exposure to the foreign exchange fluctuations.

Foreign currency translation gains and losses arising from normal business operations are credited to or charged to other income in the period incurred. As a result, fluctuations in the value of the Canadian dollar relative to the U.S. dollar have caused and will continue to cause currency translation gains and losses.

Foreign exchange losses of \$245,101 have been recognized in the quarter ended September 30, 2004. The majority of the losses have arisen on transactions denominated in U.S. dollars which are revalued as at each reporting date. Accordingly the Company will recognize foreign exchange losses in times of a strengthening Canadian dollar, and conversely, exchange gains will be recorded when the Canadian dollar decreases in value. Also, when the aggregate settlement value of hedging contracts exceeds spot rates gains are recorded. The Company estimates that a 1 cent increase (decline) in the Canadian dollar relative to the U.S. dollar would decrease (increase) revenue and net earnings by \$100,000 based on annualized billings. As at September 30, 2004 the company had \$300,000 in forward U.S. dollar sales contracts with a settlement value \$30,510 favourable to spot rates.

Income Taxes

At September 30, 2004, the Company had a substantial tax loss carry forward and significant tax depreciation to shelter future profits. A tax provision of \$1,762 was recorded for the quarter ended September 30, 2004, reflecting U.S. income taxes payable generally related to alternative minimum tax.

LIQUIDITY AND CAPITAL RESOURCES

Since its inception the Company has financed its operations through the combination of a series of private and public sales of equity securities and cash generated by operations. The Company ended the quarter with cash and cash equivalents of \$4,128,359, not materially different than the June 30, 2004 balance of \$4,250,069.

During the quarter ended September 30, 2004, the Company increased cash from operating activities of \$169,692 which compares unfavourably to \$2,084,780 for the quarter ended September 30, 2003. This decrease in the generation of cash can be mainly attributed to the decrease in invoiced revenue compared to the same quarter last year as well as the payment of accrued liabilities and accounts payable from year end.

Cash balances are held in general operating bank accounts, and cash equivalents are held in highly liquid investments including money market accounts, treasury bills, and commercial paper. The Company closely monitors its credit risk on its deposits and short-term investments.

On August 12, 2004, the Company established an operating line of credit with a Canadian chartered bank of up to a maximum borrowing amount of \$1.0 million secured by a first charge and general security agreement over all assets. At September 30, 2004, no funds had been drawn on this facility.

Generally accepted accounting principles require that the Company report Deferred Revenue as a current liability. The amounts booked reflect the billing value of subscriptions, and not the cost of fulfilling the subscription. Over the subscription period Deferred

Revenue will be recognized ratably as revenue. The Company experiences few refunds for cancelled subscriptions. As such, there is no cash liability to this amount.

Current Liabilities excluding Deferred Revenue amount to \$2,239,455, which compare favourably to Current Assets of \$8,540,756.

The Company expects that existing cash balances, cash generated by the Company's operations, and funds available under the Company's credit facility will be sufficient to finance any budgetary requirements for internal growth, to meet any foreseeable working capital and capital expenditure requirements and to fund share repurchases through a Normal Course Issuer Bid over the next twelve months.

CONTRACTUAL OBLIGATIONS

The Company has entered into certain outsourcing and third party technology licencing arrangements. In addition, the Company is obligated to certain payments under equipment leases and long term debt. As at June 30, 2004, minimum commitments under these arrangements for future years are anticipated to be as follows:

		Less than 1 year	1-3 years	4-5 years
	Total			
Long-term debt	\$ 861,885	\$ 248,601	\$ 563,144	\$ 50,140
Lease obligations	1,084,819	234,419	723,525	126,875
Outsourcing technical	2,272,995	911,115	1,361,880	0
Total	\$4,219,699	\$1,394,135	\$2,648,549	\$177,015

Long-term debt does not include interest.

NORMAL COURSE ISSUER BID AND CHANGES TO STOCK OPTIONS

On August 25, 2004, the Company renewed a normal course issuer bid. Under the terms of the bid, the Company may, during the 12-month period beginning August 26, 2004 and ending August 27, 2005, purchase on the Toronto Stock Exchange up to a maximum of 625,638 common shares in total. The actual number of common shares which may be purchased and the timing of any such purchases will be determined by the Company. The Company intends to cancel any common shares acquired under the bid. As at September 30, 2004, 75,100 shares have been purchased, of which 19,500 have been cancelled.

OFF BALANCE SHEET ARRANGEMENTS AND ACCOUNTING POLICY ADOPTIONS

In the event the Company receives benefit from certain tax assets, the Company may be obligated to pay up to \$230,000 under certain contingent fee arrangements. The Company does not currently record such deferred tax assets or investment tax credits, and will not do so until a sustained profit trend is apparent. The Company has no other material off balance sheet arrangements.

RELATED PARTY TRANSACTIONS

During the quarter ended September 30, 2004, the Company paid \$119,662 (three months ended September 30, 2004 - \$107,730) in consulting fees to a company controlled by the CEO who is also a director of Bridges. These fees are paid as compensation for duties performed as CEO and director of Bridges, and each of these two periods includes a performance bonus accrued during, and relating to, the previous fiscal year. The Company has no related party transactions, excepting the company pays \$6,000 per annum in rent for Vancouver office premises leased by a supplier with a Director in common.

FORWARD LOOKING STATEMENTS

Certain statements contained in this Interim Report, including statements, which may contain words such as "could", "expect", "believe", "will" and similar expressions, and statements relating to matters that are not historical facts are forward-looking statements. Such forward-looking statements involve known and unknown risks and uncertainties which may cause the actual results, performances or achievements of Bridges to be materially different from any future results, performances or achievements expressed or implied by such forward-looking statements.

These forward-looking statements are affected by, among other things, plans and timing for the introduction or enhancement to the Corporation's services and products; customer demand for its products and services; expectations concerning future revenue and earnings; general economic and business conditions; control of costs and expenses; loss of key employees; stock market volatility; changes in laws and regulations; Bridges' ability to compete successfully and adapt to technological advances and changing industry standards; currency exchange rate fluctuations; economic, political, and other risks associated with national and international sales and operations; Canadian and U.S. government regulations; price and product competition; the ability to implement in a timely manner the Corporation's restructuring plans; the ability to form and implement alliances; and other factors and risks.

All forward-looking statements in this Interim Report are based on management's reasonable beliefs, intentions, and expectations with respect to future events and are subject to certain risks, uncertainties, and assumptions as of the date hereof. Readers are cautioned not to put undue reliance on such forward-looking statements which are not a guarantee of future performance and are subject to a number of risks, uncertainties and other factors -- many of which are outside of Bridges' control -- that could cause actual results, performances or achievements of Bridges to differ materially from any future results, performances or achievements expressed or implied by such forward-looking statements. The Corporation cannot give assurance that the forward-looking statements contained herein will be realized. Bridges assumes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Financial Statements & Notes

BRIDGES TRANSITIONS INC.
Consolidated Interim
Balance Sheets (Unaudited)

	September 30	June 30
	2004	2004
ASSETS		
Current		
Cash and cash equivalents	\$ 4,128,359	\$ 4,250,069
Accounts receivable	3,110,033	3,549,827
Prepaid expenses and other	894,108	501,146
Deferred costs	408,256	647,083
	8,540,756	8,948,125
Restricted cash	200,000	200,000
Property and equipment	2,436,956	2,663,385
	\$ 11,177,712	\$ 11,811,510
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 1,542,090	\$ 2,613,384
Accrued restructuring charge (Note 2)	364,543	511,012
Current portion of long-term debt	332,822	340,800
Deferred revenue (Note 6)	8,721,305	7,540,847
	10,960,760	11,006,043
Long-term debt	529,063	662,200
	11,489,823	11,668,243
(DEFICIENCY IN ASSETS) SHAREHOLDERS' EQUITY		
Common stock (Note 3 (a))	17,464,374	17,690,721
Contributed surplus (Note 3 (b))	107,703	85,584
Deficit	(17,884,188)	(17,633,038)
	(312,111)	143,267
	\$ 11,177,712	\$ 11,811,510

Financial Statements & Notes

BRIDGES TRANSITIONS INC.

Consolidated Interim

Statements of Operations and Deficit (Unaudited)

	Three months ending September 30 2004	Three months ending September 30 2003
REVENUE	\$ 3,239,567	\$ 2,898,667
COSTS OF REVENUE	1,250,975	1,259,334
GROSS MARGIN	1,988,592	1,639,333
EXPENSES		
Sales and marketing	1,229,820	1,118,915
Research and development	93,071	67,697
General and administrative	519,002	429,667
	1,841,893	1,616,279
EARNINGS BEFORE AMORTIZATION, FOREIGN CURRENCY EXCHANGE AND OTHER LOSS, AND INCOME TAXES	146,699	23,054
Amortization of property and equipment	(182,065)	(400,803)
Foreign currency exchange and other loss	(223,473)	(35,645)
LOSS BEFORE INCOME TAXES	(258,839)	(413,394)
Income tax expense	1,762	-
NET LOSS FOR THE PERIOD	(260,601)	(413,394)
DEFICIT, BEGINNING OF PERIOD	(17,633,038)	(14,171,932)
Interest on shareholder loans	9,451	9,451
DEFICIT, END OF PERIOD	\$ (17,884,188)	\$ (14,575,875)
Basic loss per share	\$ (0.02)	\$ (0.03)
Weighted average number of shares used to calculate loss per share	12,143,829	12,175,260

BRIDGES TRANSITIONS INC.*Consolidated Interim***Statements of Cash Flows (Unaudited)**

	Three months ending September 30	Three months ending September 30
	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (260,601)	\$ (413,394)
Items not affecting cash		
Amortization of property and equipment	182,065	400,803
Non-cash portion of restructuring charge (Note 2)	-	31,908
Stock-based compensation	8,960	-
	(69,576)	19,317
Changes in operating assets and liabilities:		
Accounts receivable	439,794	182,591
Prepaid expenses and other	(392,962)	(32,920)
Deferred costs	238,827	-
Accounts payable and accrued liabilities	(1,080,378)	(572,846)
Deferred revenue	1,180,457	2,905,075
Accrued restructuring charge	(146,470)	(416,437)
	169,692	2,084,780
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment, net of related accounts payable	(15,666)	(27,927)
Proceeds on sale of property and equipment	-	8,500
	(15,666)	(19,427)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common shares on exercise of stock options	1,404	65
Shares purchased for cancellation	(84,890)	(15,925)
Shares purchased and cancelled	(129,701)	(16,463)
Interest on shareholder loans	9,451	9,451
Repayment of obligations under long-term debt	(72,000)	-
	(275,736)	(22,872)
NET CASH (OUTFLOW) INFLOW DURING THE PERIOD	(121,710)	2,042,481
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	4,250,069	2,416,227
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 4,128,359	\$ 4,458,708
Supplemental Cash Flow Disclosure:		
Interest earned	\$ 17,815	\$ 16,142
Interest paid	\$ 11,471	\$ 20,415
Income taxes paid	\$ 52,946	\$ -

1. BASIS OF PRESENTATION

The unaudited consolidated balance sheets, consolidated statements of operations and deficit and consolidated statements of cash flows have been prepared in accordance with GAAP for interim financial statements. These interim financial statements follow the same accounting policies and methods of applications as the most recent audited financial statements dated June 30, 2004. These financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's annual report for the year ended June 30, 2004. In the opinion of management, all adjustments (consisting primarily of normal recurring adjustments) considered necessary for a fair presentation of the financial position, results of operations and cash flows as at September 30, 2004 and for all periods presented, have been included.

2. RESTRUCTURING CHARGE

2004 Restructuring

During the first quarter of fiscal year 2005, the Company paid \$146,469 in connection with its decision to re-structure the sales department and outsource the delivery of its internet services to a specialty internet service center. The balance of accrued restructuring charge of \$364,543 at September 30, 2004, is expected to be substantially paid out through the next three months of fiscal 2005.

Restructuring Activities	Accrued Restructuring as at June 30, 2004	Drawdowns		Accrued Restructuring as at September 30, 2004
		Cash	Non-cash	
		\$ 511,012	\$ 146,469	
	\$ 511,012	\$ 146,469	\$ -	\$ 364,543

3. SHARE CAPITAL

(a) Common shares issued and outstanding

	Three months ended September 30, 2004		Twelve months ended June 30, 2004	
	Shares	Amount	Shares	Amount
	Balance, beginning of period	12,940,003	\$ 18,440,621	13,054,103
Shares repurchased and cancelled	(94,900)	(142,861)	(106,500)	(157,620)
Shares repurchased and held in treasury	(55,600)	(84,890)	(7,700)	(8,988)
Stock options exercised	2,134	1,404	100	65
	12,791,637	\$ 18,214,274	12,940,003	\$ 18,440,621
Less:				
Share purchase loans	(437,400)	(749,900)	(437,400)	(749,900)
Balance, end of period	12,354,237	\$ 17,464,374	12,502,603	\$ 17,690,721

Normal course issuer bid

On August 21, 2003, the Company announced its intention to initiate a normal course issuer bid. Under the terms of the bid, the Company could, during the 12-month period beginning August 27, 2003 and ending August 26, 2004, purchase on the Toronto Stock Exchange up to a maximum of 630,840 common shares in total. As at September 30, 2004, 189,600 shares have been purchased and cancelled.

On August 25, 2004, the Company announced its intention to re-initiate a normal course issuer bid. Under the terms of the bid, the Company may, during the 12-month period beginning August 27, 2004 and ending August 26, 2005, purchase on the Toronto Stock Exchange up to a maximum of 625,638 common shares in total. The actual number of common shares which may be purchased and the timing of any such purchases will be determined by the Company. The Company intends to cancel any common shares acquired under the bid. As at September 30, 2004, 75,100 shares have been purchased, of which 19,500 have been cancelled. The excess of the carrying value of the common shares over the purchase cost, amounting to \$13,159 has been recorded as follows:

Financial Statements & Notes

	September 30, 2004
Contributed surplus balance, beginning of period	\$ 85,584.00
Excess of carrying value of common shares cancelled over purchase cost	13,159
Stock based compensation expense	8,960
Contributed surplus balance, end of period	\$ 107,703.00

(b) *Common shares and other equity outstanding*

As at October 18, 2004, there were 12,410,170 common shares issued and outstanding. As at October 18, 2004, there were 1,273,167 options issued and outstanding at exercise prices ranging from \$0.65 to \$7.00.

(c) *Stock-based compensation*

Effective July 1, 2003, in accordance with the new accounting recommendations for stock-based compensation, the Company elected to adopt the fair value method for stock-based employee compensation. Previously the Company accounted for its employee stock-based compensation as capital transactions. In the three months ended September 30, 2004, the Company recorded a non-cash stock-based compensation expense of \$8,960 in the statement of operations and the same amount was recorded as contributed surplus. The following table illustrates the effect on net loss as if the fair value based method had been applied to all options awarded on or after December 1, 2002:

	Three months ended September 30 2004	Three months ended September 30 2003
Net loss:		
As reported	\$ (260,601)	\$ (413,394)
Add:		
Stock-based employee compensation expense included in net earnings	8,960	-
Deduct:		
Total stock-based employee compensation expense determined under fair value based method for all awards from original effective date of December 1, 2002	(22,882)	(12,220)
Pro forma	\$ (274,523)	\$ (425,614)
Earnings (loss) per share:		
As reported:		
Basic	\$ (0.02)	\$ (0.03)
Pro forma		
Basic	\$ (0.02)	\$ (0.03)

The fair value of each option grant was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

Expected Dividends	0%	0%
Expected Volatility	63%	73%
Risk Free Interest Rate	2.25%	2.25%
Expected Option Life in Years	3	3

The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options. The option-pricing models require the input of highly subjective assumptions including the expected price volatility. The Company uses expected volatility rates, which are based on historical volatility rates trended into future years. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of Bridges stock options.

(e) *Stock appreciation rights*

Effective November 17, 2003, the Company has adopted a long term executive compensation plan whereby certain senior executives may earn bonuses based on share price appreciation. The bonus plan is based on 630,000 share appreciation rights. The program provides for 25% immediate vesting, 25% in the current fiscal year, and a further 25% in each of the forthcoming two fiscal year ends. The share price threshold has a base of \$1.20 in the first six months of the current year and \$1.40 in the last six months of the current year, and will increase to \$2.00 by December 31, 2008. Amounts payable will be accrued if and when they could be drawn by recipients. During the current fiscal period, \$47,250 has been accrued for these bonuses.

4. FINANCIAL INSTRUMENTS

The Company undertakes significant sales in United States dollars and as such is subject to risk due to fluctuations in exchange rates. From time to time the Company enters into forward exchange contracts to limit its exposure to foreign exchange risk.

As at September 30, 2004, the Company had entered into foreign exchange contracts expiring at various dates between October 1, 2004 and October 31, 2004 to sell US\$300,000. The fair value of the contracts at September 30, 2004 was \$378,270. The settlement value of these contracts at maturity is \$408,780. The difference of \$30,510 has been booked to foreign exchange gain.

5. SEGMENTED INFORMATION

The Company manages its operations in one business segment, the development, marketing and delivery of career information database and high stakes test preparation products and services through the Internet and on CD-ROM. All of the Company's long-lived assets are located in Canada. The Company attributes revenue among geographical areas based on the location of the customers involved.

	Three months ended September 30 2004		Three months ended September 30 2003	
Canada	12%	\$ 394,435	8%	\$ 238,085
United States	88%	2,845,132	92%	2,660,582
		<u>\$ 3,239,567</u>		<u>\$ 2,898,667</u>

6. CONTINUITY OF DEFERRED REVENUE

The company invoices customers at the outset of the subscription, or for non-subscription products, at the time of shipment. Revenue is recognized based on the nature of the product or service provided. The following is a continuity schedule reconciling billings to revenue recognized:

	Three months ended September 30 2004		Three months ended September 30 2003	
\$US Invoicing	\$	3,082,148	\$	3,896,508
Conversion rate		1.33		1.38
\$US Invoicing in Canadian \$		4,087,721		5,389,745
\$Canadian Invoicing		<u>332,304</u>		<u>413,997</u>
Total Invoicing		4,420,025		5,803,742
Plus: opening deferred revenue		7,540,847		5,968,896
Less: ending deferred revenue		<u>(8,721,305)</u>		<u>(8,873,971)</u>
Revenue	\$	<u>3,239,567</u>	\$	<u>2,898,667</u>

7. RELATED PARTY TRANSACTIONS

During the three-month period ended September 30, 2004, the Company paid \$119,662 (three months ended September 30, 2003 - \$107,730) in consulting fees to a company controlled by the CEO who is also a director of Bridges. These fees are paid as compensation for duties performed as CEO and director of Bridges and are inclusive of a performance bonus accrued during and relating to the previous fiscal year.

8. COMPARATIVE FIGURES

Certain of the prior period's figures have been reclassified to conform with the current period's presentation.

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Terry M. Holland ⁽¹⁾ ⁽²⁾ ⁽³⁾
Chairman, Bridges Transitions Inc.
Chief Executive Officer and President of
Krystal Financial Corporation

John C. Simmons ⁽³⁾
Chief Executive Officer, Bridges Transitions Inc.

Douglas J. Manning
President of Bridges Transitions Inc.

Edward J. Hall ⁽¹⁾ ⁽²⁾
Co-President of Canadian Adult Communities Ltd.

Scott B. Edmonds ⁽¹⁾ ⁽²⁾
Chief Financial Officer of Quadrus Financial
Technologies Inc.

- ⁽¹⁾ Member of the Audit Committee
⁽²⁾ Member of the Compensation Committee
⁽³⁾ Member of the Corporate Governance Committee

MANAGEMENT AND OFFICERS

John C. Simmons
Chief Executive Officer

Douglas J. Manning
President

John B. Walker
Chief Financial Officer

Donald A. Phillips
VP, Marketing

William R. M. Spittle
VP, Product Development & Technology

Norman R. Thompson
VP, Corporate Development and Secretary

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LEGAL COUNSEL

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Toll-free: 888-349-3437

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Oroville, Washington 98844

INVESTOR INFORMATION

SHAREHOLDER INFORMATION

Stock Listing

The common shares of Bridges Transitions Inc. are listed on the Toronto Stock Exchange (TSX) under the trading symbol BIT.

Common Shares (TSX)

A total of 12,409,837 common shares were outstanding as of September 30, 2004.

Investor Relations

Inquiries about the Company and requests for information should be directed to:

Norman Thompson

VP, Corporate Development and Secretary
1-800-281-1168 or 1-250-869-4200
investor-relations@bridges.com

Websites

For more information about our company, products, and services, visit our website at:
www.bridges.com

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