

## CEO's Message

For the first six months ending May 31, 1998, The Bridges Initiatives Inc. reported a net income of \$14,000. Revenues of \$1,036,000 were recognized, with expenditures of \$847,000 and amortization of \$175,000. This compares to a reported net income of \$50,500 and revenues of \$743,000 in the first six months of 1997.

Bridges' Q2 revenues were impacted by a change in corporate billing policy. Previously, resubscriptions were billed monthly, resulting in resubscription revenues in all 12 months. The rebilling procedure has been streamlined to feature only two rebilling dates – January 1 and August 1. This change in policy removes resubscription revenues from Q2 and Q4 and reports the resubscription revenues in Q1 and Q3 of each year. As a result, the resubscription revenues traditionally reported in the second quarter will instead be reported in Q3.

Bridges' second quarter featured the following developments:

Bridges continues to capture more of the school market, with 267 new site sales in the quarter. This compares with 182 new sales in the second quarter of 1997. Bridges now has 1,717 subscribing sites, representing approximately 4.7 per cent of the middle and secondary school market in North America.

Sales staff have been trained to tackle the emerging public library market. Bridges' seven regional sales representatives will use the summer months to aggressively promote CX-98 into this new market.

During Q2, 578 sites were contacted to confirm their resubscription for the 1998-99 school year. Feedback was very positive with strong signs that Bridges over 90 per cent rate of resubscription will be maintained. In addition, all 351 new sites in Manitoba have been registered.

Bridges initiated the Youth Employment Exchange project, trained several educators, and has received approximately 500 resumes into the electronic labour exchange. The portfolio component of this project has proven so successful it will be incorporated into CX-98.

## THE BRIDGES INITIATIVES INC.

### Statement of Income

(Unaudited)

For the six months ended May 31, 1998 and 1997

	1998	1997
Revenue		
On-line services	\$ 930,440	\$ 506,101
Other services	103,600	237,871
	1,034,040	743,972
Interest income	2,714	-
	1,036,754	743,972
Expenses		
Content development and delivery	281,222	177,054
General, selling and administrative	566,702	342,167
	847,924	519,221
Income before amortization	188,830	224,751
Amortization of deferred development costs	154,464	145,425
Amortization of capital assets	20,359	28,799
	174,823	174,224
<b>Net income for the period</b>	<b>\$ 14,007</b>	<b>\$ 50,527</b>

### Statement of Deficit

(Unaudited)

For the six months ended May 31, 1998 and 1997

	1998	1997
Deficit, beginning of period	\$ 896,065	\$ 785,819
Net income for the period	14,007	50,527
<b>Deficit, end of period</b>	<b>\$ 882,058</b>	<b>\$ 735,292</b>

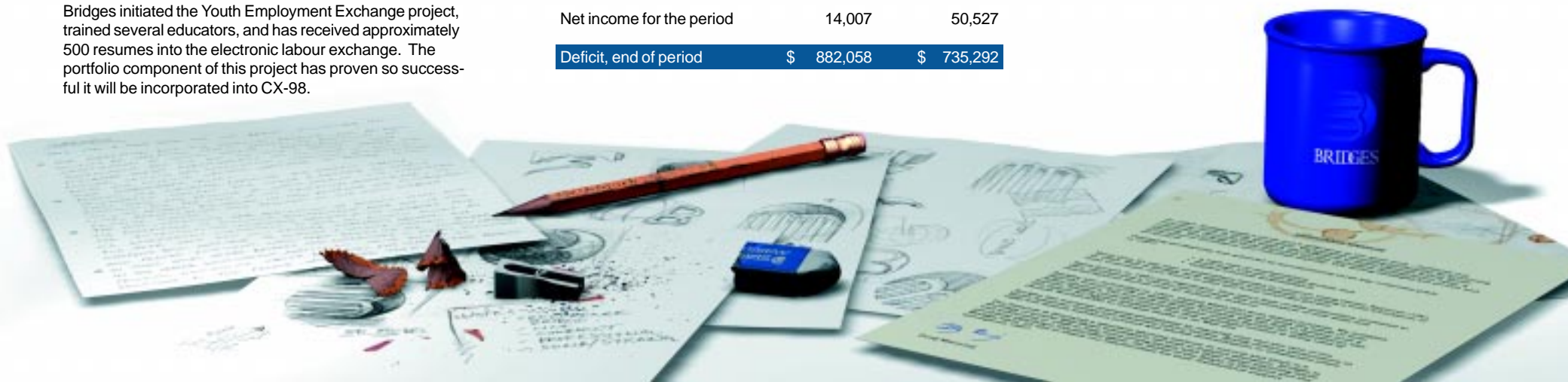
## THE BRIDGES INITIATIVES INC.

### Statement of Changes in Financial Position

(Unaudited)

For the six months ended May 31, 1998 and 1997

	1998	1997
Cash provided by (used in):		
Operations:		
Income for the period	\$ 14,007	\$ 50,527
Items not involving cash		
Amortization of deferred development costs	154,464	145,425
Amortization of capital assets	20,359	28,799
	188,830	224,751
Change in non-cash working capital	(120,238)	(385,573)
	68,592	(160,822)
Financing:		
Issuance of common shares	-	146,022
	-	146,022
Investments:		
Expenditures on capital assets	11,635	7,471
Expenditures on deferred development costs	66,744	25,645
	78,379	33,116
Increase (decrease) in cash position	(9,787)	(47,916)
Cash position, beginning of period	319,809	87,325
<b>Cash position, end of period</b>	<b>\$ 310,022</b>	<b>\$ 39,409</b>



## THE BRIDGES INITIATIVES INC.

Balance Sheets  
(Unaudited)  
May 31, 1998 and 1997

	1998	1997
<b>Assets</b>		
Current assets		
Cash	\$ 310,022	\$ 39,409
Accounts receivable	547,921	581,722
Prepaid expenses	54,998	11,910
	912,941	633,041
Capital assets	126,965	157,772
Deferred development costs	601,663	604,628
	<b>\$ 1,641,569</b>	<b>\$ 1,395,441</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 27,322	\$ 109,795
Deferred revenue	166,377	79,537
	193,699	189,332
Shareholders' equity		
Share capital	2,329,928	1,941,401
Deficit	(882,058)	(735,292)
	1,447,870	1,206,109
	<b>\$ 1,641,569</b>	<b>\$ 1,395,441</b>

## Outlook

Bridges will focus on four corporate goals during the third quarter of 1998:

### *New Library Market Sales*

The sales team will aggressively market CX-98 to main and branch libraries in their U.S. and Canadian regions. Two-hundred new sales are projected from schools and libraries during the quarter.

### *High Rates of Resubscription*

More than 550 sites will be rebilled in the quarter, generating over \$600,000 in revenue. The service and administrative teams will focus specifically on this project to maintain Bridges' 90 per cent rate of resubscription.

### *Product Upgrade*

The content, technical and graphics teams will develop enhancements to the online service, including a new Professional Services section, a new portfolio system and the introduction of information services for scholarships and bursaries.

### *Special Projects*

Bridges will continue to seek development partners for special projects. The corporate team will actively seek to develop at least one more regional version of CX-98. In addition, Bridges continues to work on the development of French and adult versions of CX-98, as well as seeking a publishing partner to develop paper-based support materials for the service.

## Corporate Information

Doug Manning  
*Chairman, CEO, Director*

Ed Hall  
*Director*

Dave Cousins  
*Director*

Frank Bowers  
*President*

Mike Martin  
*Vice President, Sales*

Norm Thompson  
*Corporate Relations*

## Stock Exchange

The Alberta Stock Exchange  
Trading Symbol: BIT



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## INTERIM REPORT 2

For the six months ending  
May 31, 1998