

Auditors' Report and Consolidated Financial Statements of

BRIDGES.COM INC.

November 30, 2000 and 1999

Auditors' Report

To the Shareholders of
Bridges.com Inc.

We have audited the consolidated balance sheets of Bridges.com Inc. as at November 30, 2000 and 1999 and the consolidated statements of operations and deficit and cash flows for the years 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 audits.

We conducted our audits in accordance with Canadian 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants
Vancouver, British Columbia
December 15, 2000

BRIDGES.COM INC.
Consolidated Balance Sheets

	November 30,	
	2000	1999
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 8,232,897	\$ 2,187,012
Accounts receivable	5,179,998	1,249,877
Prepaid expenses and other	612,415	96,966
	14,025,310	3,533,855
Deferred acquisition costs	-	120,327
Capital assets (Note 4)	2,538,408	904,586
Goodwill and other intangibles, net (Note 5)	6,954,379	-
Future income taxes (Note 8)	642,599	287,363
	\$ 24,160,696	\$ 4,846,131
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 1,842,467	\$ 600,918
Deferred revenue	3,257,961	1,678,512
Current portion of capital lease obligations (Note 6)	127,738	-
	5,228,166	2,279,430
Capital lease obligations, net of current portion (Note 6)	245,213	-
	5,473,379	2,279,430
COMMITMENTS (Note 6)		
SHAREHOLDERS' EQUITY		
Common stock (Note 7)	19,643,889	2,710,849
Deficit	(956,572)	(144,148)
	18,687,317	2,566,701
	\$ 24,160,696	\$ 4,846,131

APPROVED BY THE BOARD

Douglas J. Manning, Director

John C. Simmons, Director

See Accompanying Notes to the Consolidated Financial Statements.

BRIDGES.COM INC.
Consolidated Statements of Operations and Deficit

	Years ended November 30,	
	2000	1999
REVENUE	\$ 14,626,157	\$ 4,616,177
COSTS OF REVENUE	3,673,942	958,649
GROSS MARGIN	10,952,215	3,657,528
EXPENSES		
Sales and marketing	5,074,094	1,585,561
Research and development	725,725	-
General and administrative	3,036,676	1,215,516
	8,836,495	2,801,077
EARNINGS BEFORE AMORTIZATION, OTHER INCOME AND INCOME TAXES	2,115,720	856,451
Amortization of capital assets	(762,133)	(413,794)
Amortization of other intangibles	(1,467,130)	-
Other income	537,449	54,196
EARNINGS BEFORE INCOME TAXES AND AMORTIZATION OF GOODWILL	423,906	496,853
Income tax expense (Note 8)	223,731	229,070
EARNINGS BEFORE AMORTIZATION OF GOODWILL	200,175	267,783
Amortization of goodwill, net of future income taxes of \$104,958	(1,012,599)	-
NET (LOSS) EARNINGS	(812,424)	267,783
DEFICIT, BEGINNING OF YEAR	(144,148)	(411,931)
DEFICIT, END OF YEAR	\$ (956,572)	\$ (144,148)
Basic earnings (loss) per share before amortization of goodwill	\$ 0.02	\$ 0.03
Basic earnings (loss) per share	\$ (0.07)	\$ 0.03

See Accompanying Notes to the Consolidated Financial Statements.

BRIDGES.COM INC.
Consolidated Statements of Cash Flows

	Years ended November 30,	
	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) earnings for the year	\$ (812,424)	\$ 267,783
Items not affecting cash		
Amortization of capital assets	762,133	413,794
Amortization of other intangibles	1,467,130	-
Amortization of goodwill, net of future income taxes	1,012,599	-
Future income taxes	223,731	229,070
Changes in operating assets and liabilities (Note 9)	119,123	579,273
	<u>2,772,292</u>	<u>1,489,920</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Careerware (Note 3)	(11,430,236)	-
Deferred acquisition costs	-	(120,327)
Purchase of capital assets	(1,675,702)	(606,222)
	<u>(13,105,938)</u>	<u>(726,549)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of special warrants	16,297,486	-
Issuance of common shares	161,545	256,220
Repayment of obligations under capital lease	(79,500)	-
	<u>16,379,531</u>	<u>256,220</u>
NET CASH INFLOW DURING THE YEAR	6,045,885	1,019,591
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,187,012	1,167,421
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 8,232,897	\$ 2,187,012
Supplemental Cash Flow Disclosures:		
Interest paid	\$ 50,243	\$ -
Supplemental Non-Cash Investing and Financing Disclosures:		
Capital assets acquired under capital leases	\$ 452,451	\$ -
Common shares issued on conversion of special warrants	\$ 16,297,486	\$ -

See Accompanying Notes to the Consolidated Financial Statements.

BRIDGES.COM INC.

Notes to the Consolidated Financial Statements

1. NATURE OF OPERATIONS

Bridges.com Inc. (“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 development, marketing and delivery of career information database products and services through the Internet and on CD-ROM.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada and reflect the following significant accounting policies:

(a) *Basis of presentation*

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Bridges.com Co. All significant intercompany transactions are eliminated on consolidation.

(b) *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. Estimates are used, but not limited to, the accounting for doubtful accounts, amortization, determination of net recoverable value of assets, deferred revenue, sales returns, taxes and contingencies.

(c) *Foreign currency translation*

The functional currency of the Company is the Canadian dollar. Assets and liabilities denominated in currencies other than the Canadian dollar are translated using the rate of exchange prevailing at the balance sheet date. Revenue and expenses are translated using the exchange rate prevailing on the transaction date. Gains or losses on translation are included in earnings.

(d) *Cash and cash equivalents*

Cash and cash equivalents include highly liquid investments with a maturity of three months or less.

BRIDGES.COM INC.

Notes to the Consolidated Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) *Deferred acquisition costs*

Deferred acquisition costs relate to the acquisition of Careerware described in Note 3. These costs were added to the cost of that investment.

(f) *Capital assets*

Capital assets are recorded at cost less accumulated amortization. The carrying value of capital assets is reviewed periodically for any impairment in value. Amortization is provided annually using the following methods and rates:

Furniture and equipment	20% declining balance basis
Computer equipment	30% to 100% declining balance basis
Leased computer equipment	3 years straight-line basis
Online network infrastructure costs	3 years straight-line basis
Leasehold improvements	20% straight-line basis

Amortization under the declining balance basis is provided for at one-half of the above rates in the year of acquisition. The Company reviews for the impairment of capital assets whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable from expected future cash flows. No impairment losses have been identified by the Company for the years ending November 30, 2000 and 1999.

(g) *Goodwill and other intangibles*

Goodwill is recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over a period of three years, the expected period of benefit. Other intangibles include acquired software and trademarks which are amortized on a straight-line basis over periods of two and three years, respectively. Among other considerations, to assess impairment, the Company periodically calculates estimated undiscounted future cash flows to determine that they exceed the unamortized balance of goodwill.

The Company reviews for the impairment of goodwill and other intangibles whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable from expected future cash flows. No impairment losses have been identified by the Company for the year ending November 30, 2000.

BRIDGES.COM INC.

Notes to the Consolidated Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) *Revenue recognition*

The Company generates revenue through two sources: (1) information database product revenues and (2) service revenues. Information database product revenues are generated from the licensing of the right to use the Company's information database directly to end users. Service revenues are generated from consulting services related to the implementation of information database products.

Revenues from information database products are earned from the delivery of two elements: (1) delivery of a CD information database and (2) on-line subscription services and database access over the license period. Vendor-specific objective evidence exists to allocate the total fee charged to the elements of the sale. Vendor-specific objective evidence of the fair value of the individual elements is based on the price charged when an element is sold and used separately by a customer.

Revenue from CD information database licences is recognized upon delivery of the CD where persuasive evidence of an arrangement exists, collection is probable, and the fee is fixed or determinable. Revenue from on-line subscription services and database access is recognized ratably over the term of the contract, typically one year. Revenues from other services are recognized upon substantial completion of service, provided the fee is determinable and collection is reasonably assured.

Revenues that have been prepaid or invoiced but do not yet qualify for recognition under the Company's policies are reflected as deferred revenues.

(i) *Income taxes*

Future income taxes relate to the expected future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax values. Future tax assets, if any, are recognized only to the extent that, in the opinion of management, it is more likely than not that the future income tax assets will be realized. Future income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment or substantive enactment.

(j) *Earnings (loss) per common share*

Basic earnings (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. The Special Warrants issued represent common share equivalents from the date of issue. Fully diluted earning per share calculations assume exercise of options and warrants if dilutive, effective on their dates of issue. In the two years presented the potential dilutive effect of options and warrants is not material.

BRIDGES.COM INC.

Notes to the Consolidated Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) *Stock-based compensation plans*

The Company has a stock-based compensation plan which is described in Note 7. Under the plan, options are granted at fair value. No compensation expense has been recognized for options granted under the plan when stock options are issued to employees and directors. Any consideration paid by employees and directors on exercise of stock options is credited to share capital.

(l) *Comparative figures*

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

3. BUSINESS ACQUISITION

On March 31, 2000, the Company acquired Careerware, a business unit of ISM Information Systems Management Corporation ("ISM"), a subsidiary of IBM Canada Limited, for a total cash purchase price of \$11,550,563, including transaction costs of \$715,547 (including deferred acquisition costs of \$120,327). The transaction has been accounted for using the purchase method of accounting and the purchase price has been allocated to the estimated fair value of net assets acquired as follows:

Estimated fair value of net assets acquired:

Accounts receivable	\$	1,978,042
Inventory		139,153
Prepaid expenses		57,529
Capital assets		267,802
Other intangibles		4,510,060
		<hr/>
		6,952,586

Less:

Accounts payable and accrued liabilities		24,265
Deferred revenue		406,764
		<hr/>
		6,521,557
Goodwill		5,029,006
		<hr/>
Purchase price (including transaction costs of \$715,547)	\$	11,550,563

The results of operations of Careerware were consolidated by the Company from April 1, 2000, the effective date of the acquisition, to November 30, 2000. Goodwill relating to the acquisition is amortized on a straight-line basis over a period of three years, the expected period of benefit.

BRIDGES.COM INC.
Notes to the Consolidated Financial Statements

4. CAPITAL ASSETS

	November 30,			
	2000		1999	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and equipment	\$ 156,517	\$ 49,194	\$ 107,323	\$ 61,630
Computer equipment	1,757,162	642,612	1,114,550	171,696
Online network infrastructure costs	2,621,538	1,353,731	1,267,807	650,783
Leasehold improvements	78,970	30,242	48,728	20,477
	<u>\$4,614,187</u>	<u>\$ 2,075,779</u>	<u>\$2,538,408</u>	<u>\$ 904,586</u>

The net book value of assets under capital lease at November 30, 2000 totalled \$346,120 (November 30, 1999 - \$Nil), net of accumulated amortization of \$106,331 (November 30, 1999 - \$Nil).

5. GOODWILL AND OTHER INTANGIBLES

	November 30, <u>2000</u>
Goodwill on acquisition of Careerware (Note 3) (net of accumulated amortization of \$1,117,557)	\$ 3,911,449
Acquired software (net of accumulated amortization of \$1,394,686)	2,789,374
Acquired trademarks (net of accumulated amortization of \$72,444)	253,556
	<u>\$ 6,954,379</u>

BRIDGES.COM INC.
Notes to the Consolidated Financial Statements

6. COMMITMENTS

(a) *Capital and operating leases*

Minimum future payments under capital leases (secured by certain computer equipment) and non-cancelable operating leases for computer equipment, furniture and office space are as follows:

	Operating leases November 30, 2000	Capital leases November 30, 2000
	<u>2000</u>	<u>2000</u>
2001	\$ 266,411	\$ 177,204
2002	173,437	177,204
2003	43,086	101,237
Total minimum lease payments	\$ 482,934	\$ 455,645
Less: amounts representing imputed interest at 11% to 16% per annum		<u>(82,694)</u>
Present value of net future minimum lease payments		372,951
Less: current portion		<u>(127,738)</u>
		<u>\$ 245,213</u>

(b) *Operating line of credit*

Subsequent to November 30, 2000, the Company negotiated an operating line of credit with a Canadian commercial bank to borrow up to \$3,000,000, which bears interest at 150 basis points over market rates and is secured by a first charge and general security agreement over all assets.

7. SHARE CAPITAL AND WARRANTS

(a) *Authorized*

Unlimited common shares without par value
Unlimited preferred shares without par value

BRIDGES.COM INC.
Notes to the Consolidated Financial Statements

7. SHARE CAPITAL AND WARRANTS (Continued)

(b) Common shares issued and outstanding

	November 30,			
	2000		1999	
	Shares	Amount	Shares	Amount
Balance, beginning of year	9,603,250	\$ 2,710,849	8,937,250	\$ 2,454,629
Conversion of Special Warrants (net of issue costs of \$1,740,014 and future income tax recovery of \$474,009)	3,250,000	16,771,495	-	-
Stock options exercised	339,000	161,545	316,000	134,720
Share warrants exercised	-	-	350,000	121,500
	13,192,250	\$ 9,643,889	9,603,250	\$ 2,710,849

During the year ended November 30, 2000, the Company completed a private placement consisting of 3,250,000 special warrants issued at \$5.55 per special warrant for gross proceeds of \$18,037,500. Each special warrant entitled the holder to acquire a unit consisting of one common share of the Company and one half of a common share purchase warrant for no additional cost. Each full common share purchase warrant entitles to holder to purchase one common share at a price of \$5.90 until January 22, 2001. In addition, the Company granted the agents 325,000 agents' compensation options to acquire 325,000 agents' compensation warrants. Each agents' compensation warrant entitles the holder to acquire one common share and one-half of a common share purchase warrant for a price of \$5.90 until March 30, 2001. Each whole common share purchase warrant issuable to the agents entitles the holder to acquire one common share at a price of \$5.90 until January 22, 2001.

During the year ended November 30, 2000, all 3,250,000 special warrants were converted into 3,250,000 common shares.

(c) Common share purchase warrants, agents' compensation options and share warrants

As at November 30, 2000 all of the 1,625,000 common share purchase warrants issued pursuant to the private placement (Note 6(b)) remained outstanding.

During the year ended November 30, 1999 the Company issued 350,000 common shares upon exercise of outstanding share warrants for proceeds of \$121,500. As at November 30, 1999, no share warrants were outstanding.

BRIDGES.COM INC.
Notes to the Consolidated Financial Statements

7. SHARE CAPITAL AND WARRANTS (Continued)

(d) *Escrow shares*

During the year ended November 30, 2000, 1,259,400 common shares were released from escrow under the terms of a voluntary escrow agreement.

(e) *Stock option plan*

Under the Company's stock option plan, the Company may grant options to acquire common shares to directors, officers, employees and other key personnel of the Company.

The Company has options outstanding under this plan as follows:

	November 30,			
	2000		1999	
	Common Shares	Weighted- Average Exercise Price	Common Shares	Weighted- Average Exercise Price
<u>Options</u>				
Outstanding at beginning of year	958,000	\$ 2.05	755,000	\$ 0.42
Granted	832,200	4.48	519,000	3.43
Exercised	(339,000)	0.48	(316,000)	0.43
Cancelled	(5,200)	4.32	-	-
<u>Outstanding at end of year</u>	<u>1,446,000</u>	<u>\$ 3.00</u>	<u>958,000</u>	<u>\$ 2.05</u>
<u>Exercisable at end of year</u>	<u>594,000</u>	<u>\$ 1.28</u>	<u>436,500</u>	<u>\$ 0.43</u>

The number of common shares of the Company that may be issued under the Stock Option Plan is 2,000,000.

BRIDGES.COM INC.
Notes to the Consolidated Financial Statements

7. SHARE CAPITAL AND WARRANTS (Continued)

(e) *Stock option plan (Continued)*

The following tables summarize information about stock options outstanding and exercisable at November 30, 2000:

		Options Outstanding		
Exercise Price	Number Outstanding at November 30, 2000	Weighted Average Remaining Contractual Life	Number Exercisable at November 30, 2000	
\$ 0.38	68,500	1.7 years	68,500	
0.40	61,000	1.0 years	61,000	
0.42	5,000	2.5 years	5,000	
0.46	25,000	0.1 years	25,000	
0.50	5,000	2.8 years	-	
0.65	45,500	3.1 years	25,500	
2.05	50,000	3.3 years	50,000	
3.00	60,000	4.0 years	60,000	
3.55	90,000	4.7 years	-	
3.65	168,000	4.8 years	-	
3.90	150,000	4.5 years	-	
4.26	217,000	4.1 years	-	
4.60	62,000	4.3 years	-	
4.75	299,000	3.5 years	299,000	
7.00	140,000	4.4 years	-	
	1,446,000		594,000	

8. INCOME TAXES

The Company's income tax expense for the years ended November 30, 2000 consists of the following:

	Year ended November 30,	
	2000	1999
Current tax expense	\$ -	\$ -
Future tax expense	223,731	229,070
	\$ 223,731	\$ 229,070

BRIDGES.COM INC.

Notes to the Consolidated Financial Statements

8. INCOME TAXES (Continued)

The reported income tax expense differs from the amount computed applying Canadian basic statutory rate to the income before income taxes. The reasons for this difference and the related tax effect are as follows:

	Years ended November 30,	
	2000	1999
Canadian basic statutory tax rate	44.50%	45.62%
Expected income tax provision	\$ 188,638	\$ 226,664
Non-deductible expenses and others	35,093	2,406
	<u>\$ 223,731</u>	<u>\$ 229,070</u>

Temporary differences and carryforwards which give rise to the following future income tax assets and liabilities as at November 30 are as follows:

	November 30,	
	2000	1999
Future income tax assets		
Tax loss carryforwards	\$ 850,891	\$ 471,149
Deferred financing fees and other	600,594	19,690
Intangibles	228,242	-
Valuation allowance for future income tax assets	(528,539)	-
Future income tax liabilities		
Capital assets	(508,589)	(203,476)
Net future income tax assets	<u>\$ 642,599</u>	<u>\$ 287,363</u>

The recognized future tax benefits of \$474,009 relating to the deferred financing fees have been recorded against the related share issue costs. As at November 30, 2000, the Company has tax loss carry-forwards of approximately \$1,900,000 which expire on various dates between 2001 and 2007.

BRIDGES.COM INC.
Notes to the Consolidated Financial Statements

9. CHANGES IN OPERATING ASSETS AND LIABILITIES

	November 30,	
	2000	1999
Accounts receivable	\$ (1,952,079)	\$ (681,402)
Prepaid expenses and other	(318,767)	(17,292)
Accounts payable and accrued liabilities	1,217,284	518,254
Deferred revenue	1,172,685	759,713
	<u>\$ 119,123</u>	<u>\$ 579,273</u>

10. FINANCIAL INSTRUMENTS

(a) Fair value

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities as reflected in the balance sheets approximates their respective fair values as at November 30, 2000 and 1999 because of the demand or short-term maturity of these instruments.

(b) Credit risk

The Company is subject to normal credit risk as it carries significant accounts receivable from many customers. Bad debt experience has not been significant.

(c) Foreign exchange risk

The Company undertakes significant sales in United States dollars and as such is subject to risk due to fluctuations in exchange rates. The Company does not use derivative instruments to reduce its exposure to foreign exchange risk.

BRIDGES.COM INC.

Notes to the Consolidated Financial Statements

11. SEGMENTED INFORMATION

The Company manages its operations in one business segment, the development, marketing and delivery of career information database 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.

	Years ended November 30,			
	2000		1999	
Canada	17%	\$ 2,537,498	25%	\$ 1,175,725
United States	83%	12,088,659	75%	3,440,452
		\$ 14,626,157		\$ 4,616,177

12. RELATED PARTY TRANSACTIONS

During the year ended November 30, 2000, the Company paid \$150,000 (1999 - \$88,500) in consulting fees to a director of the Company.

In addition, during the year ended November 30, 2000, the Company incurred charges of \$666,525 (1999 - \$Nil) relating to online network infrastructure costs (computer software and hardware of \$416,505, consulting of \$241,216 and related expenses of \$8,804) from a company related by way of a director in common.
