

Financial Statements of

THE BRIDGES INITIATIVES INC.

November 30, 1996 and 1995

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the balance sheets of The Bridges Initiatives Inc. as at November 30, 1996 and 1995 and the statements of loss and deficit and changes in financial position 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 audit.

We conducted our audits 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, 1996 and 1995 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

KPMG

Chartered Accountants

Kelowna, Canada

December 14, 1996, except as to note 9 which is as of March 3, 1997.

THE BRIDGES INITIATIVES INC.

Balance Sheets

November 30, 1996 and 1995

	1996	1995 (restated)
Assets		
Current assets		
Cash	\$ 87,325	\$ -
Accounts receivable	86,960	34,482
Prepaid expenses	20,232	6,376
	<u>194,517</u>	<u>40,858</u>
Capital assets (note 3)	179,101	92,345
Deferred development costs, net of accumulated amortization of \$148,154 (1995 - \$29,631)	724,408	325,938
	<u>\$ 1,098,026</u>	<u>\$ 459,141</u>

Liabilities and Shareholders' Equity

Current liabilities		
Bank loan, secured	\$ -	\$ 50,279
Accounts payable and accrued liabilities	68,386	100,111
Loan payable	-	35,000
	<u>68,386</u>	<u>185,390</u>
Deferred revenue	20,079	9,450
Shareholders' equity		
Share capital (note 4)	1,795,379	479,875
Deficit	(785,818)	(215,574)
	<u>1,009,561</u>	<u>264,301</u>
Commitments (note 5)		
Subsequent events (note 9)		
	<u>\$ 1,098,026</u>	<u>\$ 459,141</u>

See accompanying notes to financial statements

On behalf of the Board:

Doug Manning Director

Ed Hall Director

THE BRIDGES INITIATIVES INC.

Statements of Loss and Deficit

Years ended November 30, 1996 and 1995

	1996	1995 (restated)
Revenue:		
On-line services	\$ 319,534	\$ 133,559
Other	16,805	56,392
	<u>336,339</u>	<u>189,951</u>
Cost of sales	258,193	175,480
	<u>78,146</u>	<u>14,471</u>
Interest income	25,676	—
	<u>103,822</u>	<u>14,471</u>
Expenses:		
Amortization of capital assets	50,727	6,479
General and administrative	623,339	180,800
	<u>674,066</u>	<u>187,279</u>
Loss for the year	(570,244)	(172,808)
Deficit, beginning of year		
As previously reported	(309,957)	(42,766)
Change in accounting policy (note 7)	94,383	—
As restated	<u>(215,574)</u>	<u>(42,766)</u>
Deficit, end of year	\$ (785,818)	\$ (215,574)
Loss per share	\$ (0.08)	\$ (0.03)

See accompanying notes to financial statements

THE BRIDGES INITIATIVES INC.

Statements of Changes in Financial Position

Years ended November 30, 1996 and 1995

	1996	1995
		(restated)
Cash provided by (used in):		
Operations:		
Loss for the year	\$ (570,244)	\$ (172,808)
Items not involving cash		
Amortization of capital assets	50,727	6,479
Amortization of deferred development costs	118,523	29,631
Loss on disposition of capital asset	2,192	-
Increase in deferred revenue	10,629	9,450
	<u>(388,173)</u>	<u>(127,248)</u>
Change in non-cash working capital	<u>(56,131)</u>	<u>6,530</u>
	(444,304)	(120,718)
Financing:		
Share issue costs	(155,558)	(56,226)
Change in non-cash working capital	(41,928)	41,928
Issuance of common shares	1,471,062	239,846
Net proceeds from loan	-	68
Repayment of loan	<u>(35,000)</u>	<u>-</u>
	1,238,576	225,616
Investments:		
Expenditures on capital assets	(139,675)	(69,385)
Expenditures on deferred development costs	<u>(516,993)</u>	<u>(265,367)</u>
	(656,668)	(334,752)
Increase (decrease) in cash position	<u>137,604</u>	<u>(229,854)</u>
Cash position, beginning of year	(50,279)	179,575
Cash position, end of year	<u>\$ 87,325</u>	<u>\$ (50,279)</u>

Cash position consists of cash less bank loan.

See accompanying notes to financial statements

THE BRIDGES INITIATIVES INC.

Notes to Financial Statements

Years ended November 30, 1996 and 1995

The Bridges Initiatives Inc. 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 commenced operations on July 26, 1994. The Company's principal business activity is the development and marketing of a career information database available through the Internet and CD-Rom products.

1. Going concern:

These financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assume that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. They do not reflect any adjustments which would be necessary if the Company were unable to continue as a going concern.

The Company operates in a highly competitive and technology driven environment. The consumer software industry and the Internet are undergoing substantial change and are subject to a high level of uncertainty. The Company has estimated the useful life of its deferred development costs to be a short period based upon rapidly changing customer preferences for products in the Company's markets and other anticipated economic factors. Should the Company's business environment or conditions of business change, it may result in an impairment of these assets and may in turn result in an adjustment of the future carrying values by a material amount.

The Company has incurred significant operating losses since incorporation. The Company's continued existence is dependent upon its ability to generate future profitable operations and to receive sufficient external financing.

2. Significant accounting policies:

a) Capital assets:

Capital assets are stated at cost. Amortization is provided using the following methods and annual rates:

Asset	Method	Rate
Furniture and fixtures	Declining balance	20%
Computer equipment	Declining balance	30%
Computer software	Declining balance	100%
Leasehold improvements	Straight-line	20%

In the year of acquisition, amortization is calculated at one-half the annual rate.

THE BRIDGES INITIATIVES INC.

Notes to Financial Statements (page 2)

Years ended November 30, 1996 and 1995

2. Significant accounting policies (continued):

b) Deferred development costs:

Deferred development costs are stated at cost less accumulated amortization. Costs directly related to the development of the career information database were deferred until sales reached commercial volumes. Amortization of the costs on the straight-line basis over three years commenced on September 1, 1995.

During the year ended November 30, 1996, the Company developed an upgrade for its career information database. Costs related to the upgrade have been capitalized. These costs will be amortized on a straight-line basis over three years commencing December 1, 1996.

c) Revenue recognition:

Substantially all of the proceeds received from on-line service contracts is recognized as revenue at the time access to the service commences. The remaining proceeds are recognized over the term of the site licence agreements to match the ongoing costs of maintaining the service.

Other revenues are recognized at the time of delivery of the related product or service.

3. Capital assets:

	1996		1995	
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and fixtures	\$ 47,998	\$ 10,172	\$ 37,826	\$ 22,901
Computer equipment	171,397	51,130	120,267	51,355
Computer software	21,765	13,900	7,865	1,930
Leasehold improvements	18,593	5,450	13,143	16,159
	\$ 259,753	\$ 80,652	\$ 179,101	\$ 92,345

THE BRIDGES INITIATIVES INC.

Notes to Financial Statements (page 3)

Years ended November 30, 1996 and 1995

4. Share Capital:

- a) Authorized:
Unlimited common shares without par value
Unlimited preferred shares without par value

- b) Issued and outstanding:

	Common Shares			
	1996		1995	
	#	\$	#	\$
Balance, beginning of year	5,370,000	\$ 479,875	6,575,000	\$ 296,255
Stock options exercised	1,250	1,062	25,000	3
Private placements	25,000	25,000	350,000	240,000
Public share issuance	1,700,000	1,445,000	–	–
Share issue costs	–	(155,558)	–	(56,226)
Repurchase of shares	–	–	(1,580,000)	(157)
	7,096,250	\$1,795,379	5,370,000	\$ 479,875

- c) Escrow shares:

At November 30, 1996, 3,778,200 shares (1995 - 4,198,000) are held in escrow subject to an order of the Alberta Stock Exchange.

- d) 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 common 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 by the Board of Directors to the directors, officers, employees, members of the Education Committee and other key personnel of the Company. The Company has options outstanding under this plan as follows:

	Number of Shares		Exercise Price per share	Expiry Date
	1996	1995		
2000	627,000	–	\$ 0.85	September 30,
	50,000	–	\$ 0.85	December 20, 2000
	677,000	–		

- e) Other stock options:

Pursuant to its public share issuance, the Company granted an option to its agent to purchase 170,000 common shares at a price of \$0.85 per common share to December 15, 1997.

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Notes to Financial Statements (page 4)

Years ended November 30, 1996 and 1995

5. Commitments:

The Company has entered into agreements to lease office premises, vehicles and office equipment for the next four years.

The annual base rent payable in each of the next four years is as follows:

1997 - \$24,295; 1998 - \$20,983; 1999 - \$16,064; 2000 - \$11,025.

6. Income taxes:

The Company has the following losses carried forward which may be applied to reduce taxable income in future years:

\$ 47,246 expiring in 2001

\$ 156,556 expiring in 2002

\$ 480,098 expiring in 2003

The deferred tax benefit relating to the losses carried forward has not been recorded in the financial statements.

7. Change in accounting policy:

In 1996, the Company adopted a new policy for recognizing revenue from on-line service contracts. Previously the proceeds were recognized as revenue evenly over the term of the contract. To better match the revenues and the associated costs substantially all of the proceeds are now recognized at the time access to the on-line service commences. This change has been applied retroactively.

The impact of this change is as follows:

	1996	1995
Increase (decrease) in:		
Revenue	\$ 37,480	\$ 94,383
Loss	(37,480)	(94,383)
Deficit	(94,383)	-
Deferred revenue	(131,863)	(94,383)
Loss per share	(0.01)	(0.02)

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Notes to Financial Statements (page 5)

Years ended November 30, 1996 and 1995

8. Related party transactions:

The Company purchased intellectual property from a corporation controlled by an individual who subsequently became an officer of the Company. The \$50,000 purchase price of the intellectual property was paid through the issuance of 25,000 shares of the Company plus \$25,000.

Additionally, revenue based fees are payable on sales generated using the intellectual property as follows:

- Five percent of net sales less \$100,000 in each of the first three years commencing June 10, 1996.
- Thereafter, five percent of net sales through June 9, 2011.

Additional shares were issued to the corporation subsequent to the year end as described in note 9.

9. Subsequent events:

- a) As discussed in note 8, the Company acquired intellectual property in exchange for cash and shares and a commitment to revenue based payments. Subsequent to the year end the Company issued 250,000 common shares to the vendor in exchange for the elimination of all revenue based payments contemplated in the initial agreement.
- b) 224,000 options initially issued with an option price of \$0.85 exercisable to September 30, 2000, expired as the option holders were no longer associated with the Company.
- c) The Company issued an additional 227,000 options with an exercise price of \$0.40.
- d) The Company amended the exercise price on 453,000 stock options which previously had an option price of \$0.85 per share to \$0.46 per common share.
- e) The Company issued 300,000 shares to a company owned by an officer for aggregate proceeds of \$120,000.