

Financial Statements of

THE BRIDGES INITIATIVES INC.

November 30, 1997 and 1996

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the balance sheets of The Bridges Initiatives Inc. as at November 30, 1997 and 1996 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, 1997 and 1996 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

THE BRIDGES INITIATIVES INC.

Balance Sheets

November 30, 1997 and 1996

	1997	1996
Assets		
Current assets		
Cash	\$ 319,809	\$ 87,325
Accounts receivable	338,237	86,960
Prepaid expenses	106,213	20,232
	<u>764,259</u>	<u>194,517</u>
Capital assets (note 2)	135,742	179,101
Deferred development costs, net of accumulated amortization of \$ 439,008	689,329	724,408
	<u>\$ 1,589,330</u>	<u>\$ 1,098,026</u>

Liabilities and Shareholders' Equity

Current liabilities

Accounts payable and accrued liabilities	\$ 63,207	\$ 68,386
	<u>63,207</u>	<u>68,386</u>
Deferred revenue	92,261	20,079
Shareholders' equity		
Share capital (note 3)	2,329,928	1,795,379
Deficit	(896,066)	(785,818)
	<u>1,433,862</u>	<u>1,009,561</u>
Commitments (note 5)		
	<u>\$ 1,589,330</u>	<u>\$ 1,098,026</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

Years ended November 30, 1997 and 1996

	1997	1996
Revenue:		
On-line services	\$ 1,014,417	\$ 319,534
Other services	293,619	16,805
	<u>1,308,036</u>	<u>336,339</u>
Interest income	810	25,676
	<u>1,308,846</u>	<u>362,015</u>
Expenses:		
Direct content and delivery expenses	466,053	138,700
General and administrative	604,769	624,309
	<u>1,070,822</u>	<u>763,009</u>
Operating Income (Loss) before amortization	238,024	(400,994)
Amortization of deferred developments	290,854	118,523
Amortization of capital assets	57,418	50,727
	<u>348,272</u>	<u>169,250</u>
Loss for the year	110,248	570,244
Loss per share	\$ (0.01)	\$ (0.08)

THE BRIDGES INITIATIVES INC.

Statements of Deficit

Years ended November 30, 1997 and 1996

	1997	1996
Loss for the year	110,248	570,244
Deficit, beginning of year	785,818	215,574
Deficit, end of year	<u>\$ 896,066</u>	<u>\$ 785,818</u>
Loss per share	\$ (0.01)	\$ (0.08)

See accompanying notes to financial statements

THE BRIDGES INITIATIVES INC.

Statements of Changes in Financial Position

Years ended November 30, 1997 and 1996

	1997	1996
Cash provided by (used in):		
Operations:		
Loss for the year	\$ (110,248)	\$ (570,244)
Items not involving cash		
Amortization of capital assets	57,418	50,727
Amortization of deferred development costs	290,854	118,523
Loss on disposition of capital asset	—	2,192
Increase in deferred revenue	72,182	10,629
	<u>310,206</u>	<u>(388,173)</u>
Change in non-cash working capital	<u>(342,436)</u>	<u>(98,059)</u>
	(32,230)	(486,232)
Financing:		
Share issue costs	—	(155,558)
Issuance of common shares	534,549	1,471,062
Repayment of loan	—	(35,000)
	<u>534,549</u>	<u>1,280,504</u>
Investments:		
Expenditures on capital assets	(14,060)	(139,675)
Expenditures on deferred development costs	(255,775)	(516,993)
	<u>(269,835)</u>	<u>(656,668)</u>
Increase (decrease) in cash position	232,484	137,604
Cash position, beginning of year	87,325	(50,279)
Cash position, end of year	<u>\$ 319,809</u>	<u>\$ 87,325</u>

See accompanying notes to financial statements

THE BRIDGES INITIATIVES INC.

Notes to Financial Statements

Years ended November 30, 1997 and 1996

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. 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.

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 these costs is on the straight-line basis over three years commencing 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 license 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.

THE BRIDGES INITIATIVES INC.

Years ended November 30, 1997 and 1996

2. Capital assets:

	1997		1996	
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and fixtures	\$ 51,823	\$ 18,119	\$ 33,704	\$ 37,826
Computer equipment	180,855	88,629	92,226	120,267
Computer software	22,540	22,153	387	7,865
Leasehold improvements	18,593	9,168	9,425	13,143
	\$ 273,811	\$ 138,069	\$ 135,742	\$ 179,101

3. Share Capital:

a) Authorized:

Unlimited common shares without par value

Unlimited preferred shares without par value

b) Issued and outstanding:

	Common Shares			
	1997		1996	
	#	\$	#	\$
Balance, beginning of year	7,096,250	\$1,795,379	5,370,000	\$ 479,875
Stock options exercised	—	—	1,250	1,062
Private placements	1,500,000	534,549	25,000	25,000
Public share issuance	—	—	1,700,000	1,445,000
Share issue costs	—	—	—	(155,558)
	8,596,250	\$2,329,928	7,096,250	\$ 1,795,379

c) Escrow shares:

At November 30, 1997, 2,938,600 shares (1996 – 3,778,200) are held in escrow subject to an order of the Alberta Stock Exchange.

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Years ended November 30, 1997 and 1996

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, 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
1997	1996		
358,000	627,000	\$ 0.85	September 30, 2000
		\$ 0.46	September 30, 2000
	50,000	\$ 0.85	December 20, 2000
50,000		\$ 0.46	December 20, 2000
169,000		\$ 0.40	December 23, 2001
222,600		\$ 0.38	October 20, 2002
799,600	677,000		

5. Commitments:

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

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

1998 - \$82,675; 1999 - \$56,063; 2000 - \$36,754

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.