

THE BRIDGES INITIATIVES INC.
Financial Statements
For the year ended November 30, 1998

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Auditors' Report

**To the Shareholders of
The Bridges Initiatives Inc.**

We have audited the balance sheet of The Bridges Initiatives Inc. as at November 30, 1998 and the statement of operations, retained earnings and changes in financial position for the year 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 audit 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, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

The comparative figures for the prior year were audited by another firm of chartered accountants who rendered an unqualified opinion in their report dated December 23, 1997.

BDO Dunwoody

Chartered Accountants

Kelowna, British Columbia
December 18, 1998

The Bridges Initiatives Inc.
Balance Sheet

| November 30 | 1998 | 1997 |
|---|---------------------|---------------------|
| Assets | | |
| Current | | |
| Cash | \$ 1,167,421 | \$ 276,890 |
| Accounts receivable | 568,475 | 293,859 |
| Share subscriptions receivable | - | 105,000 |
| Deferred income taxes | 57,443 | - |
| Prepaid expenses | 79,674 | 106,213 |
| | <u>1,873,013</u> | 781,962 |
| Capital assets (Note 1) | 135,676 | 135,743 |
| Deferred development costs (Note 2) | 576,482 | 689,329 |
| | <u>\$ 2,585,171</u> | <u>\$ 1,607,034</u> |
| Liabilities and Shareholders' Equity | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 82,664 | \$ 80,911 |
| Deferred revenue | - | 92,261 |
| | <u>82,664</u> | 173,172 |
| Shareholders' equity | | |
| Share capital (Note 3) | 2,454,629 | 2,329,928 |
| Retained earnings | 47,878 | (896,066) |
| | <u>2,502,507</u> | 1,433,862 |
| | <u>\$ 2,585,171</u> | <u>\$ 1,607,034</u> |

The Bridges Initiatives Inc.
Statement of Retained Earnings

| For the year ended November 30 | 1998 | 1997 |
|---------------------------------------|---------------------|---------------------|
| Deficit, beginning of year | \$ (896,066) | \$ (785,818) |
| Net income (loss) for the year | 943,944 | (110,248) |
| Retained earnings, end of year | \$ 47,878 | \$ (896,066) |

The Bridges Initiatives Inc.
Statement of Operations

| For the year ended November 30 | 1998 | 1997 |
|--|-------------------|---------------------|
| Revenue | | |
| On-line services | \$ 2,868,710 | \$ 1,014,417 |
| Other services | 145,435 | 293,619 |
| | <u>3,014,145</u> | <u>1,308,036</u> |
| Expenses | | |
| Direct content and delivery | 732,288 | 466,053 |
| General selling and administrative | 1,058,632 | 604,769 |
| | <u>1,790,920</u> | <u>1,070,822</u> |
| Income from operations before amortization | 1,223,225 | 237,214 |
| Amortization of capital assets | 45,329 | 57,418 |
| Amortization of deferred development costs | 308,821 | 290,854 |
| Income (loss) from operations before other income | 869,075 | (111,058) |
| Interest income | 17,426 | 810 |
| Income (loss) before taxes | 886,501 | (110,248) |
| Income taxes | | |
| Current | 253,760 | - |
| Deferred | 127,585 | - |
| | <u>381,345</u> | <u>-</u> |
| Utilization of loss carryovers | (311,203) | - |
| Realization of unrecorded deferred tax assets from prior periods | (127,585) | - |
| | <u>(57,443)</u> | <u>-</u> |
| Realization of deferred income tax | (57,443) | - |
| Net income (loss) for the year | \$ 943,944 | \$ (110,248) |
| Earnings per share | | |
| | \$ 0.11 | \$ (0.01) |
| Fully diluted earnings per share | | |
| | \$ 0.10 | \$ - |

The accompanying summary of significant policies and notes are an integral part of these financial statements.

The Bridges Initiatives Inc.
Statement of Changes in Financial Position

| For the year ended November 30 | 1998 | 1997 |
|--|---------------------|-------------------|
| Cash provided by (used in) | | |
| Operating activities | | |
| Net Income (loss) for the year | \$ 943,944 | \$ (110,248) |
| Items not involving cash | | |
| Amortization of capital assets | 45,329 | 57,418 |
| Amortization of deferred development costs | 308,821 | 290,854 |
| Deferred income taxes (recovery) | (57,443) | - |
| | <u>1,240,651</u> | <u>238,024</u> |
| Changes in non-cash working capital | | |
| Accounts receivable | (274,616) | (294,196) |
| Prepays | 26,539 | 1,315 |
| Account payable and accrued liabilities | 1,753 | 12,526 |
| Deferred revenue | (92,261) | 72,182 |
| | <u>902,066</u> | <u>29,851</u> |
| Investing activities | | |
| Purchase of capital assets | (45,263) | (14,060) |
| Expenditures on deferred development costs | (195,973) | (155,775) |
| Acquisition of intellectual property | - | (100,000) |
| | <u>(241,236)</u> | <u>(269,835)</u> |
| Financing activities | | |
| Issuance of common shares | 124,701 | 534,549 |
| Share subscriptions receivable | 105,000 | (105,000) |
| | <u>229,701</u> | <u>429,549</u> |
| Increase in cash during the year | 890,531 | 189,565 |
| Cash, beginning of year | 276,890 | 87,325 |
| Cash, end of year | \$ 1,167,421 | \$ 276,890 |

The accompanying summary of significant policies and notes are an integral part of these financial statements.

The Bridges Initiatives Inc.
Summary of Significant Accounting Policies

November 30, 1998

| | | | | | | | |
|-------------------------------------|--|-------------------------|---------------------------------|--------------------|---------------------------------|------------------------|---------------------------|
| Nature of Business | 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 marketing of a career information database available through the Internet and CD-Rom products. | | | | | | |
| Use of 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. Actual results could differ from those estimates. | | | | | | |
| Financial Instruments | The fair value of the Company's cash, accounts receivable, share subscriptions receivable and accounts payable approximate their carrying value due to the relatively short periods to maturity of these instruments. The maximum credit risk exposure for all financial assets is the carrying value of these assets. | | | | | | |
| Capital Assets | <p>Capital assets are stated at cost. Amortization is provided using the following methods and annual rates:</p> <table><tr><td>Furniture and equipment</td><td>- 20% diminishing balance basis</td></tr><tr><td>Computer equipment</td><td>- 30% diminishing balance basis</td></tr><tr><td>Leasehold improvements</td><td>- 20% Straight line basis</td></tr></table> <p>Amortization is provided for at one-half of the above rates in the year of acquisition.</p> | Furniture and equipment | - 20% diminishing balance basis | Computer equipment | - 30% diminishing balance basis | Leasehold improvements | - 20% Straight line basis |
| Furniture and equipment | - 20% diminishing balance basis | | | | | | |
| Computer equipment | - 30% diminishing balance basis | | | | | | |
| Leasehold improvements | - 20% Straight line basis | | | | | | |
| Deferred Development Costs | Deferred development costs are stated at cost less accumulated amortization. Deferred development costs include only costs directly related to the development of future products and the enhancement of the career information database, including the cost of intellectual property acquired. Costs are amortized on the straight-line basis over three years. Management performs a periodic assessment of the carrying value of deferred development costs and compares the unamortized balance to the projected revenues to be derived in future periods in an attempt to match as closely as possible, revenues with their related costs. Any impairment in the value of deferred development costs would be recognized in the accounts at the time of such determination. | | | | | | |
| Earnings per Common Share | Net income (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. | | | | | | |
| Foreign Currency Translation | <p>Amounts denominated in foreign currencies have been translated into Canadian dollars as follows:</p> <ol style="list-style-type: none">1) Monetary assets and liabilities at the rate of exchange prevailing at the balance sheet date; and2) Revenue and expenses at rates prevailing on the transaction date. Gains or losses on translation are included in earnings. | | | | | | |
| Revenue Recognition | In 1997 the company recognized substantially all proceeds received from on-line service contracts as revenue at the time access to the service commenced. During the year, management reviewed the requirement to provide future services for on-line service contracts and determined that no future services were required. Management therefore made the determination that all proceeds received should be recognized as revenue when the service commenced. This change has been accounted for as a change in an accounting estimate. | | | | | | |

The Bridges Initiatives Inc.
Notes to Financial Statements

November 30, 1998

1. Capital Assets

| | 1998 | | 1997 | |
|-------------------------|-------------------|-----------------------------|-------------------|-----------------------------|
| | Cost | Accumulated Amortization | Cost | Accumulated Amortization |
| Furniture and equipment | \$ 65,376 | \$ 26,215 | \$ 51,823 | \$ 18,119 |
| Computer equipment | 229,984 | 143,784 | 203,396 | 110,782 |
| Leasehold improvements | 23,714 | 13,399 | 18,593 | 9,168 |
| | \$ 319,074 | \$ 183,398 | \$ 273,812 | \$ 138,069 |
| Net book value | | \$ 135,676 | | \$ 135,743 |

2. Deferred Development Costs

| | 1998 | 1997 |
|---------------------------------------|-------------------|-------------------|
| Balance, beginning of year | \$ 1,128,337 | \$ 872,562 |
| Costs deferred during the year | 195,974 | 155,775 |
| Acquisitions of intellectual property | - | 100,000 |
| | 1,324,311 | 1,128,337 |
| Accumulated amortization | | |
| Balance, beginning of year | 439,008 | 148,154 |
| Amortization for the year | 308,821 | 290,854 |
| | 747,829 | 439,008 |
| | \$ 576,482 | \$ 689,329 |

3. Share Capital

Authorized

 Unlimited common shares without par value

 Unlimited preferred shares without par value

Issued and outstanding

| | Common shares | | | |
|--------------------------------------|------------------|---------------------|------------------|---------------------|
| | 1998 | | 1997 | |
| | # | \$ | # | \$ |
| Balance, beginning of year | 8,596,250 | \$ 2,329,928 | 7,096,250 | \$ 1,795,379 |
| Private placements | - | - | 1,250,000 | 434,549 |
| Acquisition of intellectual property | - | - | 250,000 | 100,000 |
| Stock options exercised | 41,000 | 16,701 | - | - |
| Share warrants exercised | 300,000 | 108,000 | - | - |
| | 8,937,250 | \$ 2,454,629 | 8,596,250 | \$ 2,329,928 |

Warrants

In 1997 the company had 650,000 warrants outstanding to officers and directors. Each warrant entitles the holder to purchase one common share. During the year the company issued 300,000 common shares upon exercise of warrants for proceeds of \$108,000. The outstanding warrants are as follows:

| Number of warrants | Price per share | Expiry date |
|-----------------------|--------------------|----------------|
| 100,000 | \$ 0.36 | June 5, 1999 |
| 150,000 | \$ 0.37 | July 31, 1999 |
| 100,000 | \$ 0.30 | August 9, 1999 |
| 350,000 | | |

The Bridges Initiatives Inc.
Notes to Financial Statements

November 30, 1998

Escrow Shares

At November 30, 1998, 2,099,000 shares (1997- 2,938,600) were held in escrow subject to an order of the Alberta Stock Exchange. The Escrow Agreement provides that the Escrowed Shares be released to the Escrowed Shareholders as to 10% immediately after nine months following the final receipt of the prospectus and 20% immediately after the first, second, and third anniversaries of the initial release and as to 30% immediately after the fourth anniversary of the initial release. If either the Corporation or the Escrow Shareholders believe that an earlier release of a greater number of escrow securities is appropriate, an application may be made to the Alberta Securities Commission.

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 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 to the board of directors, officers, employees, and other key personnel of the Company.

3. Share Capital (continued)

The Company has options outstanding under this plan as follows:

November 30, 1998

| Issued to | Outstanding Nov. 30, 1997 | Issued | Exercised | Cancelled or Expired | Outstanding Nov. 30, 1998 | Exercise price | Expiry date |
|---------------------------|------------------------------|--------|-----------|-------------------------|------------------------------|-------------------|----------------|
| Director and employees | 358,000 | - | (10,000) | (20,000) | 328,000 | \$ 0.46 | Sep.30, 2000 |
| Directors | 25,000 | - | - | - | 25,000 | \$ 0.46 | Dec.20, 2000 |
| Director and employees | 194,000 | - | (16,000) | (8,600) | 169,400 | \$ 0.40 | Dec.23, 2001 |
| Directors | - | - | - | - | - | \$ 0.46 | Dec.20, 2000 |
| Director and employees | 222,600 | - | (15,000) | - | 207,600 | \$ 0.38 | Oct. 20, 2002 |
| Director and employees | - | 15,000 | - | - | 15,000 | \$ 0.50 | Aug.1, 2003 |
| Director and employees | - | 10,000 | - | - | 10,000 | \$ 0.42 | May 13, 2003 |
| | 799,600 | 25,000 | (41,000) | (28,600) | 755,000 | | |

November 30, 1997

| Issued to | Outstanding Nov. 30, 1996 | Issued | Exercised | Cancelled or Expired | Outstanding Nov. 30, 1997 | Exercise price | Expiry date |
|---------------------------|------------------------------|---------|-----------|-------------------------|------------------------------|-------------------|----------------|
| Director and employees | 627,000 | - | - | (627,000) | - | \$ 0.85 | Sep.30, 2000 |
| Directors | 50,000 | - | - | (50,000) | - | \$ 0.85 | Dec.20, 2000 |
| Director and employees | - | 403,000 | - | (45,000) | 358,000 | \$ 0.46 | Sep.30, 2000 |
| Directors | - | 50,000 | - | (25,000) | 25,000 | \$ 0.46 | Dec.20, 2000 |
| Director and employees | - | 227,000 | - | (33,000) | 194,000 | \$ 0.40 | Dec.23, 2001 |
| Consultant | - | 40,000 | - | (40,000) | - | \$ 0.30 | May 1, 2003 |
| Director and employees | - | 222,600 | - | - | 222,600 | \$ 0.38 | Oct.20, 2002 |
| | 677,000 | 942,600 | - | (820,000) | 799,600 | | |

November 30, 1998

4. Income Taxes

The effective rate of income tax varies from the statutory rate as follows:

| November 30 | 1998 | 1997 |
|--|--------------------|-------------------|
| Combined tax rates | 45% | 52% |
| Expected income tax provision at statutory rate | 398,925 | - |
| Realization of unrecorded deferred tax assets from prior years | (131,033) | - |
| Other permanent differences | (17,580) | - |
| Utilization of loss carry forward | (307,755) | - |
| Actual income tax provision | \$ (57,443) | \$ 418,207 |

Subject to confirmation by income tax authorities, the company has the following approximate undeducted tax pools:

| November 30 | 1998 | 1997 |
|--|-------------------|---------------------|
| Non capital losses carried forward for tax purpose available until 2004 | \$ 127,652 | \$ 683,900 |
| Financing costs deductible for tax purposes in future years | 84,722 | 127,083 |
| Amounts deducted for accounting in excess of those deducted for tax purposes | - | 291,124 |
| Total amounts available to reduce future taxable income | \$ 212,374 | \$ 1,102,107 |

As at November 30, 1998, the Company had loss carry forwards of \$127,652 available to reduce future years income for tax purposes, the tax effect of the loss carry overs has been recorded in the accounts.

5. Related Party Transactions

In 1997, the Company issued 250,000 common shares to a corporation controlled by a related party in exchange for the elimination of all revenue based payments contemplated in an earlier agreement.

The Company issued 1,250,000 common shares for proceeds of \$434,549 to officers of the Company under private placements in 1997 of which \$105,000 was receivable from the president at November 30, 1997.

6. Contingencies

The company rents its premises, computer equipment, vehicles and office equipment under operating leases with various expiry dates to November 30, 2000.

The annual rent payable in each of the next three years under these leases is as follows:

1998 - \$68,288 1999 - \$49,283 2000 - \$27,725

November 30, 1998

7. Comparative Figures

Certain of the 1997 comparative figures have been reclassified to conform with the financial statement presentation adopted in 1998.

8. Segmented Information

Management has determined that the Company operates in one dominant industry segment which is marketing of a career information database which is available through the Internet and CD-Rom products. All of the Company's operations, assets and employees are located in Canada. Export sales to the United States, amounted to \$1,953,507 in 1998 (1997, \$593,472)

9. Uncertainty Due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000.

If the Year 2000 Issue is not addressed by the company and its major customers, suppliers and other third party business associates, the impact on the company's operations and financial reporting may range from minor errors to significant systems failure which could affect the company's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.
