

Audited Financial Statements

Bridges.com Inc. 1999

**To the Shareholders of Bridges.com Inc.
(formerly The Bridges Initiatives Inc.)**

We have audited the balance sheets of Bridges.com Inc. (formerly The Bridges Initiatives Inc.) as at November 30, 1999, and the statements of earnings (loss) and deficit and cash flows 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 auditing standards generally accepted in Canada. 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, 1999, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Canada.

The financial statements as at November 30, 1998 and 1997 and for the years then ended, prior to adjustment for the changes in accounting policies for revenue and income taxes as described in Note 3, were audited by other auditors who expressed an opinion without reservation on those statements in their reports dated December 18, 1998, and December 23, 1997, respectively. We have audited the adjustments to the 1998 and 1997 financial statements and in our opinion, such adjustments, in all material respects, are appropriate and have been properly applied.

Deloitte & Touche LLP

Chartered Accountants
Vancouver, British Columbia
January 28, 2000
(except as to Note 14, which is as of February 24, 2000)

Balance Sheets

BRIDGES.COM INC.
(formerly The Bridges Initiatives Inc.)
Years Ended November 30

	1999	1998 (Restated Note 3)	1997 (Restated Note 3)
ASSETS			
CURRENT			
Cash and cash equivalents	\$ 2,187,012	\$ 1,167,421	\$ 276,890
Accounts receivable	1,249,877	568,475	293,859
Share subscriptions receivable	-	-	105,000
<u>Prepaid expenses</u>	<u>96,966</u>	<u>79,674</u>	<u>106,213</u>
	<u>3,533,855</u>	<u>1,815,570</u>	<u>781,962</u>
Deferred acquisition costs	120,327	-	-
Capital assets (Note 4)	253,803	135,676	135,743
Deferred development costs (Note 5)	650,783	576,482	689,329
<u>Future income taxes (Note 7)</u>	<u>287,363</u>	<u>516,433</u>	<u>-</u>
	<u>\$ 4,846,131</u>	<u>\$ 3,044,161</u>	<u>\$ 1,607,034</u>
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	\$ 600,918	\$ 82,664	\$ 80,911
<u>Deferred revenue</u>	<u>1,678,512</u>	<u>918,799</u>	<u>389,795</u>
	<u>2,279,430</u>	<u>1,001,463</u>	<u>470,706</u>
COMMITMENTS (Note 9)			
SHAREHOLDERS' EQUITY			
Common stock (Note 6)	2,710,849	2,454,629	2,329,928
Deficit	(144,148)	(411,931)	(1,193,600)
	<u>2,566,701</u>	<u>2,042,698</u>	<u>1,136,328</u>
	<u>\$ 4,846,131</u>	<u>\$ 3,044,161</u>	<u>\$ 1,607,034</u>

Statement of Earnings (Loss) and Deficit

BRIDGES.COM INC.
(formerly The Bridges Initiatives Inc.)
Years Ended November 30

	1999	1998 (Restated Note 3)	1997 (Restated Note 3)
REVENUE			
Subscription services	\$ 4,326,893	\$ 2,247,445	\$ 815,541
<u>Other services</u>	<u>289,284</u>	<u>145,435</u>	<u>293,619</u>
	<u>4,616,177</u>	<u>2,392,880</u>	<u>1,109,160</u>
EXPENSES			
Cost of services	1,331,106	548,959	225,692
Sales and marketing	1,213,104	531,812	377,339
General and administration	1,073,166	658,848	402,795
<u>Other</u>	<u>142,350</u>	<u>51,301</u>	<u>64,996</u>
	<u>3,759,726</u>	<u>1,790,920</u>	<u>1,070,822</u>
EARNINGS BEFORE AMORTIZATION, INTEREST AND TAXES			
Amortization of capital assets	(90,880)	(45,329)	(57,418)
Amortization of deferred development costs	(322,914)	(308,821)	(290,854)
<u>Interest income</u>	<u>54,196</u>	<u>17,426</u>	<u>810</u>
EARNINGS (LOSS) BEFORE INCOME TAXES			
<u>Income tax expense (recovery) (Note 7)</u>	<u>229,070</u>	<u>(516,433)</u>	<u>-</u>
NET EARNINGS (LOSS)			
DEFICIT, BEGINNING OF YEAR			
(RESTATED Note 3)	(411,931)	(1,193,600)	(884,476)
DEFICIT, END OF YEAR	\$ (144,148)	\$ (411,931)	\$ (1,193,600)
Basic earnings (loss) per share			
	\$ 0.03	\$ 0.09	\$ (0.03)
Fully diluted earnings (loss) per share			
	\$ 0.03	\$ 0.08	\$ (0.03)

Statement of Cash Flows

BRIDGES.COM INC.

(formerly The Bridges Initiatives Inc.)

Years Ended November 30

	1999	1998 (Restated Note 3)	1997 (Restated Note 3)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net earnings (loss) for the year	\$ 267,783	\$ 781,669	\$ (309,124)
Items not affecting cash			
Amortization of capital assets	90,880	45,329	57,418
Amortization of deferred development costs	322,914	308,821	290,854
Future income taxes (recovery)	229,070	(516,433)	-
Changes in operating assets and liabilities (Note 8)	<u>579,273</u>	<u>282,680</u>	<u>(9,297)</u>
	<u>1,489,920</u>	<u>902,066</u>	<u>29,851</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Deferred acquisition costs	(120,327)	-	-
Purchase of capital assets	(209,007)	(45,262)	(14,060)
<u>Expenditures on deferred development costs</u>	<u>(397,215)</u>	<u>(195,974)</u>	<u>(255,775)</u>
	<u>(726,549)</u>	<u>(241,236)</u>	<u>(269,835)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of common shares	256,220	124,701	534,549
<u>Share subscriptions receivable</u>	<u>-</u>	<u>105,000</u>	<u>(105,000)</u>
	<u>256,220</u>	<u>229,701</u>	<u>429,549</u>
NET CASH INFLOW DURING THE YEAR	1,019,591	890,531	189,565
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,167,421</u>	<u>276,890</u>	<u>87,325</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,187,012</u>	<u>\$ 1,167,421</u>	<u>\$ 276,890</u>

Notes to the 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 through the Internet and CD-ROM products. On April 21, 1999, the Company changed its name to Bridges.com Inc. from The Bridges Initiatives Inc.

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) 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. 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.

(b) 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 exchange rate prevailing on the transaction date. Gains or losses on translation are included in earnings.

(c) Cash and cash equivalents

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

(d) Deferred acquisition costs

Deferred acquisition costs relate to the planned acquisition of Careerware described in Note 14. These costs will be added to the cost of that investment.

(e) 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%	declining	balance
basis Leasehold improvements	20%	straight-line	basis

Amortization 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, 1999, 1998 and 1997.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Deferred development costs

Deferred development costs are recorded at cost less accumulated amortization. Deferred development costs consist of costs directly related to the development of future products, including the cost of intellectual property acquired. Amortization is provided on a straight-line basis over the shorter of the estimated useful life of the deferred development costs and three years. Among other considerations, to assess impairment, the Company periodically calculates estimated undiscounted future cash flows to determine that they exceed the unamortized balance of deferred development costs.

The Company reviews for the impairment of deferred development costs 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 years ending November 30, 1999, 1998 and 1997.

(g) Revenue recognition

During the year ended November 30, 1999, the Company changed its revenue recognition policy relating to subscription services (Note 3(a)). 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-ROM information database and (2) online subscription services and database access over the licence 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-ROM information database licences are recognized upon delivery of the CD-ROM where persuasive evidence of an arrangement exists, collection is probable, and the fee is fixed or determinable. Revenue from online subscription services and database assets 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.

(h) 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.

(i) 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. Fully diluted earning per share calculations assume exercise of options and warrants if dilutive, effective on their dates of issue and that the funds derived therefrom would have been invested at an annual after tax rate of 1.8% (1998 - 1.8%; 1997 - 1.8%).

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Stock-based compensation plans

The Company has a stock-based compensation plan, which is described in Note 6. 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.

(k) Comparative figures

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

3. CHANGES IN ACCOUNTING POLICIES

(a) Revenue recognition

During the year ended November 30, 1999, the Company retroactively changed its revenue recognition policy for online information database products and services (see Note 2(g)). In prior years, the Company recognized revenue from online service contracts at the time access to the service commenced.

(b) Income taxes

During the year ended November 30, 1999, the Company elected early adoption of the new recommendations of the Canadian Institute of Chartered Accountants concerning the accounting for income taxes. This new accounting policy was also applied retroactively.

The adoption of the new standard changes the Company's focus when accounting for income taxes from a statement of earnings to a balance sheet approach. Previously, the Company recorded deferred income taxes based on timing differences in the recognition of income and expenses for tax and financial reporting purposes. The new standards require the recognition of future income taxes for the expected future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax values.

These new standards also require the Company to compute future income taxes using the enacted corporate income tax rates in effect each year. Previously, deferred income tax balances reflected the rates in effect when the differences arose.

(c) Effect of changes in accounting policies

The effect of these changes is an increase (decrease) in net earnings (loss) for the current year and as previously reported, as follows:

	1999	1998	1997
Revenue recognition	\$ (432,099)	\$ (621,265)	\$ (198,876)
Income tax recovery	-	458,990	-
	<u>\$ (432,099)</u>	<u>\$ (162,275)</u>	<u>\$ (198,876)</u>

As a result of these changes, and the effect of these changes on opening deficit as at December 1, 1996, the deficits reported at the end of fiscals 1997 and 1998 have increased by \$297,534 and \$459,809 respectively. In addition, the basic loss per share reported for the years ended November 30, 1998 and 1997 has increased by \$0.02 for both years.

4. CAPITAL ASSETS

	Cost	1999 Accumulated Amortization	1998 Net Book Value	Net Book Value	1997 Net Book Value
Furniture and equipment	\$ 99,045	\$ 37,415	\$ 61,630	\$ 39,161	\$ 33,704
Computer equipment	388,762	217,066	171,696	86,200	92,614
Leasehold improvements	40,275	19,798	20,477	10,315	9,425
	<u>\$ 528,082</u>	<u>\$ 274,279</u>	<u>\$ 253,803</u>	<u>\$ 135,676</u>	<u>\$ 135,743</u>

5. DEFERRED DEVELOPMENT COSTS

	1999	1998	1997
Balance, beginning of year	\$ 1,324,311	\$ 1,128,337	\$ 872,562
Costs deferred during the year	397,215	195,974	155,775
Acquisitions of intellectual property	-	-	100,000
	<u>\$ 1,721,526</u>	<u>\$ 1,324,311</u>	<u>\$ 1,128,337</u>
Accumulated amortization			
Balance, beginning of year	\$ 747,829	\$ 439,008	\$ 148,154
Amortization for the year	322,914	308,821	290,854
	<u>1,070,743</u>	<u>747,829</u>	<u>439,008</u>
	<u>\$ 650,783</u>	<u>\$ 576,482</u>	<u>\$ 689,329</u>

6. SHARE CAPITAL

(a) Authorized

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

(b) Issued and outstanding

	Common Shares					
	1999		1998		1997	
	Shares	Amount	Shares	Amount	Shares	Amount
Balance, beginning of year	8,937,250	\$ 2,454,629	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	316,000	134,720	41,000	16,701	-	-
Share warrants exercised	350,000	121,500	300,000	108,000	-	-
	<u>9,603,250</u>	<u>\$ 2,710,849</u>	<u>8,937,250</u>	<u>\$ 2,454,629</u>	<u>8,596,250</u>	<u>\$ 2,329,928</u>

(c) Warrants

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

6. SHARE CAPITAL (Continued)

(d) Escrow shares

At November 30, 1999, 1,259,400 shares were held in voluntary escrow as approved by the Canadian Venture Exchange (formerly the Alberta Stock Exchange). The escrow agreement provides that the remaining escrowed shares at November 30, 1999, be released to the shareholders on August 29, 2000.

(e) Stock option plan

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

The Company has options outstanding under this plan as follows:

Options	1999		1998		1997	
	Common Shares	Weighted-Average Exercise Price	Common Shares	Weighted-Average Exercise Price	Common Shares	Weighted-Average Exercise Price
Options Outstanding at beginning of year	755,000	\$ 0.42	799,600	\$ 0.42	677,000	\$ 0.85
Granted	519,000	3.43	25,000	0.47	942,600	0.42
Exercised	(316,000)	0.43	(41,000)	0.41	-	-
Cancelled	-	-	(28,600)	0.44	(820,000)	0.77
Outstanding at end of year	958,000	\$ 2.05	755,000	\$ 0.42	799,600	\$ 0.42
Exercisable at end of year	436,500	\$ 0.43	729,250	\$ 0.42	763,100	\$ 0.42

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.

The following tables summarize information about stock options outstanding and exercisable at November 30, 1999.

Exercise Price	Options Outstanding		Number Exercisable at November 30, 1999
	Number Outstanding at November 30, 1999	Weighted Average Remaining Contractual Life	
\$ 0.38	117,500	2.7 years	117,500
0.40	88,000	2.0 years	88,000
0.42	5,000	3.5 years	5,000
0.46	226,000	0.9 years	226,000
0.50	10,000	3.8 years	-
0.65	102,500	4.1 years	-
2.05	50,000	4.3 years	-
3.00	60,000	5.0 years	-
4.75	299,000	4.5 years	-
	958,000		436,500

7. INCOME TAXES

The Company's income tax expense (recovery) for the years ended November 30 consists of the following:

	1999	1998	1997
Current tax expense	\$ -	\$ -	\$ -
Future tax expense(recovery)	229,070	(516,433)	-
	<u>\$ 229,070</u>	<u>\$(516,433)</u>	<u>\$ -</u>

The reported income tax expense (recovery) 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:

	1999	1998	1997
Canadian basic statutory tax rate	45.62%	45.62%	45.62%
Expected income tax provision (recovery)	\$226,664	\$ 121,001	\$(141,022)
Unrecognized tax losses	-	-	90,727
Temporary differences not recognized during the year	-	-	49,651
Benefit of tax losses of			
prior years recognized during the year	-	(447,730)	-
Benefit of temporary differences			
recognized during the year	-	(191,277)	-
Non-deductible expenses	2,406	1,573	644
	<u>\$229,070</u>	<u>\$(516,433)</u>	<u>\$ -</u>

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

	1999	1998	1997
Future income tax assets			
Tax loss carry forwards	\$471,149	\$477,391	\$447,730
Capital assets	-	-	132,881
Deferred financing fees and other	19,690	39,042	58,396
Valuation allowance for future income tax assets	-	-	(639,007)
Future income tax liabilities Capital assets	(203,476)	-	-
Net future income tax assets	<u>\$287,363</u>	<u>\$516,433</u>	<u>\$ -</u>

8. CHANGES IN NON-CASH OPERATING WORKING CAPITAL

	1999	1998	1997
Accounts receivable	\$ (681,402)	\$ (274,616)	\$ (206,899)
Prepaid expenses	(17,292)	26,539	(85,981)
Accounts payable and accrued liabilities	518,254	1,753	12,525
Deferred revenue	759,713	529,004	271,058
	<u>\$ 579,273</u>	<u>\$ 282,680</u>	<u>\$ (9,297)</u>

9. COMMITMENTS

The Company rents its premises, computer equipment and office equipment under operating leases with various expiry dates to November 30, 2002.

As at November 30, 1999, future minimum operating lease payments for the years ending November 30 are due as follows:

2000	\$ 286,681
2001	218,854
2002	<u>119,371</u>
	<u>\$ 624,906</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, 1999, 1998 and 1997 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.

11. SEGMENTED INFORMATION

The Company manages its operations in one business segment, the development, marketing and delivery of career information database products through the Internet and CD-ROM products. All of the Company's operations, assets, and employees are located in Canada. The Company attributes revenue among geographical areas based on the location of the customers involved.

		1999		1998		1997
Canada	25%	\$ 1,175,725	38%	\$ 909,359	55%	\$ 610,826
United States	75%	3,440,452	62%	1,483,521	45%	498,334
		\$ 4,616,177		\$ 2,392,880		\$ 1,109,160

12. RELATED PARTY TRANSACTIONS

During the year ended November 30, 1999, the Company paid \$88,500 (1998 - \$Nil; 1997 - \$Nil) in consulting fees to a director of the Company.

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

13. 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 1900 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects for the Year 2000 Issue affecting the Company, including those related to the efforts of suppliers or other third parties, have been fully resolved.

14. SUBSEQUENT EVENT

Subsequent to November 30, 1999, the Company:

- (a) signed a memorandum of understanding ("MOU") for the acquisition of the assets and certain of the liabilities of Careerware, a business unit of ISM Information Systems Management Corporation ("ISM"), a subsidiary of IBM Canada Limited. The acquisition is expected to close on or before April 27, 2000;
- (b) received conditional approval from The Toronto Stock Exchange (the "TSE") to list its common shares on the TSE. On February 16, 2000, the Company's common shares commenced trading; and,
- (c) announced a private placement consisting of 3.25 million special warrants to be issued at \$5.55 per special warrant.

Each special warrant will entitle the holder to acquire a unit consisting of one common share of the Company and one half of a common share purchase warrant for an additional cost. Each full common share purchase warrant will entitle the holder to purchase one common share at a price of \$5.90 for a period of 6 months from conversion of the special warrants to units. Proceeds of the offering are to be escrowed pending closing of the acquisition, to occur no later than April 27, 2000.