



**bridges.com**

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FIRST QUARTER REPORT  
THREE MONTHS ENDING FEBRUARY 28

## C E O ' S M E S S A G E

We are pleased to announce that Bridges achieved record Q1 revenue for the first quarter of fiscal 2001. This builds on the ever-increasing annual run rate of revenue from both the acquired Careerware business and historical revenue levels from our legacy business.

First-quarter revenue was \$3,560,278, or 241% higher than the \$1,042,572 in the first quarter of 2000. Revenue growth was supported by Choices resubscriptions and newly added revenue from the Careerware acquisition of March 31, 2000. The quarter, which ended February 28, is traditionally a slower period for Bridges' sales. More than two-thirds of Bridges' revenue is typically generated in Q3 and Q4.

During the first quarter of 2001, Bridges was very focused on corporate integration with Careerware. Implementation of new regional sales and support teams was completed in January, enabling Bridges to set new market standards for customer acquisition, support and retention. Business systems integration continued, with new technologies for front and back office being acquired and prepared for implementation. An expanded strategy for product delivery systems was finalized and will begin development in Q2. Integration of accounting processes, software systems and staffing requirements also began during the quarter.

Consumer products were repositioned in the quarter to promote awareness of subscription products in targeted markets. Additionally, co-marketing agreements were signed with Highwired.com, AltaVista and eFront. The Career Pro News now has 4,000 subscribing career professionals. More than 1,600 families subscribe to our weekly Career Parent Magazine. Over 185,000 individuals receive the @bridges resource each week.

The loss before amortization, interest and taxes of \$349,951 for the first quarter 2001 is on plan for the current fiscal period and is compared to a loss \$225,841 for the first quarter 2000. These losses reflect an annual seasonality in our business cycle. The net loss of \$980,307 for Q1 2001 is significantly impacted by the



rapid write-off of goodwill and other intangibles resulting from the acquisition of Careerware in March 2000.

Our core business is the sale of subscription-based career-related products to schools, colleges and government agencies in North America. Building on the strong performance it has shown over the past three years, Bridges initiated its new business plan in Q1 2001. While continuing strong growth in our core business, Bridges will also focus on developing leveraged business opportunities in targeted markets with successful, sector-leading partners.

### **Second Quarter Objectives**

**Corporate Integration** – Integration of administrative and financial systems will continue during Q2, as will development of a new Customer Relations Management (CRM) tool for the sales and support teams. These applications will be installed in Q3. Unified marketing documents will be developed, integrating all products and services under the Bridges.com banner.

**Product Development** – Bridges upgrades its Choices, eChoices and Career Explorer products each spring, in preparation for distribution of new services to customers in the summer. Product development and software development teams will be focused on these upgrades during the second quarter.

**e-Application Preparation** – Bridges has targeted the graduates of 2002 as the first students to receive training and access to our online applications for colleges and financial aid services in the United States. Although e-applications still comprise less than 10% of post-secondary applications, these numbers are expected to grow in 2002. Our Q2 work will prepare training modules for use with our educational subscribers in the 2001/2002 school year. This service will be delivered through our strategic relationship with Xap Corporation.

**New Venture Development** – Bridges' e-guidance tools have a record of success in the adult, college and school marketplaces. During Q2, the company will continue its market research and development of distribution for our e-guidance tools into the corporate and consumer marketplaces. Developments in new market distribution partnerships are expected early in the second quarter.



**Douglas J. Manning**  
Chief Executive Officer and President

## C O N S O L I D A T E D

**BALANCE SHEETS**

BRIDGES.COM INC. (unaudited)

	February 28 2001	November 30 2000
<b>ASSETS</b>		
Current		
Cash and cash equivalents	\$ 8,061,904	\$ 8,232,897
Accounts receivable	3,438,427	5,179,998
Prepaid expenses and other	582,211	612,415
	12,082,542	14,025,310
Capital assets (Note 2)	3,056,862	2,538,408
Goodwill and other intangibles, net (Note 3)	5,985,120	6,954,379
Future income taxes	1,076,553	642,599
	\$ 22,201,077	\$ 24,160,696
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	\$ 1,428,107	\$ 1,842,467
Deferred revenue	2,703,229	3,257,961
Current portion of capital lease obligations	132,813	127,738
	4,264,149	5,228,166
Capital lease obligations, net of current portion	210,019	245,213
	4,474,168	5,473,379
Commitments (Note 4)		
<b>SHAREHOLDERS' EQUITY</b>		
Common stock (Note 5)	19,663,788	19,643,889
Deficit	(1,936,879)	(956,572)
	17,726,909	18,687,317
	\$ 22,201,077	\$ 24,160,696

See Accompanying Notes to the Consolidated Financial Statements.

## C O N S O L I D A T E D

## STATEMENTS OF OPERATIONS AND DEFICIT

BRIDGES.COM INC. (unaudited)

	Three months ended <b>February 28</b> <b>2001</b>	Three months ended <b>February 29</b> <b>2000</b>
<b>REVENUE</b>	\$ 3,560,278	\$ 1,042,572
<b>COSTS OF REVENUE</b>	1,235,077	307,972
<b>GROSS MARGIN</b>	2,325,201	734,600
<b>EXPENSES</b>		
Sales and marketing	1,572,822	405,035
Research and development	118,172	181,431
General and administrative	984,158	373,975
	2,675,152	960,441
<b>LOSS BEFORE AMORTIZATION, INTEREST AND TAXES</b>	(349,951)	(225,841)
Amortization of capital assets	(201,366)	(96,463)
Amortization of other intangibles	(550,174)	-
Other income	106,314	15,120
<b>LOSS BEFORE INCOME TAXES AND AMORTIZATION OF GOODWILL</b>	(995,177)	(307,184)
Income tax recovery	(433,954)	(138,233)
<b>NET LOSS BEFORE AMORTIZATION OF GOODWILL</b>	(561,223)	(168,951)
Amortization of goodwill	(419,084)	-
<b>NET LOSS</b>	(980,307)	(168,951)
<b>DEFICIT, BEGINNING OF PERIOD</b>	(956,572)	(144,149)
<b>DEFICIT, END OF PERIOD</b>	\$ (1,936,879)	\$ (313,100)
Basic loss before amortization of goodwill per share	\$ (0.04)	\$ (0.02)
Basic loss per share	\$ (0.07)	\$ (0.02)
Weighted average number of shares used to calculate basic loss per share	13,220,197	9,641,306

See Accompanying Notes to the Consolidated Financial Statements.

C O N S O L I D A T E D  
S T A T E M E N T S O F C A S H F L O W S

BRIDGES.COM INC. (unaudited)

	Three months ended <b>February 28</b> <b>2001</b>	Three months ended <b>February 29</b> <b>2000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (980,307)	\$ (168,951)
Items not affecting cash		
Amortization of capital assets	201,365	96,463
Amortization of other intangibles	550,174	-
Amortization of goodwill	419,084	-
Income tax recovery	(433,954)	(138,233)
Changes in operating assets and liabilities:		
Accounts receivable	1,741,553	412,779
Prepaid expenses and other	30,204	(10,083)
Account payable and accrued liabilities	(409,267)	(256,265)
Deferred revenue	(554,732)	(146,748)
	<u>564,120</u>	<u>(211,038)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Deferred acquisition costs	-	(576,250)
Purchase of capital assets	(719,818)	(47,352)
	<u>(719,818)</u>	<u>(623,602)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of common shares	19,899	55,300
Repayment of obligations under capital lease	(35,194)	-
	<u>(15,295)</u>	<u>55,300</u>
<b>NET CASH INFLOW DURING THE PERIOD</b>	<b>(170,993)</b>	<b>(779,340)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>8,232,897</b>	<b>2,187,012</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 8,061,904</b>	<b>\$ 1,407,672</b>
Supplemental Cash Flow Disclosures:		
Interest paid	\$ 14,190	\$ 1,267

See Accompanying Notes to the Consolidated Financial Statements.

## CONSOLIDATED FINANCIAL STATEMENTS OF BRIDGES.COM INC.

Three months ended February 28, 2001

### 1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements do not include all information and footnote disclosures required under Canadian generally accepted accounting principles. In the opinion of management, all adjustments (consisting primarily of normal recurring adjustments) considered necessary for a fair presentation of the financial position, results of operations and cash flows as at February 28, 2001, and for all periods presented, have been included.

The unaudited consolidated balance sheet, consolidated statement of operations and deficit and consolidated statement of cash flows have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements. These interim financial statements follow the same accounting policies and methods of applications as the most recent annual financial statements dated November 30, 2000. These financial statements should be read in conjunction with the financial statements and notes thereto included in the company's annual report for the fiscal year ended November 30, 2000.

### 2. CAPITAL ASSETS

	February 28, 2001			November 30, 2000	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	
Furniture and equipment	\$ 159,439	\$ 54,633	\$ 104,806	\$ 107,323	
Computer equipment	1,846,581	806,771	1,039,810	1,114,550	
Online network infrastructure costs	3,236,525	1,412,578	1,823,947	1,267,807	
Leasehold improvements	122,836	34,537	88,299	48,728	
	<u>\$ 5,365,381</u>	<u>\$ 2,308,519</u>	<u>\$ 3,056,862</u>	<u>\$ 2,538,408</u>	

The net book value of assets under capital lease at February 28, 2001, totalled \$311,665 (November 30, 2000 - \$346,120), net of accumulated amortization of \$140,786 (November 30, 2000 - \$106,331).

### 3. GOODWILL AND OTHER INTANGIBLES

	February 28, 2001	November 30, 2000
Goodwill on acquisition of Careerware (net of accumulated amortization of \$1,536,640; November 30, 2000 - \$1,117,557)	\$ 3,492,365	\$ 3,911,449
Acquired software (net of accumulated amortization of \$1,917,694; November 30, 2000 - \$1,394,686)	2,266,366	2,789,374
Acquired trademarks (net of accumulated amortization of \$99,611; November 30, 2000 - \$72,444)	226,389	253,556
	<u>\$ 5,985,120</u>	<u>\$ 6,954,379</u>

### 4. COMMITMENTS

On December 20, 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.

### 5. SHARE CAPITAL AND WARRANTS

#### (a) Common shares issued and outstanding

	February 28, 2001		November 30, 2000	
	Shares	Amount	Shares	Amount
Balance, beginning of period	13,192,250	\$ 19,643,889	9,603,250	\$ 2,710,849
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	43,000	19,899	339,000	161,545
Balance, end of period	<u>13,235,250</u>	<u>\$ 19,663,788</u>	<u>13,192,250</u>	<u>\$ 19,643,889</u>

During the year ended November 30, 2000, the company completed a special warrants private placement. The private placement consisted of 3,250,000 special warrants being issued with one half of a common share purchase warrant attached, for a total of 1,625,000 common share purchase warrants.

During the year ended November 30, 2000, all 3,250,000 special warrants were converted into 3,250,000 common shares. On January 22, 2001, all of the 1,625,000 common share purchase warrants expired.

**(b) Normal course issuer bid**

On February 21, 2001, Bridges announced its intentions to make a normal course issuer bid. Under the terms of the bid the company may, during the 12-month period beginning February 26, 2001, and ending February 25, 2002, purchase up to a maximum of 661,713 common shares in total. The actual number of common shares which may be purchased and the timing of any such purchases will be determined by the company. The company intends to cancel any common shares acquired under the bid.

**(c) Loss per share**

During the three-month period ended February 28, 2001, the company retroactively adopted the new CICA recommendations regarding earnings per share. For all periods presented, the adoption of the new standard had no impact on previously reported loss per share amounts.

**(d) Common shares and other equity outstanding**

As at March 23, 2001, there were 13,235,250 common shares issued and outstanding. As at March 23, 2001, there were 1,449,000 options issued and outstanding at exercise prices ranging from \$.38 to \$7.00 with remaining weighted average contractual lives of 0.8 years to 4.6 years.

**6. 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.

	Three months ended February 28, 2001		Three months ended February 29, 2000	
Canada	18%	\$ 656,401	16%	\$ 169,785
United States	82%	2,903,877	84%	872,787
		\$ 3,560,278		\$ 1,042,572

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

*The following comments should be read in conjunction with the company's audited consolidated financial statements and notes thereto for the year ended November 30, 2000, and the unaudited interim consolidated financial statements and notes thereto for the three months ended February 28, 2001.*

**RESULTS OF OPERATIONS**

During the year ended November 30, 2000, the company acquired certain assets of Careerware. The results of operations for fiscal year ended November 30, 2000, included the operating results for Careerware from April 1, 2000, to November 30, 2000. As a result, the operating results for Careerware are included in the results of operations for the three months ended February 28, 2001, but were not included in the results of operations for the three months ended February 29, 2000.

**Revenue**

Total revenue increased by 241% to \$3,560,278 for the three months ended February 28, 2001, from \$1,042,572 for the three months ended February 29, 2000.

Revenue from the company's U.S. subscribers accounted for \$2,903,877, or 82% of total revenue for the three months ended February 28, 2001; compared to \$872,787, or 84% of total revenue for the three months ended February 29, 2000.

Revenue from the company's Canadian subscribers accounted for \$656,401, or 18% of the total revenue for the three months ended February 28, 2001; compared to \$169,785, or 16% of total revenue for the three months ended February 29, 2000.

**Costs of Revenue and Gross Margin**

Costs of revenue increased by 301% to \$1,235,077 for the three months ended February 28, 2001, from \$307,972 for the three months ended February 29, 2000. As a percentage of revenue, costs of revenue increased to 35% for the three months ended February 28, 2001, from 30% for the three months ended February 29, 2000.

The dollar increase in costs of revenue was primarily due to the increase in revenue-related

costs, the expansion of staff and related production costs resulting from the acquisition of Careerware. The percentage increase in cost of revenue was primarily due to the higher marginal product costs for the Careerware line of products.

Gross margin increased by 217% to \$2,325,201 for the three months ended February 28, 2001, from \$734,600 for the three months ended February 29, 2000. As a percentage of revenue, gross margin decreased to 65% for the three months ended February 28, 2001, from 70% for the three months ended February 29, 2000.

#### **Sales and Marketing**

Sales and marketing expense increased by 288% to \$1,572,822 in the three months ended February 28, 2001, from \$405,035 for the three months ended February 29, 2000. As a percentage of total revenue, sales and marketing expense increased to 44% in the three months ended February 28, 2001, from 39% in the three months ending February 29, 2000.

The dollar increase in sales and marketing expense was primarily due to the increase in revenue-related costs, the increase of the number of sales and marketing staff and related expenses resulting from the acquisition of Careerware. The percentage increase in sales and marketing expense was primarily due to the higher marginal sales costs for the Careerware line of products.

#### **Research and Development**

Research and development expense decreased by 35% to \$118,172 in the three months ended February 28, 2001, from \$181,431 for the three months ended February 29, 2000. As a percentage of total revenue, research and development expense decreased to 3.3% in the three months ended February 28, 2001, from 17.4% in the three months ending February 29, 2000. The decrease reflects a small dollar decline in research related to Internet content delivery.

#### **General and Administrative**

General and administrative expense increased by 163% to \$984,158 for the three months ended February 28, 2001, from \$373,975 for the three months ended February 29, 2000. As a percentage of total revenue, general and administrative expense decreased to 28% for the three months ended February 28, 2001, from 36% for the three months ended February 29, 2000.

The dollar increase in general and administrative expense was primarily due to the increase in personnel and associated costs related to the

integration of the operations of Careerware and the investment in the infrastructure necessary to support the continued rapid growth of the company.

The decrease in general and administrative expense as a percentage of total revenue was primarily due to the initial efficiencies gained through the acquisition of Careerware and the overall increase in revenue.

#### **Amortization**

Amortization of capital assets increased by 109% to \$201,366 for the three months ended February 28, 2001, from \$96,463 for the three months ended February 29, 2000. The increase relates to amortization of assets that resulted from the purchase of computer equipment related to staff increases and to upgrades to the company's network infrastructure and from the assets acquired through the acquisition of Careerware. As part of the company's Internet infrastructure strategy, which commenced in the fourth quarter of 2000, development of the company's enhanced Internet infrastructure has been capitalized.

Amortization of intangibles increased to \$550,174 for the three months ended February 28, 2001. The increase relates to the rapid amortization (over periods of 24 to 36 months) of \$4,510,060 of intangibles that resulted from the acquisition of Careerware.

Amortization of goodwill increased to \$419,084, for the three months ended February 28, 2001. The increase relates to the rapid amortization (over 36 months) of \$5,029,006 of goodwill that resulted from the acquisition of Careerware.

#### **Other Income**

The company earns income on its cash balances and treasury bills. Interest income increased by 897% to \$150,695 for the three months ended February 28, 2001, from \$15,120 for the three months ended February 29, 2000. The interest income earned for the three months ended February 28, 2001, is primarily the result of interest on the remaining post-Careerware acquisition proceeds from the special warrants financing received March 30, 2000. As a total of revenue, interest income increased to 4.2% for the three months ended February 28, 2001, from 1.5% for the three months ended February 29, 2000.

Foreign exchange losses increased to \$44,381 for the three months ended February 28, 2001, from zero for the three months ended February 29, 2000. As a percentage of total revenue, foreign exchange

losses increased to 1.2% for the three months ended February 28, 2001, from 0% for the three months ended February 29, 2000.

#### Income Taxes

Income tax recovery increased to \$433,954 for the three months ended February 28, 2001, from \$138,233 for the three months ended February 29, 2000. The effective income tax rate was 43.6%, for the three months ended February 28, 2001, and 45% for the three months ended February 29, 2000.

#### LIQUIDITY AND CAPITAL RESOURCES

Since its inception, the company has financed its operations through a combination of a series of private and public sales of equity securities and cash generated by operations. The company completed the three months ended February 28, 2001, with positive working capital of \$7,818,393 compared to \$8,797,144 as at November 30, 2000. The decrease in working capital is primarily due to the company's investment in capital assets of \$719,818 during the three months ended February 28, 2001. The company generated cash from operating activities of \$564,120 for the three months ended February 28, 2001, up from cash used in operations of \$211,038 for the three months ended February 29, 2000. The increase for the three months ended February 28, 2001, over for the three months ended February 29, 2000, is consistent with the company's expansion efforts. The company is expecting cash provided by operating activities to continue to improve in fiscal 2001 as the company's subscriber base continues to expand.

The company completed the three months ended February 28, 2001, with cash and cash equivalents of \$8,061,904, a decrease of \$170,993 compared to \$8,232,897 as at November 30, 2000. Cash balances are held in general operating bank accounts, and cash equivalents are held in money market accounts, treasury bills, banker's acceptances or commercial paper.

Accounts receivable, prepaid expenses, accounts payable and accrued liabilities and deferred revenue were impacted by the Careerware acquisition made in fiscal 2000 and by the increased level of operations during the three months ended February 28, 2001.

The company has a stock-based compensation plan under which any consideration paid by employees and directors on the exercise of stock options is credited to share capital. During the three months ended February 28, 2001, the company granted 34,600 common share stock

options at an average price of \$3.24 per share. In addition, 43,000 common share stock options were exercised at an average price of \$0.46 per share contributing \$19,899 in cash.

On December 20, 2000, the company negotiated an operating line of credit with a Canadian chartered bank of up to a maximum borrowing amount of \$3.0 million secured by a first charge and general security agreement over all assets. This line of credit bears interest at 150 basis points over market rates. At quarter end, the facility had not been drawn on.

#### Normal Course Issuer Bid

On February 21, 2001, the company announced a normal course issuer bid. This allows the company, during the 12-month period beginning February 26, 2001, and ending February 25, 2002, to purchase on the Toronto Stock Exchange up to a maximum of 661,713 common shares in total, being 5% of the current 13,235,250 common shares issued and outstanding. The company intends to cancel any common shares acquired under the bid. As at March 30, 2001, 56,700 shares have been acquired under the bid.

#### Forward-Looking Statements

Certain statements contained in this report, including statements which may contain words such as "could," "expect," "believe," "will" and similar expressions and statements relating to matters that are not historical facts, are forward-looking statements. Such forward-looking statements involve known and unknown risks and uncertainties which may cause the actual results, performances or achievements of Bridges to be materially different from any future results, performances or achievements expressed or imposed by such forward-looking statements. Such factors include: general economic and business conditions; stock market volatility; supply and demand for services offered by Bridges; changes in laws and regulations; Bridges ability to compete successfully, protect its intellectual property rights, and adapt to technological advances and changing industry standards and other factors. The forward-looking statements in this report are based on management's reasonable beliefs as of the date of this report, and Bridges assumes no obligation to update them to reflect subsequent information or events. In light of the many risks and uncertainties that may cause future results to differ materially from those expected, the company cannot give assurance that the forward-looking statements contained in this analysis will be realized. Forward-looking statements are not guarantees of future performance.



#### CORPORATE INFORMATION

##### Board of Directors

**John C. Simmons**

Chairman, Bridges.com Inc.  
Chairman, Integrated Paving Concepts Inc.  
Director, Epic Biosonics Inc.

**Douglas J. Manning**

Chief Executive Officer and President of  
Bridges.com Inc.

**Edward J. Hall**

Co-President of Canadian Adult  
Communities Ltd.

**Terry M. Holland**

Chief Executive Officer and President of  
Trimin Capital Corp.

##### Management & Officers

**Douglas J. Manning**

Chief Executive Officer and President

**John B. Walker**

Chief Financial Officer

**Claude A. Lapointe**

Executive VP, Sales and Marketing

**Michael D. Mooney**

Executive VP, Information Technology

**Donald A. Phillips**

Executive VP, Product Development

**Norman R. Thompson**

Executive VP, Corporate Development

**Michael S. Martin**

VP, Sales

**David D.J. Cousins**

VP, Human Resources and Secretary

**Diane B. Stringer**

VP, Development Solutions

**Louise Logie-Verkerk**

VP, Publishing

##### Registrar & Transfer Agent

**CIBC Mellon Trust Company**

Calgary, Alberta, Canada  
Toronto, Ontario, Canada

##### Auditors

**Deloitte & Touche LLP**

Vancouver, British Columbia, Canada

##### Registered Office

**Burstall Winger LLP**

Calgary, Alberta, Canada

##### Corporate Offices

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#### INVESTOR INFORMATION

##### Shareholder Information

**Stock Listing**

The common shares of Bridges.com Inc. are listed on the Toronto Stock Exchange under the trading symbol BIT.

**Investor Relations**

Inquiries about the company and requests for information should be directed to:

**Norman R. Thompson**

Executive VP, Corporate Development

**Rick B. MacCabe**

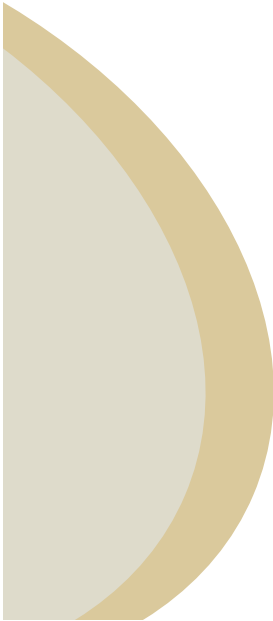
Investor Relations

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**Web Sites**

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