

This Prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence. The securities offered hereby may not be offered or sold in the United States of America and this prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States of America. See "Details of the Offering".

New Issue



Basis100 Inc.

\$52,500,000

5,000,000 Common Shares

Basis100 Inc. ("Basis100" or the "Company") is hereby qualifying for distribution in the Provinces of Quebec, Ontario, Manitoba and British Columbia 5,000,000 common shares of the Company issuable by the Company to the holders of 5,000,000 special warrants (the "Special Warrants"), upon the exercise or deemed exercise by holders of their rights to acquire, without additional payment, one common share for each Special Warrant held by them. The Special Warrants were issued by the Company on February 1, 2000 at a price of \$10.50 per Special Warrant (the "Issue Price") pursuant to an underwriting agreement (the "Underwriting Agreement") dated February 1, 2000 among RBC Dominion Securities Inc., Griffiths McBurney & Partners and Dundee Securities Corporation (collectively, the "Underwriters") and the Company. The offering price of the Special Warrants was determined by negotiation between the Company and the Underwriters.

Each Special Warrant entitles the holder (a "Special Warranholder") to receive, upon exercise and without additional payment, one common share subject to adjustment, at any time after February 1, 2000 (the "Closing Date") and prior to 5:00 p.m. (Toronto time) on the first to occur (the "Time of Expiry") of (i) the fifth business day after the date (the "Qualification Date") on which a receipt for a final prospectus has been issued by the last of the securities commissions in each province of Canada in which Special Warranholders reside as of the Closing Date; and (ii) February 1, 2001. If the Qualification Date has not been satisfied prior to 5:00 p.m. (Toronto time) on May 31, 2000 (the "Qualification Deadline"), holders of Special Warrants shall be entitled to receive 1.1 common shares in lieu of one common share without payment of any additional consideration. See "Details of the Offering". This prospectus is being filed to qualify the 5,000,000 common shares to be issued on the exercise of the Special Warrants.

The Special Warrants were issued by the Company on the Closing Date at the Issue Price for aggregate gross proceeds of \$52,500,000. See "Details of the Offering".

	<u>Price to Public</u>	<u>Underwriters' Commission⁽¹⁾</u>	<u>Net Proceeds to the Company⁽²⁾</u>
Per Special Warrant.....	\$10.50	\$0.4725	\$10.0275
Total.....	\$52,500,000	\$2,362,500	\$50,137,500

Notes:

⁽¹⁾ The Underwriters received a commission equal to 4.5% of the gross proceeds of this offering as consideration for services provided in connection with this offering.

⁽²⁾ Before deducting expenses of this offering, including the preparation of this prospectus, estimated to be \$370,000, which will be paid by the Company.

The common shares are currently quoted for trading on The Toronto Stock Exchange (the "TSE"), under the trading symbol BAS. On January 19, 2000, the day prior to the announcement of the Special Warrant financing, the closing price for the common shares on the TSE was \$11.45. See "Price Range and Trading Volume of the Common Shares".

Investment in the common shares to be issued on the exercise of the Special Warrants should be considered speculative due to various factors. To date, the Company has not earned operating profits and expects to incur further significant operating losses. See "Risk Factors".

The Company has never paid a dividend on its common shares and does not intend to pay dividends on its common shares for the foreseeable future. See "Dividend Record".

The Issue Price, after giving effect to this issue, exceeds the net tangible book value per common share as at December 31, 1999 by \$8.43 per share representing 80.3% of the Issue Price of the Special Warrants. See "Dilution".

Certain legal matters relating to this offering will be passed upon on behalf of the Company by Torgers and on behalf of the Underwriters by Wildeboer Rand Thomson Apps & Dellelce, LLP.

This is a preliminary prospectus relating to these securities, a copy of which has been filed with the securities commission or other regulatory authority in Quebec, British Columbia, Manitoba and Ontario, but which has not yet become final for the purpose of a distribution to the public. Information contained herein is subject to completion or amendment. These securities may not be sold to, nor may offers to buy be accepted from, residents of such jurisdictions prior to the time a receipt for the final prospectus is obtained from the appropriate securities commission or other regulatory authority.

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PROSPECTUS SUMMARY

The following information is a summary only and is qualified in its entirety by the more detailed information appearing elsewhere in this prospectus.

The Company

Basis100 Inc. (“Basis100” or the “Company”) is an emerging provider of Internet-based e-commerce solutions for business-to-business and, to a lesser extent, business-to-consumer, transactions in the North American financial services industry. Basis100 seeks and intends to seek to provide its technology to financial institutions, intermediaries and service providers in the mortgage, securitization and fixed income e-commerce marketplaces. The development of the Company’s mortgage business is based on relationships with BCE Emergis Inc., Cebra Inc. and MCAP Mortgage Corporation and other mortgage lenders in Canada and the United States.

The Company creates e-commerce applications to enable the delivery of diverse financial services through intermediaries (e.g. brokers, agents, planners) and directly to the consumer using the Internet.

Basis100’s core product is “The 2 Minute Mortgage™” (for which a trade mark application has been filed), a suite of Internet-based mortgage products designed to automate mortgage processing for financial institutions. The Company is currently rolling out this product in stages. See “Business of the Company”.

The Company also currently operates one of Canada’s largest Internet-based mortgage networks which links ten Canadian financial institutions, providing the consumer with the ability to shop on-line for a mortgage. The Company acquired this mortgage network when Basis100, through its predecessor corporation, e-Net (Canada) Financial Services Ltd., acquired Online Mortgage Explorer Inc. effective January 1, 1999.

Recent Acquisitions

Acquisition of Solimar.Net

On February 8, 2000, the Company completed the acquisition of all of the outstanding shares of Solimar.Net (“Solimar”). The acquisition of Solimar will expand the Company’s business into the United States. Solimar provides a number of collateral risk assessment services through an automated residential property valuation system accessible via the Internet through its proprietary intelligent valuation technology products. See “Acquisitions and Licensing Arrangements”.

The Offering

Offering: 5,000,000 common shares will be issued upon the exercise or deemed exercise by the holders of 5,000,000 special warrants previously issued by the Company (the “Special Warrants”) of their right to acquire, without additional payment, one common share for each Special Warrant held by them, subject to adjustments as described below.

Special Warrants: The Special Warrants were issued by the Company on February 1, 2000 at a price of \$10.50 per Special Warrant pursuant to an underwriting agreement (the “Underwriting Agreement”) dated February 1, 2000 among RBC Dominion Securities Inc., Griffiths McBurney & Partners and Dundee Securities Corporation (collectively, the “Underwriters”) and the Company. Each Special Warrant entitles the holder thereof to receive, upon exercise and without additional payment, one common share, subject to adjustment, at any time after February 1, 2000 and prior to 5:00 p.m. (Toronto time) on the first to occur of: (i) the fifth business day after the date (the “Qualification Date”) on which a receipt for a final prospectus has been issued by the last of the securities commissions in each of Ontario, Quebec, Manitoba and British Columbia; and (ii) February 1, 2001.

If the Qualification Date has not been satisfied prior to 5:00 p.m. on May 31, 2000, holders of Special Warrants shall be entitled to receive 1.1 common shares in lieu of one common share, without payment of any additional consideration. See “Details of the Offering”.

Since the date of issue, no Special Warrants have been exercised.

Use of Proceeds: The net proceeds from this offering, after deducting the underwriters’ fee of \$2,362,500 and the estimated expenses of the offering of \$370,000, are \$49,767,500. The net proceeds of the offering were and will be used by the Company to fund the Company’s acquisition of Solimar.Net (approximately \$37,000,000) and the balance will be used for future acquisitions, general corporate purposes, including working capital, research and development activities, expansion of the Company’s direct sales force and marketing activities and to acquire or invest in complementary businesses or products. Pending such uses, the Company has invested the net proceeds of the offering in short term, interest-bearing, investment grade securities. Basis100 intends to use the funds available to it as stated in this prospectus. There may be circumstances, however, where, for sound business reasons, a reallocation of funds may be necessary. See “Use of Proceeds”.

Delivery of Certificates: It is expected that certificates for the common shares will be available for delivery within five business days after the date of exercise of the Special Warrants.

Dilution: The offering price for each common share exceeds the net tangible book value thereof as at December 31, 1999, after giving effect to this offering, by \$8.43, being a dilution of 80.3%. See “Dilution”.

Plan of Distribution: Pursuant to the Underwriting Agreement, the Special Warrants were sold at a price of \$10.50 per Special Warrant. The Underwriters received a commission of 4.5% of the aggregate gross proceeds raised from the sale of the Special Warrants.

Risk Factors:

There are certain risk factors inherent in the operations of the Company. An investment is subject to certain risks, including:

- the Company's limited operating history and anticipated losses;
- fluctuations in the Company's quarterly operating results;
- competition;
- loss of the Company's strategic relationships;
- the Company's ability to manage a rapidly growing operation;
- the risks arising from acquisitions;
- the acceptance of the Internet as a medium for commerce;
- the Company's ability to respond to rapid technological change;
- future capital needs and the uncertainty of additional financing; and
- the volatility of technology stocks.

See "Risk Factors".

Dividend Policy:

The Company intends to retain earnings to finance the growth and development of its business and, accordingly, does not intend to pay dividends on its common shares in the immediate future. The payment of dividends in the future will depend, among other factors, upon the Company's earnings, capital requirements and operating and financial condition. See "Dividend Policy".

Trading:

The Company's common shares trade under the symbol "BAS" on The Toronto Stock Exchange. See "Price Range and Trading Volume of the Common Shares".

This prospectus contains product names, trade names, trademarks and service marks of the Company and of other organizations, all of which are the properties of their respective owners. All dollar amounts referenced herein, unless otherwise indicated, are expressed in Canadian dollars.

BUSINESS OF THE COMPANY

OVERVIEW

Basis100 Inc. (“Basis100” or the “Company”) is an emerging provider of Internet-based e-commerce solutions for business-to-business and, to a lesser extent, business-to-consumer, transactions in the North American financial services industry. Basis100 seeks and intends to seek to provide its technology to financial institutions, intermediaries and service providers in the mortgage, securitization and fixed income e-commerce marketplaces. The development of the Company’s mortgage business is based on relationships with BCE Emergis Inc., Cebra Inc. and MCAP Mortgage Corporation and other mortgage lenders in Canada and the United States.

The Company creates e-commerce applications to enable the delivery of diverse financial services through intermediaries (e.g. brokers, agents, planners) and directly to the consumer using the Internet.

Basis100’s core product is the “2 Minute Mortgage™”, a suite of Internet-based mortgage products designed to automate mortgage processing for financial institutions. The Company is currently rolling out this product in stages.

The Company also currently operates one of Canada’s largest Internet-based mortgage networks which links ten Canadian financial institutions, providing the consumer with the ability to shop on-line for a mortgage. The Company acquired this mortgage network when Basis100, through its predecessor corporation, e-Net (Canada) Financial Services Ltd., acquired Online Mortgage Explorer Inc. (“OME Inc.”) effective January 1, 1999.

In February of 2000, the Company completed its acquisition of Solimar.Net (“Solimar”), a California company which provides automated residential property valuations. See “Acquisitions and Licensing Arrangements”.

COMPANY BUSINESS MODEL AND STRATEGY

Basis100’s business model is based on a number of key business trends that the Company believes are driving business-to-business and business-to-consumer e-commerce. The Company believes that:

- The Internet will not replace intermediaries such as mortgage brokers and financial planners. Rather, it will increase the number of intermediaries, particularly in the financial services sector.
- The complexity of financial services products is increasing to a level beyond the ability of most consumers to understand them. Although technology enables consumers to be better informed, the Company believes consumers will increasingly rely on intermediaries to help them understand the information they are receiving and sort through the volumes of information that the Internet is able to provide.
- The desire of businesses to “own the customer” is driving the need for electronic delivery of services and the need for complete, single event transactions. A single event transaction might be the purchase of a house that requires the broker to source the mortgage lender, mortgage insurer, banker, lawyer and related services. Financial service providers will need to deliver the complete set of services.
- The outsourcing of information technology and delivery services is becoming more common among financial institutions. By outsourcing to experts, financial institutions can focus on their own core competencies and avoid costly mistakes in sectors where they may have limited expertise.

The Company is focusing initially on establishing solutions for the mortgage and fixed income securities markets. The Company is building upon its existing relationships in those industries and developing the solutions to meet the needs of those industries.

Basis100's strategy is to create cross-selling opportunities around purchase transactions to enhance value and return for financial institutions and their trading partners. The Company believes its solutions will enable financial institutions to reduce mortgage origination and processing costs and access information more quickly, allowing them to respond to customers more quickly and effectively, which may lead to incremental revenues and increased profitability.

Management believes that the benefits of the Company's 2Minute Mortgage™ to business customers include the following:

- the connection of institutions, intermediaries and consumers who were previously not adequately connected;
- the creation of a new level of real-time interactivity that is more efficient than older, paper-based mortgage origination processes; and
- the ability to enable financial institutions to create product differentiation in the market more quickly.

PRODUCTS AND SERVICES

The Company offers products and services in the two primary markets for e-commerce: business-to-business and business-to-consumer.

In the business-to-business market, Basis100 is developing and has acquired the technology for originating and processing mortgages and intends to develop technology automatically processing, securitizing and trading mortgage products. By mapping out the process that a lender follows in originating a mortgage on behalf of the borrower, the Company believes it is creating and will create a system that automates those processes and provides them as a service.

In the business-to-consumer market, Basis100's technology enables consumers to conduct transactions directly with mortgage product suppliers, such as mortgage lenders. The Company acquired the technology to service this market when it acquired OME Inc. effective January 1, 1999. See "Acquisitions and Licensing Arrangements".

Business-to-Business Products and Services

The Company's business-to-business 2 Minute Mortgage™ system is intended to consist of a full suite of Internet-based e-commerce solutions focused on automating financial transaction processes and connecting all the participants within a transaction. The Company's approach is to phase in the 2 Minute Mortgage™ system components with each trading partner such that the Company will complement the trading partners' current implementation, with the long-term intention to migrate all trading partners to full use of the Company's 2Minute Mortgage™ system.

Through its Internet-based 2 Minute Mortgage™ system, the Company expects to offer access to its centrally-hosted computing environment using innovative networking solutions. The Company anticipates that lenders will be brought onto the system without a significant capital investment in hardware or operating platforms on the part of the lender. The Company has developed and is continuing to develop software to incorporate robust, real-time processing engines to support:

- the instantaneous receipt and review of mortgage loan applications;

- decision making with integrated underwriting tools and corporate lending policy;
- document preparation services for commitment and closing tasks; and
- accounting interfaces to facilitate funding.

Point of Sale Services (“POS”)

Basis100’s mortgage broker POS system enables financial institutions to distribute their diverse mortgage products and services through Internet-based platforms to mortgage brokers for the purpose of completing mortgage transactions. Acquired from Morty Systems Inc. (“MSI”) in October 1999, Basis100’s mortgage broker POS system is a software program that allows mortgage brokers to transmit mortgage loan applications electronically to lenders. As a part of the MSI asset acquisition, the Company acquired agreements with 27 Canadian lenders and approximately 1,250 mortgage brokers to use the software. The mortgage broker POS system enables mortgage brokers to track leads, qualify borrowers and electronically prepare and submit mortgage applications to financial institutions. Currently, the service is offered on a client-server model using the Company’s servers and dedicated communication lines. Basis100 intends to redevelop this mortgage broker POS system into a web-based system which, the Company believes, will eliminate the need for dedicated lines, improve installation and ease of use and reduce support and maintenance costs. Revenue from the mortgage broker POS system is earned as a percentage of the value of the mortgages processed on the system.

Mortgage Origination System (“MOS”)

The MOS is currently being developed with MCAP Mortgage Corporation as the lead customer. MOS is expected to operate in a network environment to allow mortgage lenders to process mortgages electronically, rather than on numerous paper forms. It is expected that the MOS modules will include value-added services that can be used in a stand-alone fashion or can be seamlessly integrated. The first modules under development are:

- the Mortgage Processing Module;
- the Automated Underwriting Module; and
- the National Trading Partner Integration Module.

Mortgage Processing Module

Development of the Mortgage Processing Module is in process. The Company expects that it will support the unique requirements and core business functions of the mortgage application process, optimizing both cycle times and human resources. The Mortgage Processing Module is expected to include: application entry, automatic mortgage pricing (interest rates), commitment and condition/document tracking, underwriting workbench, document preparation data feeds, productivity reporting, closing preparation/scheduling and funding.

In addition, it is anticipated the Mortgage Processing Module will also support secondary marketing as well as enable the lender to calculate bottom-line profits and optimize planning effectiveness. The Company is designing this aspect of the processing module to include the following functions: pricing controls, master commitment administration, investor allocation, pool commitment management and tracking, loan sales coverage analysis, risk management and reporting.

The Company is developing the Mortgage Processing Module to be standardized to include embedded business rules and table-driven functions that serve to integrate corporate lending policy into intelligent workflow, data edits and document processing. The Company’s business rules-based approach, designed to allow lenders to customize the program to reflect their own business rules, is expected to provide a lender with the flexibility to keep system processes current with business changes without the delay and expense of traditional software

programming changes. The Mortgage Processing Module is being designed to include intuitive workflow processing to streamline administrative procedures and dispatch units of work throughout a lending organization.

BCE Emergis Inc. is providing and maintaining the software, server/network support, help desk service, integration services, network connectivity and data hosting services for the Mortgage Processing Module under an agreement which is currently being finalized. It is expected that revenue from the Mortgage Processing Module will be earned as a percentage of the value of the mortgages processed on it.

Automated Underwriting Module

The Company plans to develop its Automated Underwriting Module to enable mortgage lenders to credit score and approve mortgage applications automatically. The Automated Underwriting Module is expected to be operated by mortgage lenders, and customized by them with their own business rules. The Company expects that its Automated Underwriting Module, by automatically processing routine mortgage applications, will free underwriters to focus on more complex and subjective mortgage applications identified by the Mortgage Origination System, which must be reviewed manually. The Company is designing the Automated Underwriting Module to apply both lender-specific business policies, industry-standard benchmarks, credit scores and case inventory to determine both an aggregate score for applications presented as well as a “pass” or “suspect” status enabling a lender to focus human resources on the applications that require more attention in the underwriting phase. Development of the Automated Underwriting Module is expected to begin in financial 2000.

In March 2000, Basis100 entered into an exclusive renewable (on a non-exclusive basis) Canadian licence for 5 years to use certain General Electric Mortgage Insurance Corporation (“GE”) business rules and GE proprietary systems which incorporate GE’s Omniscore® mortgage scoring model and property evaluation model. The GE business rules permit underwriting decisions to be made based upon these proprietary mortgage scoring and property evaluation models and other factors including credit bureau data, borrower characteristics and loan amounts. Basis100 intends to serve as a channel for lenders who wish to use GE’s automated underwriting engine. Basis100 intends to integrate the GE business rules and property evaluation model directly into an Internet-based platform for its Automated Underwriting Module. See “Acquisitions and Licensing Arrangements”.

National Trading Partner Integration Module

The National Trading Partner Integration Module, also known as I-formation™, was licensed from Cebra Inc. (“Cebra”) in 1999. I-formation™ is a network-based data conversion and translation process technology solution that enables mortgage lenders and their trading partners to communicate and transfer data across different networks. I-formation™ translates information into the appropriate digital format(s) that, in the Company’s view, can be used by virtually any trading partner, no matter what computer platform or data formats they currently use, and no matter what the source. Electronic file interfacing between the Company’s systems and various trading partners, including credit bureaus, mortgage insurance carriers, external mortgage broker point-of-sale systems and external client systems, can, the Company believes, be supported by I-formation™. Currently, Cebra is also operating I-formation™ for Basis100 specifically for the insurance industry and its trading partners, as well as mortgage lenders and their trading partners. The Company intends to migrate the hosting and operation of I-formation™ from Cebra to a third party host in the near future. There are a number of Canadian financial institutions and related trading partners using I-formation™ in its current form.

Automated Valuations and Related Services

Solimar, a recently acquired subsidiary, currently provides automated valuations for attached and detached single family residences, condominium units and units in planned unit developments (collectively, “appraisal properties”) in the United States. Solimar has designed real estate property valuation software for electronic ordering and delivery of valuation services and products via the Internet. In addition, Solimar’s valuation software can be integrated with Internet-enabled loan origination systems. Presently, over 250 mortgage-related businesses use Solimar’s valuation services. These customers include Wells Fargo Bank, Inc., Chase Manhattan Mortgages, Ocwen Federal Bank, First Franklin Financial, Washington Mutual Bank, Ameriquest Mortgage Company

and Chicago Title Market Intelligence Company. Solimar also provides the property valuation technology behind the Homegain website for home sellers in the United States.

Solimar's technology refines and analyses a growing database of recent United States home-sales transactions and applies proprietary algorithms to sort through the array of variables involved in determining a home's probable selling price. Solimar's property valuation software presents a property valuation estimate, known in the industry as a "Solimar Value", along with a confidence score to support the analysis. Through Solimar's proprietary automated residential property valuation system accessible via the Internet, Solimar provides a number of collateral risk-assessment services. Solimar's services are available both to institutional users and consumers who are seeking valuation results one-at-a-time and to large bulk users who can obtain high-speed valuations of large loan portfolios. In calendar 1999, Solimar provided over 600,000 appraisal properties valuations.

Business-to-Consumer Products and Services

In the business-to-consumer mortgage market, Basis100 products enable the consumer to compare mortgage rates on-line and conduct mortgage-related transactions directly with the product supplier, such as a mortgage lender. OME Inc. provides lenders with a pathway to consumers who are in the market for a mortgage loan. OME Inc.'s proprietary intellectual property consists of two Internet solutions, Multi Lender Software ("MLS") and Single Lender Software ("SLS"), which enable lenders to advertise rates, pre-qualify the consumer and accept mortgage applications directly from consumers via the Internet. Basis100 provides full web-hosting of both the Multi Lender Software and the Single Lender Software.

Freddie Mac, an organization that pools, securitizes and sells residential mortgages in the United States, co-markets the Company's MLS and SLS software to the approximately 1,800 lenders in the United States who participate in the Freddie Mac GoldWorks network in the United States market. SLS and MLS are certified as Freddie Mac GoldWorks compliant.

Multi Lender Software

The Multi Lender Software is accessible by consumers to enable them to shop on-line for a mortgage and submit a mortgage application to a lender. It is configured as aggregator software which can be accessed at whatever websites the Company chooses to have host it. Currently, the Company's Multi Lender Software can be accessed at www.themortgage.com, as well as through the E*Trade Canada website in Canada. OME Inc., now a wholly-owned subsidiary of the Company, has been operating the MLS website, www.themortgage.com, in Canada for over four years. The Company believes that this website is the largest multi lender website in Canada, with ten major Canadian financial institutions participating. The MLS implementation at E*Trade Canada has been operational since January of 2000. In the United States, the MLS website is operated by BCE Emergis Inc. and is located at www.multilender.com. Each website allows consumers to apply directly via the Internet for a mortgage and to compare products and rates among the various lenders who have subscribed to the MLS service. The ability to compare and select between a number of mortgages with different financial institutions is achieved directly by the consumer using the web browser in a secure environment. Once the consumer has selected the lender and mortgage, the consumer completes the detailed application, which is then forwarded to the lender for processing. The revenue from the MLS software in Canada and the United States is generated through basis points charged on each funded mortgage originated through the websites which employ the MLS technology.

OME Inc. first offered its on-line mortgage explorer product in 1996. In Canada, this technology is now licensed to mortgage brokers and other on-line portals such as E*TRADE Canada. The browser-based mortgage technology is designed to allow "dot.com" companies to "white label" a solution, providing their customers the ability to compare mortgage rates from participating lenders and apply for a mortgage on-line from the one offering the best deal.

The Company entered into an agreement with National Mortgage Professionals Inc. ("NMPI"), a mortgage brokerage company, as of March 31, 2000, which provides that, subject to the fulfilment of certain terms

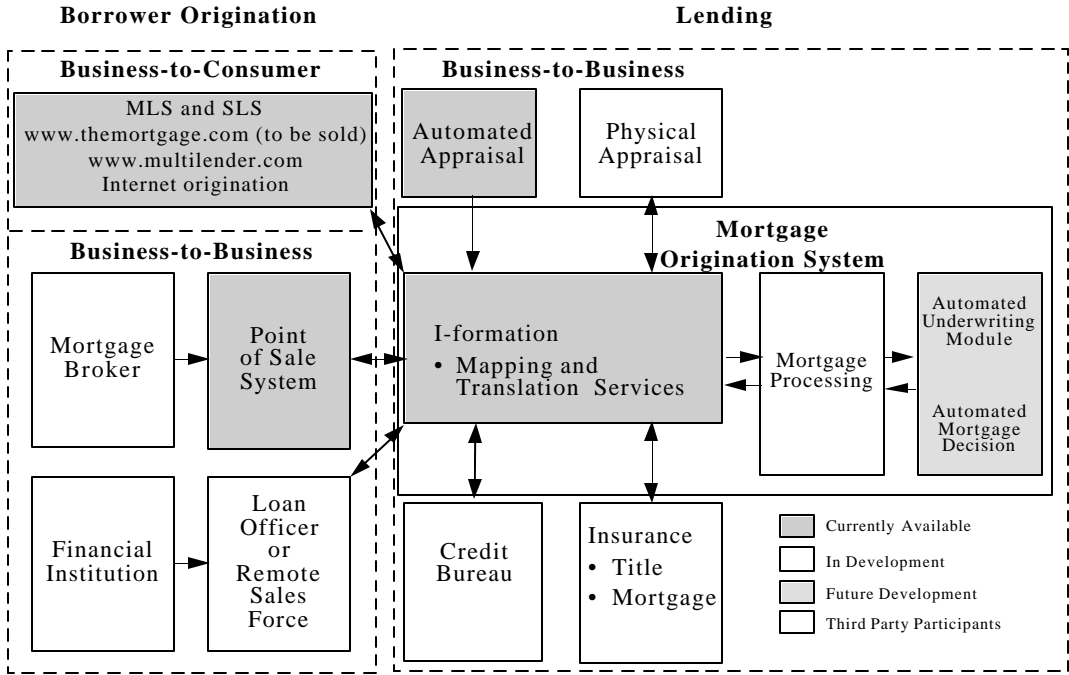
and conditions, Basis100 will sell to NMPI the domain name, themortgage.com. It is expected that this transaction will be completed on or before September 30, 2000. The Company and NMPI have entered into a letter of intent where, among other things, it is contemplated that the Company and NMPI will enter into a licence agreement to license the use of the MLS software at the website, subject to the same conditions and closing date as the sale of the domain name “themortgage.com”. The domain name was conditionally sold to NMPI for consideration of \$500,000. Basis100 elected to sell the domain name to NMPI in order to concentrate on the business-to-business market segment. Under an agreement executed concurrently with the domain name sale agreement, Basis100 is providing certain consulting services to NMPI.

Single Lender Software

The Company’s Single Lender Software is designed for use by individual lenders on their own secure Internet sites to source mortgage applications directly from consumers. In Canada, the Company markets SLS directly to the lenders, while in the United States, BCE Emergis Inc. acts as a non-exclusive reseller of SLS, focusing on the 1,800 lenders who are participants in the Freddie Mac GoldWorks Network. The Company expects SLS to generate revenue either through transaction fees or through a one-time up-front licence fee and an annual maintenance fee commencing after the first year.

The 2 Minute Mortgage™

The following diagram illustrates the current and planned components of Basis100’s 2Minute Mortgage™ solution on a mortgage industry framework:



Fixed Income Trading Products

The Company is currently developing a business-to-business electronic fixed income securities trading business unit. The Company anticipates that its fixed income trading unit will operate as a separate line of business with distinct revenue streams and profits. The fixed income electronic marketplace is expected to provide a channel to distribute securitized products originated within the mortgage network or elsewhere, to the retail and institutional investor.

In 1999, the Company entered into three agreements with Shorcan Brokers Ltd. (“Shorcan”) with respect to technology relating to fixed income securities trading. On December 24, 1999, these agreements were terminated. See “Basis100 Inc. — Consolidated Financial Statements — Notes to the Financial Statements — Note 3g”.

THE UNITED STATES AND CANADIAN MARKETS

Mortgage Market in Canada

Mortgage origination systems at financial institutions are typically legacy systems developed many years ago and are typically not linked electronically over the Internet to mortgage originators or organizations that are required to be referenced before a mortgage can be underwritten. A significant portion of the technology in the mortgage industry was implemented using mainframe computers, legacy software and legacy programming languages. These circumstances have resulted in an environment where mortgage data is paper intensive, transmitted through fax and form and often re-keyed into different computer systems many times.

While on-line mortgage originations in Canada are relatively few, the Company believes that a growing number of consumers are using the Internet to shop for mortgage rates, use mortgage calculators and to collect information. The Company believes that on-line mortgage originations will grow as Canadian consumers become more comfortable with not only shopping for mortgages on the Internet, but also completing applications over the Internet.

Mortgage Market in the United States

The mortgage market in the United States is significantly larger than the mortgage market in Canada. Unlike Canada, where the mortgage industry is highly concentrated around relatively few lenders (primarily the major banks), the United States market is characterized by a large number of medium to large financial institutions, with many regional banks and relatively few lenders that operate nationally. Mortgage brokers originate the majority of mortgages originated in the United States each year.

The Company believes that on-line mortgages in the United States have been increasing year over year. In comparison to the Canadian market, a relatively large number of on-line mortgage marketplaces have emerged, allowing consumers to shop for and apply for a mortgage on-line.

As the mortgage market is interest rate sensitive, it is difficult to forecast the size of the market in any year. However, the Company believes that mortgage originations have declined since reaching a peak in 1998 due to rising interest rates.

Appraisal Market in the United States

Each property that moves through the origination process provides the Company with an opportunity to value that property a number of times. Numerous service providers to the mortgage industry may each need valuations for their own purposes. As the mortgages are sold to various levels of intermediaries, each intermediary may require a valuation of the property supporting those mortgages. The cost of an automated valuation is significantly less than that of a traditional appraisal.

Fixed Income Market — Canada

Fixed income securities in Canada are currently traded over-the-counter, and, as such, the primary investment dealers provide liquidity to the retail market. The Company believes that a dealer’s incentive to make markets and supply product is influenced by three factors: competition and concentration, inventory management and transparency, and information. Currently, outside of the institutional marketplace where inter-dealer brokers provide a service through dedicated screens, the Company believes that there is a distinct lack of transparency, price discovery, price and trade efficiency and ease of access for fixed income market participants in Canada. Rapid

changes in technology however, along with the growth of Internet commerce, is, in the Company's view, shifting the balance of power from the dominating institutional participants to the retail participant by enabling the flow of information and subsequent knowledge to move downstream to the retail investor. Currently, the bond market in Canada is, in the Company's view, highly concentrated, with the largest six dealers covering almost the entire market.

Customer Target Market

The Company targets medium and large financial institutions in North America that participate in lending, securitization, fixed income and appraisal products. The Company also targets the service providers and trading partners to these financial institutions in the same markets. The Company concentrates its efforts on the largest financial institutions in Canada and the United States, including the "Big 5" banks in Canada and the top 100 mortgage originators in the United States.

COMPETITION

The market for financial services technology is highly competitive and some competitors possess substantially greater resources than Basis100. This is especially true in the United States market. The Company believes competition involves some of the following significant factors:

- scalability and flexibility of technology;
- price;
- breadth of product line;
- brand recognition;
- quality of customer service and technical support; and
- ability to obtain and maintain customer relationships.

Basis100 competes with in-house programming resources and information technology departments of the financial institutions it is soliciting as customers, large developers and manufacturers of information technologies, including large firms such as Microsoft Corporation ("Microsoft"), International Business Machines Corporation ("IBM") and EDS Systemhouse Inc. ("EDS"), computer service and technology firms that specialize in financial services processing technology, as well as technology consultants, software vendors, value-added resellers of custom software packages and a number of other related and potentially unrelated firms that could diversify or expand into the same industries and product markets as Basis100. Basis100 also competes directly with providers of technology and solutions specifically for the mortgage industry, which management believes are its most significant competitors. As the Company expands its business into other financial product markets such as insurance and fixed income trading, it expects to encounter increased competition from other competitors in Canada and the United States.

Internal Information Technology Departments

Financial institutions in Canada have attempted to increase market share in the financial markets by developing proprietary solutions as their competitive advantage in the market. They continue to focus on dis-intermediation with direct to consumer solutions. The Company believes that Canadian financial institutions are re-focusing their strategy around their core competencies of providing financial services and are looking outside the organization for their technology needs. The Company plans to supply financial institutions a suite of Internet-based solutions to their field force and the independent brokers to meet these needs. Competition for in-house data processing and software departments is intensified by the efforts of computer hardware vendors who encourage the growth of internal data centres.

Large Information Technology and Systems Integrators

A number of the big systems houses build custom information technology infrastructure for Canadian financial institutions. These systems often require large up-front costs and are costly to maintain. The

Company's competitors in this area include IBM and EDS. Recently, Microsoft announced that it had formed HomeAdvisor Technologies Inc., which will operate a loan platform authorizing many of the steps required to approve and finance a mortgage, including credit checks, appraisals and underwriting decisions. In the same announcement, HomeAdvisor Technologies also announced the acquisition of Tuttle Decision Systems Inc., a mortgage technology company that enables the loan platform to provide cost-effective loan rates for multiple lenders.

Specialty Computer Service and Technology Providers

Numerous outsourcing companies or data processing affiliates of larger corporations are building solutions that process transactions for the large financial institutions. Most technology companies are still using and implementing legacy processing systems for their clients. However, some companies are developing systems using more advanced technologies that can be applied in the financial services market. Competition from this advanced technology is relatively small and mainly concentrated in the United States market.

Consultants, Software Vendors and Value-Added Resellers

Software consultants and value-added resellers often deliver custom or customized software products. These integrated financial services packages and specialized solutions often have packaged software solutions, which are less efficient and not as flexible as the completed Basis100 browser-based platform solutions.

Mortgage Solutions Providers

Basis100 competes with firms which specialize in each of the product technology components that comprise the 2 Minute Mortgage™, including point-of-sale technology firms, companies with Internet multi lender websites similar to the OME Inc. multi lender website (which has been conditionally sold to NMPI), e-commerce and electronic data interchange specialists and technology providers who specialize in mortgage processing software and technology. There are a limited number of firms in Canada, but a number of companies in the United States, that offer products and technology components that are similar to those of the Company. Some companies offer technology solutions in some or all areas of loan origination and processing. Some firms offer more solutions than Basis100 currently offers or intends to offer, such as mortgage servicing solutions.

Following is a more detailed discussion of competitors within each product segment. The following discussion is not meant to be comprehensive and the Company competes with more mortgage technology providers than are mentioned below.

Business-to-Business Mortgage Products and Services

Point-of-Sale Services

In Canada, the Company's mortgage broker point-of-sale system competes with products offered by at least two other competitors in the industry, Enabled Commerce Network Incorporated and Centric Systems Corp. In the United States, Calyx Software, Contour Incorporated, Byte Enterprises Incorporated and Loansoft Inc. specialize in point-of-sale technology, although there are a number of other firms in the market that also offer point-of-sale products. The mortgage broker point-of-sale system technology in the industry tends to be shrink-wrapped windows applications that manage and organize origination and allow for improved marketing. A number of firms, including some of the above, have added web-based components to the product with varying levels of functionality over the Internet. Point-of-sale technology products have traditionally been priced with a fee for each office branch or user.

Mortgage Processing Module

Some of the larger and more diverse information technology firms that have technology products for the mortgage industry in the United States include Alltel Corp., CFI Proservices, Inc., Fiserv, Inc., and Fitech

Software. Each of these firms offers a mortgage origination and processing system that competes with Basis100's mortgage processing module. Some of these firms also offer other mortgage technology components and services, including point-of-sale, automated underwriting, and electronic data interchange. The Company is not aware of any other firm in Canada that specializes in mortgage origination technology for medium to large financial institutions. Mortgage Flex Systems Inc., Interlinq Inc., Dynatek Incorporated, Cybertek Corporation, a subsidiary of Policy Management Systems Corporation, and Framework Incorporated are well-known firms in the United States that specialize in mortgage origination and processing technology. Some of these firms also offer other mortgage technology components, such as point-of-sale solutions. Mortgage origination products in the industry vary in their functionality and features, and may or may not have more features and better functionality than Basis100's product.

Automated Underwriting Module

In Canada, other than proprietary lender systems, Canada Mortgage and Housing Corporation's underwriting product is the only major competitor in the industry. In the United States, a number of diverse information technology firms offer automated underwriting solutions, including Alltel Corp. and The PMI Group, Inc. Freddie Mac and Fannie Mae each offer their own underwriting product which includes business rules based on their own lending criteria, but not the lender's underwriting criteria. Both products are widely used in the market. ARC Systems Incorporated is one of the few firms that specialize in underwriting technology for the mortgage industry.

National Trading Partner Integration Module

Basis100 does not know of any other firm in Canada that specializes in electronic data interchange for the mortgage industry, although there are others that provide these services without specializing in this market. In the United States, there are a number of firms offering electronic data interchange technology specifically for the mortgage industry, including Decade Systems Group, Alltel Corp., and The PMI Group, Inc. There are a number of service providers related to a mortgage origination, including the real estate industry and the insurance industry. Electronic data interchange competitors offer varying degrees of integration between the lender and the different types of mortgage service providers. There is no dominant, central hub in the industry that integrates all possible service providers.

Business-to-Consumer Mortgage Products and Services

Single Lender Software

There are numerous firms in Canada and the United States that specialize in website design that could potentially be employed to create single lender software applications for individual lenders. In the United States, Xpede Incorporated is one of the specialists in this product category.

Multi Lender Software

To the knowledge of the Company, there are no software competitors in Canada whose technology permits consumers to compare products and rates among various lenders, choose a lender and submit an application on-line in the same manner as the Company's Multi Lender Software. There are a number of popular multi lender websites in the United States that offer a variety of features, from rate comparisons and lending advice to virtual home shopping. Some websites aggregate a number of lenders on the website and allow the consumer to comparison shop, choose a lender and submit an application on-line. Some of the popular sites of this type are operated by Lending Tree Inc., iOwn Holdings Incorporated and Keystroke.com. Some firms operating a multi lender website are also lenders, and are among the lenders available for selection on their website, such as E-Loan Incorporated, Mortgage.com Inc. and FiNet.com Inc. Other websites act as comprehensive information sources but do not allow on-line origination, or may provide links to lenders as an alternative. Some websites, such as that offered by IMX Exchange Inc., act as marketplaces that match borrowers with lenders at the best available price.

Appraisal Solutions Providers

The automated valuation models from Solimar compete primarily with “traditional” valuations done by appraisers, as well as other automated valuation models. To the Company’s knowledge, there are approximately 25 vendors who supply automated valuations and only a few vendors who produce a market estimate of this value in real time. All others employ correlations, indexes, lookup tables and other devices to estimate value. Automated valuation providers in the United States include Banton Research LLC, PSAR Systems Incorporated and TransAmerica Corporation. REAVS Information Technologies Ltd. is an automated valuation provider in Canada.

As the Company expands its business into other financial product markets such as insurance and fixed income trading, it expects to encounter increased competition from several companies in Canada and the United States.

THE COMPANY’S TECHNOLOGY

The Company has designed an object-oriented 4-tier software architecture based on open industry standards called a community of interest transaction engine (“CITE”). The CITE system separates the business logic from the application and system infrastructure and pre-packages a substantial portion of the application processing through generic business rule, workflow, presentation and trading partner interfaces.

By separating the business logic in the application tier from the application and system infrastructure, the Company believes that its architecture may be modified without disturbing the underlying generic infrastructure resources. This approach allows for mass customization of business rules and smoother interconnectivity between disparate legacy systems and to virtually unlimited desktops over the Internet.

The Company also uses a blend of industry standards and proprietary-based approaches and technologies that complement the 4-tier architecture. The Company believes that the combination of separating out the business rules and utilizing industry standards approaches and technologies creates a transactional framework that allows the Company’s 4-tier CITE to integrate with software technologies without compromising existing applications and business logic. The Company believes that the multi-component standards-based nature of the 4-tier CITE creates adaptive conditions well-suited for best-of-breed application deployment.

The Company’s 4-tier CITE functionality continues to be extended and the Company anticipates that future architecture developments will include the following key features:

- business rules processing;
- work flow automation;
- value-added messaging and transfer services;
- directory services;
- availability services;
- report distribution services;
- infrastructure management services;
- platform management services; and
- security services.

There are many different connectivity options that are supported to allow client-users to access the Company’s system. They include using the global Internet via an Internet service provider, virtual private networks and a dedicated connection from a lender’s network to the hosting facility. Enterprise-class hardware and connectivity supports the 2 Minute Mortgage™ system and database platforms unique to each lender operating on a network.

The Company believes that its technology enables each trading partner to position itself in the infrastructure with its own set of business rules which will allow for differentiation of products and services of various partners.

ACQUISITIONS AND LICENSING ARRANGEMENTS

ACQUISITION OF SOLIMAR.NET

On February 8, 2000 the Company acquired all of the shares of Solimar.Net (“Solimar”), an automated valuation technology and database systems company. Founded in 1979, Solimar has been headquartered in Tustin, California since its inception and also has a presence in Walnut Creek and Santa Ana, California.

The total purchase price of the transaction was US\$24,000,000 (approximately CDN\$35,000,000), subject to working capital adjustments and not including costs of acquisition, to purchase all of the outstanding common shares of Solimar. The total acquisition cost was approximately CDN\$37,000,000. The purchase agreement allows for the total purchase price to be slightly reduced or increased based upon a post-closing audit of the working capital of Solimar as at the closing date of the acquisition. See “Basis100 Inc. — Consolidated Financial Statements — Notes to the Financial Statements — Note 17c”.

ACQUISITION OF THE ASSETS OF MORTY SYSTEMS INC.

On October 24, 1999, the Company exercised its option to purchase substantially all of the assets of Morty Systems Inc. (“MSI”) As a term of the transaction, Basis100 acquired MSI’s existing technology as well as agreements with 27 lenders and over 1,250 mortgage brokers and producers. The purchase price was satisfied by the issuance of Basis100 shares and a convertible debenture issued by Basis100 to MSI. Basis100 intends to migrate MSI’s existing technology to the Internet platform, which will provide enhanced service to the 30 lenders and over 1,250 mortgage brokers the Company now services.

The total purchase price was \$3,934,000 (including the cost of the option). The purchase agreement provided for Basis100 to settle the assumed debt through the issuance of convertible debentures. Basis100 settled the entire \$2,700,000 debt through the conversion of the debentures and issuance of 867,291 common shares. See “Basis100 Inc. — Consolidated Financial Statements — Notes to the Financial Statements — Note 3d”.

LICENCE OF I-FORMATION™ FOR FINANCIAL SERVICES AND ACQUISITION OF RELATED ASSETS

On October 25, 1999, the Company acquired a business from Cebra for \$2,525,918. The primary asset of this business is software known as I-formation™ which electronically transfers the information required to originate and qualify a mortgage. The assets acquired included:

- an exclusive ten year, renewable licence to use I-formation™ for Financial Services in Canada in connection with certain specified lending products such as mortgage loans and other lending-related services including mortgage default insurance, consumer and commercial loans and financial leases (collectively, the “Lending Products”);
- a non-exclusive licence to use I-formation™ for Financial Services in Canada in connection with revenues from other parties associated with other financial products and services, including securities, mutual funds and deposit certificates and stock and bonds activities (collectively, the “Other Services”);
- a non-exclusive licence to use I-formation™ for Financial Services in the United States in connection with Lending Products and Other Services and in connection with revenues from other parties associated with the Other Services;

- the right to use the I-formation™ trademark;
- all existing contracts with customers; and
- related software.

The purchase price included cash consideration of \$1,250,000 and the issuance of 250,000 common shares with an attributed value of \$1,250,000 plus the costs of acquisition. Under the agreement, Cebra was issued an additional 222,222 common shares which the Company could redeem if the value of the shares achieved a certain value within a specific time frame subsequent to their issuance. These shares were redeemed on December 21, 1999 for an aggregate consideration of \$1.

The agreement provides for royalty payments to Cebra when the I-formation™ brand or the I-formation™ technology is used based on the following:

- Canadian revenues derived from providing I-formation™ service to Canadian based lenders;
- Canadian revenues derived from providing services to related parties; and
- I-formation™ United States-based revenues.

See “Basis100 Inc. — Consolidated Financial Statements — Notes to the Financial Statements — Note 3b”.

LICENCE OF I-FORMATION™ FOR INSURANCE AND ACQUISITION OF RELATED ASSETS

On October 25, 1999, the Company acquired a business from Cebra for \$5,475,601. The assets acquired included:

- an exclusive perpetual licence to use I-formation™ for Insurance in North America in connection with property and casualty insurance products;
- an option to acquire an exclusive licence to use I-formation™ for Insurance in North America in connection with life and accident insurance products; and
- fixed assets.

The purchase price included cash consideration of \$1,000,000, the issuance of 550,000 common shares with an attributed value of \$4,200,000 plus acquisition costs of \$275,601. Under the agreement, Cebra was issued an additional 700,000 common shares which the Company could redeem if the value of the shares achieved a certain value within a specific time frame subsequent to their issuance. On March 2, 2000 the Company redeemed the 700,000 common shares for an aggregate consideration of \$1.

Under the purchase agreement, Cebra is to provide sales and marketing support. The Company is obliged to pay a royalty based on the I-formation™ for Insurance gross revenues to Cebra when the I-formation™ for Insurance technology is used. The Company has an option to reduce the future royalty payments based on a tiered lump sum payment scale expiring October 25, 2002. See “Basis100 Inc. — Consolidated Financial Statements — Notes to the Financial Statements — Note 3c”.

ACQUISITION OF ONLINE MORTGAGE EXPLORER INC.

Effective January 1, 1999, the Company purchased all of the issued and outstanding common shares of e-Net Financial Services (Canada) Inc. and its subsidiaries, OME Inc. and 1203593 Ontario Inc., for a total purchase price of \$3,623,485. OME Inc. possesses the licence to the rights for the Online Mortgage Explorer software that enables individuals to apply for mortgages through a website. At the time of the purchase, the rights to the

product in Canada and the United States had been licensed by OME Inc. to Cebra, a subsidiary of a major Canadian financial institution. The purchase price for OME Inc. included cash consideration of \$100,000 and the issuance of 1,750,000 common shares with an attributed value of \$3,500,000, plus the costs of acquisition.

On August 9, 1999, the Company acquired the Canadian rights to the Online Mortgage Explorer software for \$450,000. Pursuant to the agreement, the Company acquired the exclusive rights for use of the software in Canada and the website operating as www.themortgage.com. The Company was also assigned the agreements with mortgage lenders that offer mortgages on the website.

The Company issued 150,000 common shares with an attributed value of \$450,000 as consideration. Under the agreement, Cebra was issued an additional 75,000 common shares which the Company could redeem if the value of the shares achieved a certain value within a specific time frame subsequent to their issuance. These 75,000 shares were redeemed on December 21, 1999 for an aggregate consideration of \$1.

On October 25, 1999, the Company obtained the United States rights to the Online Mortgage Explorer software for \$463,064. Pursuant to the agreement, the Company obtained the exclusive rights for use of the software in the United States, and was assigned:

- an agreement with BCE Emergis Inc. which provides for BCE Emergis Inc. to market the Online Mortgage Explorer software in the United States;
- all technology built by Cebra to support the Online Mortgage Explorer technology in the United States; and
- the agreements between the mortgage lenders that offer mortgages on the website operating as www.multilender.com

The consideration of \$463,064 included the issuance of 150,000 common shares with an attributed value of \$450,000 plus acquisition costs. Under the agreement, Cebra was issued an additional 75,000 common shares which the Company could redeem if the value of the shares achieved a certain value within a specific time frame subsequent to their issuance. These 75,000 shares were redeemed for an aggregate consideration of \$1 on December 21, 1999.

Cebra owns, and is responsible for, the operation and maintenance of the website through an agreement with BCE Emergis Inc. The Company is obliged to pay a royalty to Cebra for each funded mortgage that originates on the website until March 31, 2001.

On October 25, 1999, the Company entered into an agreement to purchase 100 percent of the units of a limited partnership for \$1,103,661. The limited partnership's sole asset was the software program known as Online Mortgage Explorer. The purchase price included cash consideration of \$65,000, the issuance of 200,000 common shares with an attributed value of \$1,000,000, plus the costs of acquisition. See Basis100 Inc. — Consolidated Financial Statements — Notes to the Financial Statements — Note 3a".

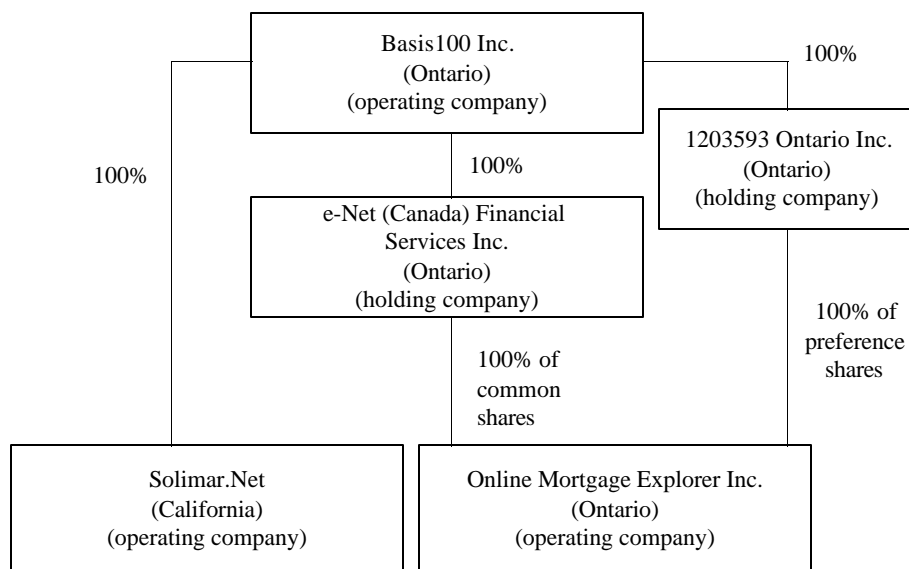
LICENCE OF CERTAIN GENERAL ELECTRIC MORTGAGE INSURANCE CORPORATION SOFTWARE

On March 22, 2000, the Company entered into an agreement with GE pursuant to which the Company acquired an exclusive five year Canadian licence (renewable on a non-exclusive basis) to use and sub-license certain GE business rules and GE proprietary systems related to automated underwriting technology and data in Canada. The exclusive nature of the licence is subject to certain restrictions, including reaching certain minimum market share requirements. On April 4, 2000, the Company issued 500,000 common shares in partial consideration for the licence. The Company is also obliged to pay certain ongoing royalties to GE by way of royalty payment for the licence. The ongoing royalties are calculated as a percentage of the gross fee charged by the Company to its customers that is attributable to the use of the GE proprietary systems.

CORPORATE STRUCTURE

Basis100 Inc. was amalgamated under the laws of the province of Ontario on October 25, 1999. Basis100 Inc.'s head and principal office is at One Financial Place, P.O. Box 167, 1 Adelaide Street East, Suite 2505, Toronto, Ontario, M5C 2V9, Canada. The Company was founded as e-Net (Canada) Financial Services Ltd. ("e-Net") in October 16, 1998. On October 25, 1999, as part of a reverse take-over transaction, e-Net amalgamated with Autrex Inc. to form the Company. Immediately prior to the amalgamation, the assets and liabilities of Autrex were transferred to a wholly-owned subsidiary of Autrex and ownership of the subsidiary was transferred to the two major shareholders of Autrex. None of the assets and liabilities of Autrex was assumed by Basis100. On April 3, 2000, the Company filed articles of amendment to change its name from "Basis 100 Inc." (with a space between "Basis" and "100") to "Basis100 Inc." (with no space between "Basis" and "100").

The following chart illustrates the relationship of Basis100 to its principal subsidiaries and indicates their respective jurisdictions of incorporation:



The Company leases approximately 15,000 square feet in Toronto pursuant to lease agreements expiring on February 28, 2001 and April 30, 2001. Solimar leases approximately 1,600 square feet of office space at 14841 Yorba Street, Suite 203, Tustin, California. The lease expires on June 30, 2001.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATING RESULTS

The following discussion and analysis should be read in conjunction with the consolidated financial statements of Basis100 and related notes for the financial periods described below.

BASIS100 INC.

Results for the 12 Month Period Ending December 31, 1999

Revenues

For the 12 month period ending December 31, 1999, Basis100 realized revenue of \$2,183,700, primarily from licensing fees related to the Online Mortgage Explorer software, fees from an operations and management services agreement entered into with Shorcan and revenue generated from assets acquired and licensing agreements entered into in 1999. While a few of the components of the 2 Minute Mortgage™ exist today and are

generating revenue as stand-alone components, the Company does not expect to derive significant additional revenue through each of these components until 2001. The integration of the acquired technologies into the software components that the Company is building from scratch is not expected to be fully completed until the latter part of 2000.

Expenses

Gross margin for the Company was \$870,414, while cost of revenue amounted to \$1,313,286, largely attributable to variable costs associated with the Shorcan agreement. More than 2/3 of the operating costs of the Company related to salaries and consulting, legal and professional fees. A large part of these costs reflect personnel costs associated with the 2 Minute Mortgage™ technology build out and integration effort currently underway. For the 2 Minute Mortgage™, 1999 was primarily a development year. After the Company completed its reverse takeover in October, 1999, additional administrative staff were hired to handle the work associated with being a public company, as well as to expand the infrastructure to enable the Company to aggressively pursue acquisition and partnering opportunities.

There were a number of non-cash expenses in the period relating to depreciation, amortization, write-offs of intangibles and the settlement of a legal claim over intellectual property. These expenses amounted to \$5,062,883, with approximately \$1,500,000 relating to the technology intellectual property settlement and write down, \$1,000,000 relating to the cancellation of the Shorcan agreements and the remainder to depreciation and amortization charges related largely to acquisitions that are being amortized over three to five years.

The net loss for the year amounted to \$9,537,200 or a loss of \$0.93 per share. This net loss is after amortization and depreciation charges of \$2,546,419, an intangible write-off of \$1,516,462 and the settlement of the legal claim over the intellectual property of \$1,000,002. The net loss prior to these charges was \$4,803,757 or \$0.47 per share.

Because e-Net, one of the predecessor companies to Basis100, was established in October 1998, the comparable figures for the prior year reflect a shorter period.

Liquidity and Capital Resources

As of December 31, 1999, Basis100 had current assets of \$9,041,342, including \$7,196,466 of cash and accounts receivable of \$1,325,276, of which approximately \$600,000 represented GST receivables as a result of GST which was paid pursuant to certain acquisitions late in the year. As of December 31, 1999, the Company had "Restricted Cash" of \$1,000,000 which was being held in escrow as security for a specific acquisition. Basis100 met its obligations under this agreement and this money was returned to the Company subsequent to the year end. Total assets for the Company amounted to \$27,319,549.

Current liabilities at the end of 1999 amounted to \$3,057,845. The Company had no long-term liabilities, except for capital lease obligations in the amount of \$121,771 and future income tax liabilities of \$924,777 relating to the difference between accounting and tax values of the assets acquired in the current year acquisitions. In October, 1999, the Company incurred a liability associated with an acquisition represented by \$2,700,000 of convertible debentures, however, over the remainder of the year, 100% of this debt was converted to common shares of the Company. Shareholders' equity at December 31, 1999 was \$23,215,156 representing share capital of \$33,072,731, and warrants of \$2, less losses of \$9,857,577 incurred since inception of the predecessor Company to Basis100 in 1998. During the 12 month period ended December 31, 1999, Basis100 raised equity capital of \$15,892,000.

The Company has tax loss carryforwards of \$8,900,000 at the end of 1999. These losses can be used to reduce federal and provincial income taxes in future years.

Subsequent to December 31, 1999, the Company raised \$52,500,000 gross proceeds by way of a special warrant financing and completed the acquisition of Solimar for approximately \$37,000,000 (the total purchase

price is subject to nominal contingent adjustment for working capital). It is the Company's current intent to pursue an acquisition strategy to further establish Basis100's United States and global presence over the long-term. This will likely require the raising of additional capital by way of offering equity securities. However, there can be no assurance that funds will be available on terms acceptable to the Company. The form and availability of financing will be dependent on a number of factors including market conditions.

SOLIMAR.NET

Results for the 12 Month Period Ending December 31, 1999

Overview

The following discussion and analysis for the year ended December 31, 1999 should be read in conjunction with the financial statements and the notes to the financial statements included in this prospectus, which are in United States dollars and have been prepared in accordance with generally accepted accounting principles in the United States.

Solimar Inc. was incorporated under the laws of California on November 13, 1979. On October 18, 1999, Solimar Inc. changed its name to Solimar.Net. Solimar provides collateral risk assessment services to the financial institutions sector in the United States of America. These services consist of a variety of automated residential property valuation products accessed by customers via the Internet with delivery generally in less than ten seconds.

Solimar launched its automated residential property valuation products in the third quarter of 1998. The launch has contributed significantly to the operating results such that a year-over-year analysis of Solimar's operating results provides limited relevance.

Revenues

For the 12-month period ending December 31, 1999, Solimar realized revenue of US\$2,807,153 through a combination of unlimited and variable use contracts entered into with its customer base. This is a year over year improvement of US\$2,342,523 on 1998 revenues of US\$464,630 and represents a 500% growth in revenues in the first full year of use of its internally developed proprietary software. This is due to the increasing acceptance of electronic property valuation services by both commercial and consumer users across the United States. Quarterly comparisons are of limited value, as the launch of Solimar's key product did not occur until the third quarter of 1998. In 1999 a number of initiatives had a direct impact on the revenue. Significant contracts signed in 1998 become effective for 1999, which added US\$570,000 to revenue. Further, Solimar hired a National Sales Manager in February 1999, which had an impact on the 1999 revenue.

Cost of Revenue

For each dollar increase in revenue, Solimar does not have any directly attributable variable cost increase. Solimar supports the revenue streams with fixed costs such as technical and sales support and Internet access, which broadly correlate with revenue.

Expenses

Solimar's operational expenses were US\$2,373,456 for fiscal 1999 as compared to US\$608,291 incurred in the prior year. This increase was due to the launch of Solimar's product in the third quarter of 1998. As a result, the Company adopted a number of initiatives in 1999 to support the product launch, including adding technical support staff, administrative staff and a marketing and sales group.

Approximately 55% of the 1999 operating costs of Solimar related to salaries and benefits. A 1999 non-recurring US\$416,075 expense was charged to compensation on the issuance of stock options to employees below existing market prices. 1999 salaries and benefits reflect the more than doubling of the number of employees hired to sell and support the product launch, pension costs, and the fluctuations in the beneficial owner's compensation. The beneficial owner's compensation was significantly higher in 1999 due to available cash flow and the most advantageous treatment for tax purposes, as a result of Solimar's status as an "S" Corporation.

Consulting, legal and professional fees were US\$330,016 in 1999 as compared to US\$61,901 in 1998. This 433 percent increase was primarily attributable to a lawsuit that was filed on September 30, 1998 relating to a sale in 1996 of certain software, which was settled on September 30, 1999. These charges are not expected to recur.

Other operating expenses increased in 1999 as compared to 1998. The creation of a marketing and sales group directly increased expenses in various categories including travel and accommodation, meals and entertainment, and marketing, promotion and public relations. The first full year of operation of automated residential property valuation products, increased the expenses in the facilities management and telephone, network and Internet categories.

1999 depreciation of US\$35,057 on computer hardware, software, and furniture and fixtures was only slightly higher than the 1998 depreciation of US\$30,576.

Net Income

Net income for the year was US\$456,098 as compared to a loss of US\$143,506 in 1998. In the prior year, Solimar's loss of US\$143,506 was a reflection of a year of construction, completion of internally developed software and creation of a market for electronic property valuation that was accurate and accepted by consumers in the United States. Solimar's focus in 1999 was to build a static customer base and expand product market coverage.

Subsequent to December 31, 1999

On January 24, 2000, Solimar entered into an agreement to sell 100% of its outstanding common shares to Basis100 in an all cash transaction valued at US\$24,000,000 plus acquisition costs. On February 8, 2000, this transaction was completed.

DESCRIPTION OF SHARE CAPITAL

Basis100 has an authorized share capital consisting of an unlimited number of common shares. As at April 14, 2000, there were 22,758,996 common shares issued and outstanding as fully paid and non-assessable shares. The following is a summary of the material provisions of the common shares.

Dividends

The holders of the common shares shall be entitled to receive dividends and when declared by the board of directors of Basis100.

Participation in Assets on Dissolution

The holders of the common shares shall be entitled to receive the remaining property of the Company upon dissolution.

Voting Rights

The holder of a common share shall be entitled to one vote for each common share held at any meeting of shareholders of Basis100.

Rights to Acquire Common Shares

As at April 14, 2000, the following rights to acquire common shares of the Company are outstanding:

- 5,000,000 Special Warrants. See “Details of the Offering”;
- 125,000 Series A warrants (exercisable into common shares at an exercise price of \$5.00 per common share and expiring on October 25, 2001);
- 500,000 Series B warrants (exercisable into common shares at an exercise price of \$8.00 per common share and expiring on October 25, 2001);
- 20,000 options (exercisable into common shares at an exercise price of \$8.10 per common share, of which 6,500 expire on January 13, 2001 and 13,500 expire on January 13, 2002);
- 17,356 broker warrants (exercisable into common shares at an exercise price of \$2.00 per common share and expiring on August 31, 2001); and
- 4,788,910 options (exercisable into common shares at an exercise price of between \$3.00 to \$24.00 per common share and expiring between October 24, 2000 and April 3, 2005).

The Series A Warrants and Series B Warrants were issued as part of the settlement of an outstanding claim with e-Net Global Financial Services Inc. (“Global”). As part of the settlement, Basis100 received from Global:

- certain intellectual property rights and work product; and
- termination of any potential obligation under its licence agreement and sub-licence agreement with Sanga International Inc. which had been acquired by Global.

The Broker Warrants were issued to underwriters and agents pursuant to an offering of special warrants by the Company on August 31, 1999. A total of 360,000 Broker Warrants were issued, of which 342,644 had been exercised as at the date of this prospectus.

The following table sets out the outstanding capital of the Company as at March 31, 2000:

<u>Designation of Security</u>	<u>Designation of Security</u>	<u>Amount Authorized</u>	<u>Outstanding as of Dec. 31, 1999⁽²⁾ (audited)</u>	<u>Outstanding as at Mar. 31, 2000⁽³⁾ (unaudited)</u>	<u>Outstanding as at Mar. 31, 2000 after giving effect to the exercise of the Special Warrants⁽³⁾⁽⁴⁾ (unaudited)</u>
Shareholders' Equity					
Shares.....	common	(unlimited)	\$33,072,731	\$44,685,519	\$94,463,019
(number)			(22,223,841)	(22,258,996)	(27,258,996)
Deficit ⁽¹⁾			(9,857,577)	(9,857,777)	(9,857,777)
			(1)	(1)	
Special Warrants attributable to this offering... Warrants.....			—	49,767,500	—
			2	2	2
Total Shareholders' Equity.....			23,215,156	84,595,444	84,595,444
Bank Indebtedness.....			\$nil	\$nil	\$nil
Obligation Under Capital Lease - Long-term portion ⁽⁵⁾			121,771	106,700	106,700
Total Capitalization.....			\$23,336,927	\$84,702,144	\$84,702,144

Notes:

- (1) As at December 31, 1999.
- (2) As at December 31, 1999, 3,266,370 options, 500,000 Series A warrants, 500,000 Series B warrants and 110,000 broker warrants were outstanding.
- (3) After giving effect to the issuance of 5,000,000 common shares upon the exercise of the Special Warrants.
- (4) As at March 31, 2000, 4,788,410 options, 125,000 Series A warrants, 500,000 Series B warrants and 17,356 broker warrants were outstanding.
- (5) The amounts represent the principal portion of capitalized leases due after one year.

DIVIDEND RECORD

Neither the Company nor its predecessors has declared any dividends since their respective dates of amalgamation and incorporation and the Company has no plans to declare any dividends for the foreseeable future. The Company intends to retain future earnings to finance the development of its business. Any future determination to pay dividends will be at the discretion of the Company's board of directors and will depend upon the Company's results of operations, capital requirements and such other facts as the board of directors considers relevant.

USE OF PROCEEDS

The net proceeds to the Company from the sale of the Special Warrants, after deducting fees payable to the Underwriters and the estimated expenses of the offering (\$370,000) will be \$49,767,500. See "Details of the Offering". The Company used the net proceeds from the offering to finance its acquisition of Solimar (\$37,000,000) and intends to use the net proceeds of the offering for general corporate purposes (\$12,767,500), including to engage in research and development activities in connection with new products; to expand its direct sales force and its marketing activities; and the balance to acquire or invest in complementary businesses or products and for working capital purposes. Pending such uses, the Company has invested the net proceeds of the offering in short term, interest bearing, investment grade securities. Basis100 intends to use the funds available to it as stated in this prospectus. There may be circumstances, however, where, for sound business reasons, a reallocation of funds may be necessary.

PRINCIPAL SHAREHOLDERS

To the knowledge of the Company, there are no persons or corporations that beneficially own, directly or indirectly, or exercise control or direction over, 10% or more of the issued and outstanding common shares.

As at March 31, 2000, the directors and senior officers of Basis100 beneficially owned, directly or indirectly, as a group, voting securities of Basis100 as follows:

<u>Designation of Class</u>	<u>Number</u>	<u>Percentage of Class</u>
common shares	1,743,019	7.8% (approximately)

Voting Trust Agreement

As of April 21, 1999, a voting trust agreement was entered into between the Company, Jason Smith, Tony Humble, Tom Williams, Gary Bartholomew, David Campbell and QFG Holdings Limited whereby, up to and for a period of two years from the time that the Company becomes a public company, the parties to the agreement (with the exception of the Company) agree to vote their shares in favour of one nominee of each of Tony Humble and Jason Smith as directors of the Company. As at March 31, 2000, to the knowledge of the Company, a minimum of 2,485,319 common shares are committed to this voting trust agreement.

As of June 14, 1999, Tony Humble renounced the benefit of the voting trust agreement and agreed to execute an agreement amending or replacing the voting trust agreement which will provide that for the period of time stated in the voting trust agreement, that he will vote his shares of the Company for the election as Directors of (i) one nominee of Jason Smith, and (ii) one nominee jointly designated by Jason Smith and Gary Bartholomew.

DIRECTORS AND OFFICERS

The name, municipality of residence, positions with Basis100 and principal occupation of each of the directors and officers of Basis100 are as follows:

<u>Name and Municipality of Residence</u>	<u>Positions Held with the Company</u>	<u>Date of Election or Appointment</u>	<u>Principal Occupation</u>
Gary Bartholomew ⁽¹⁾ Elora, Ontario	Chairman, Director and Chief Executive Officer	December 1998 ⁽³⁾	Officer and Director of the Company
David Campbell Etobicoke, Ontario	Chief Financial Officer	December 1998 ⁽³⁾	Officer of the Company
Victor Hum Toronto, Ontario	Director	March 2000	Lawyer, Fraser Milner
Patricia Nielsen Mississauga, Ontario	President, Chief Operating Officer	February 2000	Officer of the Company
James Ozanne Darien, New York, USA	Director	March 2000	Principal, Greenrange Partners
Peter Ross..... Oakville, Ontario	Vice President, Mergers & Acquisitions and Operations	July 1999 ⁽³⁾	Officer of the Company
Stephen Schrump Toronto, Ontario	Chief Technology Officer	July 1999 ⁽³⁾	Officer of the Company
Jason Smith ⁽²⁾ Aurora, Ontario	Executive Vice President, Retail Business Development, Director	January 1999 ⁽³⁾	Officer and Director of the Company
Ivan Wahl ^{(1), (2)} Toronto, Ontario	Director	June 1999 ⁽³⁾	Vice Chairman, subsidiary of a Canadian financial institution
Peter Wallace ^{(1), (2)} Toronto, Ontario	Director	June 1999 ⁽³⁾	Independent Consultant

Notes:

- ⁽¹⁾ The audit committee is comprised of Gary Bartholomew, Ivan Wahl, and Peter Wallace.
- ⁽²⁾ The compensation, nomination and corporate governance committee is composed of Jason Smith, Ivan Wahl and Peter Wallace.
- ⁽³⁾ Reflects date of election or appointment to e-Net.

The nature and extent of the experience of the directors and officers of Basis100 is as follows:

Gary Bartholomew is currently a Director and Basis100's Chief Executive Officer and joined the Company in November 1998. Mr. Bartholomew has spent the last ten years working with technology start-ups. He is the owner of CyberNorth Ventures, an investment and strategy consulting company. He has acted as a consultant to such companies as IBM Canada, Hewlett Packard, Livingston International, International Verifact Inc. and others in the area of innovation planning and commercialization. He holds a Bachelor of Science in science and engineering from the University of Waterloo.

David Campbell is Basis100's Chief Financial Officer and joined the Company in November 1998. Prior to joining Basis100, Mr. Campbell was with Working Ventures Canadian Fund Inc. for over four years. In June 1998, Mr. Campbell left Working Ventures for iGate Technologies Inc. of Waterloo, Ontario, where he assumed the role of Chief Financial Officer and was involved in business development. Mr. Campbell, along with iGate's President and Chief Executive Officer, Gary Bartholomew, then negotiated and completed the sale of that company before joining Basis100 as its Chief Financial Officer. Mr. Campbell completed his Honours Bachelor of Arts in Business Administration (HBA) at the University of Western Ontario in 1990.

Victor Hum joined Basis100 as a director in March of 2000. Mr. Hum is currently a partner in the corporate/securities group at Fraser Milner. He has 15 years experience in the practise of corporate law, with a particular emphasis in the areas of mergers and acquisition, and corporate finance. Mr. Hum obtained his Bachelor of Commerce degree from McMaster University in 1980 and Bachelor of Law from the University of Toronto in 1983. He was called to the Bar of Ontario in 1985 and admitted to the Roll of Solicitors in England and Wales in 1988.

Patricia Nielsen is Basis100's President and Chief Operating Officer and joined the Company in January 2000. Prior to joining the Company, Ms. Nielsen joined GE Capital IT Solutions ("GECITS") in 1994, where she became its Chief Executive Officer and President before leaving in October 1999. Ms. Nielsen has also held various senior management positions within GECITS, including Vice President of Services and Marketing. GECITS is a wholly-owned subsidiary of the General Electric group of companies. Ms. Nielsen has served on several advisory boards with companies such as Compaq, IBM, Hewlett Packard and Toshiba. Ms. Nielsen has accepted numerous awards including the GE Capital Pinnacle Winner and the CIO Excellence Award.

James Ozanne joined Basis100 as a director in March, 2000. Mr. Ozanne is currently the Vice Chairman and Director of Financial Security Assurance Corp. ("FSA"), a municipal bond and asset-backed guarantor listed on the New York Stock Exchange. Mr. Ozanne serves as Chairman of the FSA board of director's underwriting committee and has been a strategic advisor to the Company since 1989. He is also a principal with Greenrange Partners, a venture capital and management buyout firm, which he founded in 1995. Recently, Mr. Ozanne served as Chairman of Source One Mortgage Corporation, a non-bank mortgage originator, which was sold to Citibank Mortgage in the spring of 1999. Prior to his joining Source One, he had been Chairman and Chief Executive Officer of Nations Financial, the financial services business owned by US West, a position that he had held since 1989.

Peter Ross joined Basis100 in November 1998 and is Basis100's Vice President, Mergers and Acquisitions and Operations. His experience of over 20 years includes: Chief Operating Officer and President of Ameri-Can Railway Systems, President and Chief Operating Officer, Internet Payment Processing, Vice President and Chief Operating Officer of Marr Electric, Senior Vice President of Services and Corporate Secretary Voyageur Insurance Company, Senior Vice President — Services, Selkirk Communications Ltd., Consultant — Partner, Price Waterhouse and Director of Systems and Computer Services for Consolidated Bathurst. Mr. Ross' education includes a Masters of Business Administration from McGill University and a Bachelor of Science from Sir George Williams (Concordia).

Stephen Schrupp is Basis100's Chief Technology Officer and joined the Company in June 1999. Mr. Schrupp has over 15 years of experience in building financial services and information technology platforms that scale for large transaction volumes. His work experience includes: Vice President of Product Development, Necho Systems Corp.; Director of Technology and Chief Technology Architect, Cebra Inc., a subsidiary of a major Canadian chartered bank; and Senior Manager, Distributed Systems, of the Mastercard division of a major Canadian chartered bank. His education includes a Bachelor of Science from York University and he has written numerous publications including a text, "Managing Trust in E-Commerce" and over 20 articles for Canadian Underwriter, Canadian Business and The Journal of E-Commerce.

Jason Smith is a Director and Basis100's Executive Vice President, Retail Business Development and joined the Company in January 1999. Jason was a founder and shareholder of OME Canada and has been a consultant to mortgage brokers and financial institutions. Jason has worked closely with major financial institutions in both Canada and the United States.

Ivan Wahl joined Basis100 as an independent director in 1999. Mr. Wahl has been involved in the financial services industry for over 30 years. Mr. Wahl was the founder and chairman of Firstline Trust Company from 1985 to 1995 when the company was sold to a major Canadian financial institution. He obtained his Master of Business Administration degree from York University and is a Fellow of the Insurance Institute of Canada. He is also a graduate of the Owners' and Presidents' Management Course sponsored by the Harvard Business School. Mr. Wahl currently is employed as Vice Chairman of a subsidiary of one of Canada's largest financial institutions.

Peter Wallace joined Basis100 as an independent director in 1999. Mr. Wallace held several senior management positions including Chief Operating Officer of Walwyn Stodgell Cochran Murray and President of Midland Walwyn. After leaving Midland Walwyn in 1995, Mr. Wallace co-founded Wallace Dewan and Partners, a Toronto Stock Exchange and Investment Dealer Association member which was acquired as part of the newly-formed Gordon Private Client. In 1997, a major Canadian trust company purchased Mr. Wallace's shares in Gordon Private Client and Mr. Wallace became Executive Vice President of Wealth Management and Chairman of its securities subsidiary. In 1999, Mr. Wallace left the trust company to form his own consulting business. Mr. Wallace was also a Governor of The Toronto Stock Exchange from 1993 to 1995. Mr. Wallace obtained his Masters of Business Administration from the University of Western Ontario in 1978.

EXECUTIVE COMPENSATION

The table below sets forth information concerning the compensation paid by the Company to the Chief Executive Officer and the four most highly compensated other executive officers of the Company (collectively, the "Company Named Executive Officers") with respect to services performed in such capacities during the financial periods indicated. The table also sets forth information regarding the compensation paid by one of the Company's predecessor companies, Autrex, to its Chief Executive Officer for the financial years ended October 31, 1997 and 1998, and the compensation paid by the Company's other predecessor, e-Net, to its Chief Executive Officer and two other most highly compensated executive officers for the period from its incorporation on October 16, 1998 until December 31, 1998.

Name and Principal Position	ANNUAL COMPENSATION				LONG-TERM COMPENSATION			All Other Compensation (\$)
	Year	Salary (\$)	Bonus (\$)	Other Annual Compensation ³⁾ (\$)	Awards		Payouts	
					Securities Under Options/SA Rs Granted (\$)	Restricted Shares or Restricted Share Units (\$)	LTP Payouts (\$)	
Gary Bartholomew..... President and Chief Executive Officer	1999 1998 ⁽¹⁾ 1997	60,000 Nil N/A	239,030 Nil N/A	4,782 Nil N/A	500,000 186,957 N/A	310,870 Nil N/A	N/A N/A N/A	951,756 364,854 ⁽²⁾ N/A
David Campbell..... Chief Financial Officer	1999 1998 ⁽¹⁾ 1997	103,467 12,000 N/A	41,703 Nil N/A	1,807 Nil N/A	250,000 37,392 N/A	62,174 Nil N/A	N/A N/A N/A	190,352 111,972 ⁽²⁾ N/A
Jason Smith..... Executive Vice President, Retail Financial Services	1999 1998 1997	109,500 N/A N/A	83,138 N/A N/A	10,930 N/A N/A	422,330 N/A N/A	465,000 N/A N/A	Nil N/A N/A	248,750 N/A N/A
Stephen Schrupp..... Chief Technology Officer	1999 1998 1997	73,692 N/A N/A	21,422 N/A N/A	3,321 N/A N/A	250,000 N/A N/A	Nil N/A N/A	Nil N/A N/A	Nil N/A N/A
Peter Ross..... Vice President, Mergers and Acquisitions	1999 1998 ⁽¹⁾ 1997	96,000 11,000 N/A	40,070 4,000 N/A	3,383 Nil N/A	75,000 70,000 N/A	35,000 Nil N/A	Nil Nil N/A	139,300 Nil N/A
Barrie Rose ⁽⁴⁾ Chairman and CEO Autrex Inc.	1999 1998 1997	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil

Notes:

- (1) For the period from incorporation on October 16, 1998, to December 31, 1998. Some of the executive officers of the Company were initially paid as consultants. All compensation is now paid as employment income.
- (2) Included in "All Other Compensation" are signing bonuses for Gary Bartholomew and David Campbell, paid to them to induce them to join the Company.
- (3) Perquisites and personal benefits do not exceed the lesser of \$10,000 and 10% of the total of annual salary and bonus for the financial year.
- (4) Mr. Rose was Chairman and CEO of Autrex Inc., a predecessor of the Company. His employment was terminated in October 1999.

Basis100 and its subsidiaries paid aggregate remuneration of \$2,422,403 in cash, shares and benefits, during the financial year ended December 31, 1999 to officers of Basis100 who received in their capacity as officers or employees of Basis100 and its subsidiaries aggregate remuneration in excess of \$40,000 in such financial year. Of this amount, none was paid to former management.

Long-Term Incentive Plan

Basis100 does not presently have a long-term incentive plan for its executive officers.

INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS

**TABLE OF INDEBTEDNESS OF DIRECTORS,
EXECUTIVE OFFICERS AND SENIOR OFFICERS**

Name and Principal Position	Involvement of Issuer or Subsidiary	Largest Amount Outstanding	Amount Outstanding
		During the 1999 Financial Year (\$)	as at March 31, 2000 (\$)
Jason Smith	Issuer	37,702	17,502

Executive Vice President, Retail Financial Services

COMPENSATION OF DIRECTORS

Up to and including December 31, 1999, no compensation was paid to directors and it is the Company's policy that non-independent directors will not be compensated to be directors. Independent directors have been granted 25,000 options each as directors, plus 25,000 options each as consultants, all such options having an exercise price of \$3.00 per share. See "Executive Compensation — Stock Option Plan". All directors are reimbursed for out-of-pocket expenses reasonably incurred in connection with their duties to Basis100.

STOCK OPTION PLANS

New Plan

On March 30, 2000, the shareholders of Basis100 approved the adoption of a new stock option plan (the "New Plan") to replace the Corporation's previous stock option plan, which provides for 6,837,524 common shares to be issuable.

Under the New Plan, Basis100 is able to issue options for the purchase of common shares to full and part-time employees, officers and directors of Basis100 and consultants. In determining the number of common shares subject to each option, consideration will be given to the individual's present and potential contribution to the success of the Company. The exercise price per share shall not be less than the closing price of the common shares of Basis100 on The Toronto Stock Exchange on the day preceding the day the option is granted. Each option will be for a maximum term of five years, be non-transferable and non-assignable and will be exercisable on terms to be determined by the board of directors in its discretion at the time the option is granted.

The maximum number of common shares reserved for issuance to any one optionee pursuant to options granted by Basis100 under the New Plan will not exceed 5% of the total number of common shares outstanding at the time of the grant (on a non-diluted basis).

Old Plan

The board of directors of e-Net, a predecessor corporation to Basis100, approved a stock option plan (the "Old Plan") on May 27, 1999, allowing for options to purchase a maximum of four million voting shares of the Company to be issued (the "Voting Shares"). The Old Plan was ratified at Autrex's special meeting of shareholders on October 25, 1999. Since the date of adoption of the Old Plan, Basis100 has issued the maximum number of options available under the Old Plan, taking into consideration previously issued options that expired unexercised or were cancelled.

OPTIONS TO PURCHASE SECURITIES

The following table sets out information concerning options granted between May 27, 1999 and April 14, 2000 and is a complete list of options that remained outstanding as of April 14, 2000. No stock appreciation rights are outstanding and it is currently not intended that any be issued.

	<u>Date of Grant</u>	<u>Exercise Price</u>	<u>Common Shares under Option</u>	<u>Expiry Date</u>
Company Named Executive Officers as a group (5 in total)	May 27, 1999 to October 25, 1999	\$3.00	1,397,330	May 26, 2004 to October 24, 2004
Directors and officers other than Company Named Executive Officers (3 in total)	June 10, 1999 to February 22, 2000	\$3.00 to \$16.20	87,500	July 3, 2004 to February 21, 2005
Others (103 in total)	May 27, 1999 to April 4, 2000	\$3.00 to \$24.00	3,304,080	October 24, 2000 to April 3, 2005

AGREEMENTS BETWEEN MANAGEMENT

Jason Smith has signed option agreements with each of Gary Bartholomew, David Campbell, and Stephen Schrupp (the "Option Recipients") whereby Mr. Smith granted options to purchase 50,000 e-Net common shares (now Basis100 common shares) on a contingent basis to each of the Option Recipients. The options may be exercised if the relevant shares shall have been issued to Mr. Smith, the shares must be freely trading on at least one of certain stock exchanges, and the average trading price of the relevant shares over the previous five day trading period shall be at least \$5.00. The expiry date of each of the options granted is December 31, 2000.

Basis100 Stock Option Grants During Most Recently Completed Financial Year to Company Named Executive Officers

<u>Name</u>	<u>Number of Securities Under Options</u>	<u>% of Total Basis100 Stock Options Granted to Employees in Financial Year</u>	<u>Exercise or Base Price (\$/Security)</u>	<u>Market Value of Securities Underlying Basis100 Stock Options on the Date of Grant (\$/Security)</u>	<u>Expiry Date</u>
Gary Bartholomew	500,000	15.2%	\$3.00	\$2.00	August 16, 2004
Jason Smith	22,330	0.7%	\$3.00	\$2.00	May 26, 2004
	350,000	10.6%	\$3.00	\$2.00	August 16, 2004
	50,000	1.5%	\$3.00	\$2.00	October 24, 2004
Stephen Schrupp	80,000	2.4%	\$3.00	\$2.00	June 20, 2004
	170,000	5.2%	\$3.00	\$2.00	August 31, 2004
David Campbell	250,000	7.6%	\$3.00	\$2.00	August 16, 2004
Peter Ross	75,000	2.3%	\$3.00	\$2.00	August 16, 2004

RIGHTS PLAN

On March 30, 2000, the shareholders of Basis100 ratified the adoption of a shareholder rights plan (the "Rights Plan"). The effective date (the "Effective Date") of the Rights Plan was February 21, 2000. The Rights Plan will terminate on the earlier of the termination of the annual meeting of the shareholders of the Corporation in the year 2003 and the date on which the rights issued pursuant to the Rights Plan (the "Rights") are redeemed by the Board of Directors in accordance with the terms of the Rights Plan. On the Effective Date, one Right was issued and attached to each outstanding common share.

Rights Exercise Privilege

The Rights will separate from the shares to which they are attached and will become exercisable at the close of business (the "Separation Time") on the eighth trading day after the earlier of a person having acquired, or the commencement, announcement or other date determined by the Board of Directors in respect of a take-over bid

to acquire 20% or more of the Voting Shares of the Company, other than by an acquisition pursuant to a take-over bid permitted by the Rights Plan (a “Permitted Bid”).

The acquisition of Beneficial Ownership (as defined in the Rights Plan) by any person (an “Acquiring Person”), including others acting in concert, of 20% or more of the Voting Shares, other than by way of a Permitted Bid, is referred to as a “Flip-in Event”. Under the Rights Plan, there are certain exceptions to the definition of an Acquiring Person, including (i) the Company or a subsidiary of the Company, (ii) a person (a “Grandfathered Person”) who is the Beneficial Owner of 20% or more of the Voting Shares on the Effective Date of the Rights Plan, (iii) a person who acquires 20% or more of the outstanding Voting Shares through, among other things, a share redemption or a Permitted Bid, or (iv) an underwriter or selling group member during the course of a public distribution. A Grandfathered Person will become an Acquiring Person in the event that such person subsequently acquires additional Voting Shares as a result of which its Beneficial Ownership of Voting Shares increases by more than 1% of the number of Voting Shares outstanding on the effective date of the Rights Plan, other than in accordance with the Rights Plan. Any Rights held by an Acquiring Person on or after the earlier of the Separation Time or the first date of public announcement by Basis100 or an Acquiring Person that an Acquiring Person has become such, will become void upon the occurrence of a Flip-in Event.

Eight trading days after the occurrence of the Flip-in Event, each Right (other than those held by the Acquiring Person) will permit the holder to purchase, for the exercise price of the Rights, common shares having a value (based on the then prevailing market price) equal to twice the exercise price. The exercise price of the Rights will be equal to \$300, subject to adjustments in accordance with the Rights Plan.

Permitted Bid Requirements

The requirements of a Permitted Bid include the following:

- (i) the take-over bid must be made by way of a take-over bid circular to all holders of Voting Shares, other than the bidder;
- (ii) the take-over bid must not permit Voting Shares tendered pursuant to the take-over bid to be taken up prior to the expiry of a period of not less than 60 days and only if at such time more than 50% of the Voting Shares held by shareholders other than the bidder, its affiliates, associates and persons acting jointly or in concert with the bidder (the “Independent Shareholders”) have been tendered pursuant to the take-over bid and not withdrawn;
- (iii) the take-over bid provides that Voting Shares may be deposited pursuant to the bid at any time prior to the close of business on the date of first take up or payment and that any Voting Shares deposited may be withdrawn until taken up and paid for; and
- (iv) if more than 50% of the Voting Shares held by Independent Shareholders are tendered to the take-over bid within the 60 day period, the bidder must make a public announcement of that fact and the take-over bid must remain open for deposits of Voting Shares for an additional 10 business days from the date of such public announcement.

The Rights Plan allows a competing Permitted Bid (a “Competing Permitted Bid”) to be made while a Permitted Bid is in existence. A Competing Permitted Bid must satisfy all the requirements of a Permitted Bid except that, provided it is outstanding for a minimum period of 21 days, it may expire on the same date as the Permitted Bid.

Waiver and Redemption

The board of directors may, prior to a Flip-in Event, waive the dilutive effects of the Rights Plan in respect of a particular Flip-in Event. The prior consent of the holders of Voting Shares or the holders of the Rights will be required for the board of directors to take such action except in the case of a take-over bid by take-over bid

circular to all holders of Voting Shares. The board of directors may also waive the Rights Plan in respect of a particular Flip-in Event that has occurred through inadvertence, provided that the Acquiring Person that inadvertently triggered such Flip-in Event reduces its beneficial holdings to less than 20% of the outstanding Voting Shares. At any time prior to the occurrence of a Flip-in Event, the board of directors may with the prior approval of the holders of the Voting Shares or the Rights redeem all, but not less than all, of the outstanding Rights at a price of \$0.0001 each.

Supplements and Amendments

Basis100 is authorized to make amendments to the Rights Plan to correct any clerical or typographical error or, subject to subsequent ratification by shareholders or Rights holders, to maintain the validity of the Rights Plan as a result of changes in law or regulation.

Pension Plans

Basis100 does not currently provide a pension plan for its executive officers or employees.

Interests of Insiders in Material Transactions

Since the commencement of Basis100's most recently completed financial year, no insider of Basis100 and no associate or affiliate of any insider has, or has had, any material interest, direct or indirect, in any transaction or in any proposed transaction, which has materially affected or would materially affect Basis100.

Management Contracts

Management functions of Basis100 are substantially performed by directors and officers of Basis100 and not, to any substantial degree, by other persons with whom Basis100 has contracted.

TERMINATION OF EMPLOYMENT, CHANGE IN RESPONSIBILITIES AND EMPLOYMENT CONTRACTS

On December 7, 1998, Gary Bartholomew executed an employment contract with e-Net. The agreement provided for issuance of an aggregate of 434,783 common shares and an option to permit Mr. Bartholomew to purchase an additional 114,493 common shares (at a price of \$0.01 per share) and an equity bonus of 72,464 shares. On September 10, 1999 the Board voted to fully vest these options and these options were exercised by Mr. Bartholomew. The agreement may be terminated by mutual consent, or by written notice of the employer, or for cause. Mr. Bartholomew has provided certain non-competition and non-solicitation covenants in the agreement. On August 23, 1999, the Board approved an annual salary of \$180,000 for Mr. Bartholomew plus an annual bonus of \$120,000 and granted an option to purchase 500,000 common shares (at \$3.00 per share), vesting over three years.

On December 7, 1998, David Campbell executed an employment contract with e-Net. The agreement provided for an issuance of an aggregate of 86,957 common shares and an option to permit Mr. Campbell to purchase an additional 22,899 common shares (at a price of \$0.01 per share) and an equity bonus of 14,493 shares. On September 10, 1999 the Board voted to fully vest these options and these options were exercised. The agreement may be terminated by mutual consent, or by written notice of the employer, or for cause. Mr. Campbell has provided certain non-competition and non-solicitation covenants in the agreement. The Board on August 23, 1999 approved an annual salary for Mr. Campbell of \$120,000 with an annual bonus of \$60,000 and granted an option to purchase 250,000 common shares (at an exercise price of \$3.00 per share), vesting over three years.

On June 4, 1999, Stephen Schrupp executed an employment contract with e-Net which provides for a base salary of \$120,000 per year (reviewable on an annual basis) plus an annual bonus of \$42,000. The agreement grants an option to permit Mr. Schrupp to purchase 80,000 common shares (at an exercise price of \$3.00 per share) which vest in three periods, the final vesting period being June 4, 2002, provided Mr. Schrupp is still an employee on the vesting dates. The agreement may be terminated by mutual consent, or by written notice of the employer, or for

cause. Mr. Schrupp has provided certain non-competition and non-solicitation covenants in the agreement. The Board on September 10, 1999 approved to increase Mr. Schrupp's base salary to \$150,000 and his annual bonus to \$50,000. His total options were increased to 250,000 (at an exercise price of \$3.00 per share) which vest over a three year period.

In April, 1999, Peter Ross executed an employment contract effective November 23, 1998 with e-Net which provided for a base salary of \$96,000 per year (reviewable on an annual basis) plus a discretionary annual bonus of \$49,000. The agreement grants an option to permit Mr. Ross to purchase 70,000 common shares (at a price of \$0.01 per share). On September 10, 1999 the Board voted to fully vest these options. The agreement may be terminated by mutual consent, or by written notice of the employer, or for cause. Mr. Ross has provided certain non-competition and non-solicitation covenants in the agreement. On August 23, 1999 the Board approved a grant of 75,000 options for Peter Ross (at an exercise price of \$3.00).

Effective January 1, 1999, Jason Smith entered into an employment contract with e-Net which provided for an option to purchase 125,000 common shares (at an exercise price of \$0.01 per share). On September 10, 1999, the Board voted to fully vest these options. On August 23, 1999, the Board approved an annual base salary for Jason Smith of \$148,500 with an annual bonus of \$76,500 (based on performance targets). It approved a total option package of 350,000 options priced at \$3.00, vesting over a three year period. The agreement may be terminated by mutual consent, or by written notice of the employer, or for cause. Mr. Smith has provided certain non-competition and non-solicitation covenants in the agreement.

On January 13, 2000, Patricia Nielsen executed an employment contract with Basis100 which provides for a base salary of \$200,000 per year (reviewable on an annual basis) plus a discretionary annual bonus of \$100,000. The agreement also granted Ms. Nielsen options to purchase up to 400,000 common shares of Basis100 at an exercise price of \$8.10 per common share. The options vest on several dates with the final vesting date being January 13, 2003. Ms. Nielsen's employment may be terminated for cause. Ms. Nielsen has agreed to the terms of Basis100's confidentiality and proprietary rights agreement.

LEGAL PROCEEDINGS

The Company is not currently a party to any material litigation proceedings involving the Company, its business or its operations, except as discussed below. To the best of the knowledge of management of the Company, no such material proceedings are pending or threatened, except as discussed below.

Basis100 has received a statement of claim from Northern Bancorp Inc. dated March 7, 2000, which the Company is in the process of defending. The claim by Northern Bancorp Inc. relates to an alleged entitlement to 300,000 shares in Basis100.

PRIOR ISSUANCES

The following table sets out the details of all issuances of common shares during the period from March 31, 1999 to October 24, 1999 for e-Net and for the period from October 25, 1999 to March 31, 2000 for Basis100:

Date of Issue	Description of Transaction	Basis100 Inc.'s December 31, 1999 Financial Statement Note Reference	Number of Common Shares Issued	Price per Common Share
April 30, 1999	Payment for services	Note 9(f)	45,000	-

Date of Issue	Description of Transaction	Basis100 Inc.'s December 31, 1999 Financial Statement Note Reference	Number of Common Shares Issued	Price per Common Share
May 1, 1999	Licence of rights to Shorcan Institutional Bond Trading System software	Note 3(g)	250,000	4.00
August 9, 1999	Licence of Canadian rights to Online Mortgage Explorer software	Note 3(a)	150,000	3.00
August 20, 1999	Licence of rights to Fixed Income intellectual property	Note 3(e)	100,000	2.00
September 10, 1999	Employee remuneration	Note 9(d)	626,086	-
September 10, 1999	Exercise of stock options prior to October 1, 1999	Note 9(e)	732,551	0.01
October 1, 1999	Payment for services ⁽²⁾		93,750	2.00
October 25, 1999	Autrex conversion — Amalgamation	Note 9(c)	900,000	-
December 17, 1999	Exercise of broker warrants in 1999	Note 9(f)	250,000	2.00
October 25, 1999	Exercise of special warrants in 1999 ⁽¹⁾	Note 9(f)	8,233,500	1.90
October 25, 1999	Legal settlement	Note 10	500,000	2.00
October 25, 1999	Payment for services ⁽³⁾		50,000	-
October 26 to December 13, 1999	Conversion of debentures	Note 3(d)	867,291	3.113
October 25, 1999	Guarantee of value of shares issued for Canadian rights to Online Mortgage Explorer software	Note 3(a)	75,000	-
December 21, 1999	Redemption of above-noted shares	Note 3(a)	(75,000)	-
October 25, 1999	Licence of United States rights to Online Mortgage Explorer software	Note 3(a)	150,000	3.00
October 25, 1999	Guarantee of value of shares issued for United States rights to Online Mortgage Explorer software	Note 3(a)	75,000	-
December 21, 1999	Redemption of above-noted shares	Note 3(a)	(75,000)	-
October 25, 1999	Online Mortgage Explorer software	Note 3(a)	200,000	5.00
October 25, 1999	Licence of rights to I-formation for Financial Services software	Note 3(b)	250,000	5.00
October 25, 1999	Guarantee of value of shares issued for licence of rights to I-formation for Financial Services software	Note 3(b)	222,222	-
December 21, 1999	Redemption of above-noted shares	Note 3(b)	(222,222)	-

Date of Issue	Description of Transaction	Basis100 Inc.'s December 31, 1999 Financial Statement Note Reference	Number of Common Shares Issued	Price per Common Share
October 25, 1999	Licence of rights to I-formation for Insurance software	Note 3(c)	550,000	7.636
October 25, 1999	Guarantee of value of shares issued for licence of rights to I-formation for Insurance software	Note 3(c)	700,000	-
March 2, 2000	Redemption of above-noted shares	Note 3(c)	(700,000)	-
October 21, 1999	Asset purchase from Morty Systems Inc.	Note 3(d)	460,000	2.00
October 25, 1999	Guarantee of value of shares issued for licence of rights to Shorcan Institutional Bond Trading System software		75,000	-
December 21, 1999	Redemption of above-noted shares		(75,000)	-
December 3 to 20, 1999	Exercise of stock options in fourth quarter of 1999	Note 9(e)	32,330	3.00
January 1, 2000	Discrepancy related to Autrex conversion ⁽⁴⁾		11	-
January 13 to March 2, 2000	Exercise of broker warrants in first quarter of 2000		92,644	2.00
February 2 to March 15, 2000	Exercise of Series A warrants in first quarter of 2000		375,000	5.00
January 13 to March 2, 2000	Exercise of stock options in first quarter of 2000		267,500	3.00

Notes:

- (1) The special warrants were issued at \$2.00 per share in 1998 and 1999. The price per common share reflects the special warrant issue costs and the impact of the future tax benefit.
- (2) The Company issued shares at existing market price in lieu of cash for professional services provided by Lehman Brothers.
- (3) On February 4, 1999, Basis100 entered into an agreement with Raymond Pecoskie ("Pecoskie") whereby Pecoskie was engaged by the company on a best efforts basis to identify a suitable company with which e-Net might amalgamate. Under the terms of this agreement and an amendment thereto dated September 9, 1999, Basis100 committed to issue 50,000 shares to Pecoskie, for no cash consideration, in the event that the merger with Autrex Inc. was completed on or before December 31, 1999. The 50,000 shares were issued to Pecoskie.
- (4) A slight discrepancy in the actual number of Basis100 shares issued to previously Autrex shareholders occurred.

PRICE RANGE AND TRADING VOLUME OF COMMON SHARES

The common shares of the Company are quoted for trading on The Toronto Stock Exchange and began trading on The Toronto Stock Exchange on October 28, 1999. The following table sets forth the price quotations and the trading volume for the common shares for the periods indicated:

<u>Calendar Period</u>	<i>The Toronto Stock Exchange</i>		<u>Share Trading Volume</u>
	<u>Price Per Share</u>		
	<u>High</u>	<u>Low</u>	
October 28, 1999 to October 31, 1999	\$4.50	\$2.25	737,451 shares
November 1, 1999 to November 30, 1999	7.40	2.75	5,817,664 shares
December 1, 1999 to December 31, 1999	8.00	4.90	3,484,428 shares
January 1, 2000 to January 31, 2000	19.20	6.50	10,923,144 shares
February 1, 2000 to February 29, 2000	23.25	13.55	8,166,335 shares
March 1, 2000 to March 31, 2000	24.80	10.05	12,682,552 shares
April 1, 2000 to April 14, 2000	11.75	5.50	3,250,046 shares

On April 17, 2000, the closing price of the common shares on The Toronto Stock Exchange was \$5.85.

ESCROWED SHARES

Pursuant to an escrow agreement dated October 25, 1999 between QFG Holdings Limited, Gary R. Bartholomew, Jason Smith, David W. Campbell and Peter Ross (the "Securityholders"), Equity Transfer Services Inc., Basis100 and The Toronto Stock Exchange, the Securityholders deposited share certificates representing an aggregate of 1,748,045 common shares of Basis100 effective October 25, 1999. These shares will be released in three separate tranches on each of the first, second and third anniversaries of October 25, 1999. To the knowledge of the Company, the following shares are held in escrow as of April 14, 2000:

<u>Designation of Class</u>	<u>Number of Securities held in escrow</u>	<u>Percentage of Class</u>
common shares	1,748,045	7.68%

DETAILS OF THE OFFERING

On February 1, 2000 (the "Closing Date"), the Company issued 5,000,000 Special Warrants at a price of \$10.50 per Special Warrant (the "Issue Price") for aggregate gross proceeds of \$52,500,000. The Special Warrants were subscribed for by investors on a private placement basis as provided for in an underwriting agreement (the "Underwriting Agreement") dated February 1, 2000 between RBC Dominion Securities Inc., Griffiths McBurney & Partners and Dundee Securities Corporation (collectively, the "Underwriters") and the Company. Each Special Warrant entitles the holder to receive, upon exercise and without additional payment, one common share, subject to adjustment, at any time after February 1, 2000 and prior to 5:00 p.m. (Toronto time) on the first to occur (the "Time of Expiry") of (i) the fifth business day after the date (the "Qualification Date") on which a receipt for a final prospectus has been issued by the last of the securities commissions in each of Ontario, Quebec, Manitoba and British Columbia; and (ii) February 1, 2001. If the Qualification Date has not been satisfied prior to 5:00 p.m. (Toronto time) on May 31, 2000 (the "Qualification Deadline"), holders of Special Warrants shall be entitled to receive 1.1 common shares in lieu of one common share without payment of any additional consideration.

The Special Warrants were issued pursuant to the terms of a special warrant indenture dated February 1, 2000 between the Company and CIBC Mellon Trust Company.

Pursuant to the terms of the Underwriting Agreement, the Underwriters received a commission equal to 4.5% of the gross proceeds of the offering as a fee for the private placement of the Special Warrants.

A description of the provisions of the common shares is set out under “Description of Share Capital”.

The common shares have not been and will not be registered under the *United States Securities Act of 1933*, as amended, and, subject to certain exceptions, may not be sold in the United States.

DILUTION

The offering price of \$10.50 for each common share exceeds by \$8.43 the net tangible book value attributable to each common share as at December 31, 1999, after giving effect to this offering. The dilution per share is as follows:

Offering price		\$10.50
Net tangible book value as at December 31, 1999	\$6,519,054	
Increase in net tangible book value attributable to this offering	\$49,767,500	
Net tangible book value after this offering		<u>\$56,286,544</u>
Dilution to purchasers		<u>\$8.43</u>
Percentage of dilution in relation to the offering price		<u>80.3%</u>

RISK FACTORS

The following risk factors, as well as the other information contained in this prospectus, should be considered carefully:

LIMITED OPERATING HISTORY; ANTICIPATED LOSSES

The Company effectively commenced operations in October 1998 through its predecessor company, e-Net. Accordingly, the Company has only a limited operating history upon which an evaluation of the Company and its prospects can be based. The Company accumulated net losses of approximately \$9.9 million as of December 31, 1999, primarily attributable to expenses related to the establishment of an e-commerce services business. Although the Company anticipates increases in revenues, significant operating losses are anticipated for at least the foreseeable future. These losses may be greater than anticipated or increase at a rate faster than anticipated. To the extent that such expenses do not result in appropriate revenue increases, the Company’s long-term viability may be materially and adversely affected.

A significant portion of the Company’s financial resources have been and will continue to be, directed to the development of its e-commerce business, acquisitions and marketing activities. The success of the Company will ultimately depend on its ability to generate cash from its on-line business, such that its development and marketing activities may be financed by the gross margin from sales instead of external financing. There is no assurance that the future expansion of the Company’s e-commerce business will be sufficient to raise the required funds to continue the development of its e-commerce business and marketing activities.

SUCCESS OF BUSINESS PLAN

The Company anticipates incurring significant additional costs to fund the continued development of the Company’s software and increased marketing initiatives, additional strategic alliances and acquisitions, continued development of enhancements to the Company’s on-line operations, technological and hardware improvements.

The Company’s current revenue model depends heavily on revenue generated from mortgage lenders and other third party participants in Canada and the United States participating in its network and paying transaction fees as well as from licensing its software. The Company’s revenue model and profit potential are

unproven. The Company must develop and market its on-line mortgage technology services and its appraisal services to achieve broad market acceptance in a timely manner by both lenders and consumers. In addition, the Company must attract a sufficient number of consumers with credit profiles targeted by its lenders. It is possible that the Company will be required to further adapt its business model in response to additional changes in the on-line mortgage market and mortgage technology demands, or if the Company's current business model is not successful. If the Company is not able to anticipate changes in the on-line lending market, if the Company's technology development is delayed, if current mortgage technology is not accepted or if the Company's business model is not successful, the Company may be unable to expand its business and the value of any investment in the Company's securities could be significantly reduced.

FLUCTUATIONS IN INTEREST RATES

Substantially all of the Company's revenue is associated with mortgage procurement transactions through the Company's mortgage technology platform and automated appraisal services. During periods of rising interest rates, slower growth or a decline in transaction, appraisal or mortgage revenue may occur. The Company expects that as its business matures the Company will experience seasonal fluctuations in its operating results due to seasonal fluctuations in consumer credit markets. Because of the Company's limited operating history, it has not yet been possible for it to assess the impact of seasonal effects on its business or the effects of a broad range of interest rate environments.

POTENTIAL FLUCTUATIONS IN QUARTERLY RESULTS

The Company expects to experience significant fluctuations in future quarterly operating results that may be caused by many factors, including the following:

- the start-up nature of the Company and its limited operating history;
- acquisitions;
- the pace of development of the market for e-commerce;
- changes in pricing policies by the Company or its competitors;
- changes in the level of marketing and other operating expenses to support future growth;
- seasonal trends;
- competitive factors; and
- general economic conditions.

Consequently, the Company believes that period-to-period comparisons of its operating results will not necessarily be meaningful and should not be relied upon as any indication of future performance. It is likely that the Company's future quarterly operating results from time to time will not meet the expectations of securities analysts or investors, which may have a material adverse effect on the market price of its common shares.

FUTURE CAPITAL NEEDS; UNCERTAINTY OF ADDITIONAL FINANCING

The Company currently anticipates that the net proceeds to the Company from the offering, after deducting the cost of the acquisition, will be sufficient to meet its presently anticipated working capital and capital expenditure requirements over the next 12 months. However, the Company may need to raise additional funds in order to support more rapid expansion, develop new or enhanced services and products, respond to competitive pressures, acquire complementary businesses or technologies or take advantage of unanticipated opportunities. The Company may be required to raise additional funds through public or private financing, strategic relationships or other arrangements. There can be no assurance that such additional funding, if needed, will be available on terms attractive to the Company, or at all. Furthermore, any additional equity financing may be dilutive to shareholders and debt financing, if available, may involve restrictive covenants. If additional funds are raised through the issuance of equity securities, the percentage ownership of the shareholders of the Company will be reduced, shareholders may experience additional dilution in net book value per share, or such equity securities may have rights, preferences or privileges senior to those of the holders of the common shares. If adequate funds are not available on acceptable terms the Company may be unable to develop or enhance its business, take advantage of future opportunity or

respond to competitive pressures, any of which could have a material adverse effect on the Company's business, financial condition and operating results.

COMPETITION

Both the e-commerce market and the Company's areas of business are highly competitive. The Company competes with a wide variety of information technology firms and competes directly with providers of technology solutions specifically for the mortgage industry. Increased competition may have a material adverse effect on the Company's operating margins and could result in loss of market share and a diminished brand franchise, which could have a material adverse impact on the Company's business, financial condition and operating results.

The Company believes that the primary competitive factors in e-commerce are: scalability and flexibility of technology, ease of use, price, fulfilment speed, reliability, breadth of product line, price, brand recognition, customer and technical support, and the ability to maintain customer relationships. Other factors that will affect the Company's success include the Company's continued ability to attract experienced marketing, technology, operations and managerial personnel. The Company's commercial success will depend primarily upon its ability to favourably address each of these factors.

In the business-to-business market, technology that competes with the Company's 2 Minute Mortgage™ or any of the modules comprising the 2 Minute Mortgage™, as well as the Company's point of sale services, may currently, or at any time in the future, have more attractive features and functionality. If lenders find competitive products more attractive, the Company's business, financial condition and operating results could be materially adversely affected. In the Canadian marketplace, there is no assurance that more than one well-capitalized Canadian mortgage technology company will be commercially successful over the long-term due to the concentration of the industry.

The Company's business-to-consumer multi lender and single lender software operates in a highly competitive market in the United States, and less so in Canada. Since the introduction of e-commerce to the Internet, the number of commercial websites competing for customers' attention has increased rapidly. The nature of the Internet as an electronic marketplace (which may, among other things, facilitate competitive entry) may render it inherently more price competitive than traditional business formats. The Company expects competition to intensify in both the United States and Canada, which could have a material adverse effect on the Company's business, financial condition and operating results.

MANAGEMENT OF GROWTH

Recent rapid growth in all areas of the Company's business has placed, and is expected to continue to place, a significant strain on the Company's managerial, operational and technical resources. The Company expects operating expenses and staffing levels to increase in the future. To manage its growth, the Company must expand its operational and technical capabilities and manage its employee base while effectively administering multiple relationships with various third parties, including affiliates. There can be no assurance that the Company will be able to manage its expanding operations effectively. Any failure of the Company to implement cohesive management and operating systems, add resources on a cost-effective basis or properly manage its expansion could have a material adverse effect on the Company's business and results of operations.

ACQUISITIONS

The Company has acquired and proposes to acquire complementary businesses, technologies, services or products. The completion of such transactions poses additional risks to the Company's business. The benefit to the Company of these acquisitions is highly dependent on the Company's ability to integrate the acquired businesses and their technologies, employees and products into the Company. The Company has a limited history of acquisitions and cannot be certain that it will successfully integrate the acquired businesses or that the acquisitions will ultimately benefit the Company. Any failure to successfully integrate businesses or failure of the

businesses to benefit the Company could have a material adverse effect on the Company's business and results of operations.

RISKS OF THE INTERNET AS A MEDIUM FOR COMMERCE

Use of the Internet by consumers, financial institutions and other financial services industry participants, is at a relatively early stage of development, and market acceptance of the Internet as a medium for commerce is subject to a high level of uncertainty. The Company's future success will depend upon its ability to significantly increase revenues, which will require the development and widespread acceptance of the Internet as a medium for commerce. There can be no assurance that the Internet will be a successful retailing channel. The Internet may not prove to be a viable commercial marketplace because of inadequate development of the necessary infrastructure, such as reliable networks, or complementary services, such as high-speed modems and adequate security procedures. The viability of the Internet or its viability for commerce may prove uncertain due to delays in the development and adoption of new standards and protocols (for example, the next generation Internet protocol) to handle increased levels of Internet activity or due to increased government regulation or taxation. If use of the Internet does not continue to grow, or if the necessary Internet infrastructure or complementary services are not developed to effectively support growth that may occur, the Company's business could be materially and adversely affected. In addition, the nature of the Internet as an electronic marketplace (which may, among other things, facilitate competitive entry and comparison shopping) may render it inherently more price competitive than conventional business formats, resulting in decreasing margins.

REGULATION OF THE INTERNET

To date, governmental regulations have not materially restricted the use of the Internet. However, the legal and regulatory environment that pertains to the Internet may change. New laws and regulations, or new interpretation of existing laws and regulations, could impact the Company directly by regulating its operations or imposing additional taxes on the services it provides, which could have an adverse impact on the Company's results and operations. These regulations could restrict the Company's ability to provide its services or increase its cost of doing business.

In addition, new laws could have an indirect impact on the Company by preventing its clients from obtaining products and services over the Internet or slowing the growth of the Internet. New laws relating to sales and other taxes, user privacy, pricing controls and consumer protection may dampen the growth of the Internet as a communications and commercial medium. For example, a number of proposals have been made at the federal, provincial, state and local levels and by foreign governments that could impose taxes on the on-line sales of goods and services and other Internet activities. In addition, unfavourable judicial interpretation of existing laws, and the adoption of new laws, regarding liability for libel and defamation and copyright, trademark and patent infringement, consumer privacy, may extend to website owners. If these new laws decrease the acceptance of e-commerce and other aspects of the Internet, the Company's revenue growth and growth in demand for its services would be limited and its business, results of operations and financial condition would be adversely affected.

ACCESS AND USE OF DATA

To date, on-line companies and companies in the financial services industry have had access to data on consumers which could be used to provide input into credit decisions, property valuation analysis and other credit decisions. There can be no assurance that more restrictive legislation regarding the accumulation and use of consumer data will not be introduced. If so, the Company's ability to carry on its business may be materially adversely affected.

Solimar, one of the Company's subsidiaries, relies on data obtained electronically from Lexis/Nexis. If Lexis/Nexis ceased obtaining such data or failed to provide the Company with such data in a timely fashion, the Company's ability to carry on its business may be materially adversely affected.

In addition, the Company licenses data from third party vendors for certain applications. There can be no assurance that such vendors will continue to supply such data to the Company which would materially adversely affect the Company's ability to carry on business.

RAPID TECHNOLOGICAL CHANGE

To remain competitive, the Company must continue to enhance and improve the responsiveness, functionality and features of its technology and websites. The Internet and the e-commerce industry are characterized by rapid technological change, changes in user and customer requirements and preferences, frequent new product and service introductions embodying new technologies and the emergence of new industry standards and practices that could render the Company's existing operations and proprietary technology and systems obsolete. The Company's success will depend, in part, on its ability to license leading technologies useful in its business, enhance its existing services, develop new services and technology that address the increasingly sophisticated and varied needs of its existing and prospective customers and respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis. The development of Internet and other proprietary technology entails significant technical, financial and business risks. There can be no assurance that the Company will successfully implement new technologies or adapt its websites, proprietary technology and transaction-processing systems to customer requirements or emerging industry standards. If the Company is unable to adapt in a timely manner in response to changing market conditions or customer requirements for technical, legal financial or other reasons, the Company's business could be materially adversely affected.

SECURITY RISKS

Despite the implementation of network security measures by the Company, similar to most of its on-line competitors, its infrastructure is potentially vulnerable to computer break-ins and similar disruptive problems. Concerns over Internet security has been, and could continue to be, a barrier to commercial activities requiring consumers and businesses to send confidential information over the Internet. Computer viruses, break-ins or other security problems could lead to misappropriation of proprietary information and interruptions, delays or cessation in service to the Company's clients. Moreover, until more comprehensive security technologies are developed, the security and privacy concerns of existing and potential clients may inhibit the growth of the Internet as a medium for commerce.

YEAR 2000 COMPLIANCE

Many currently installed computer systems and software products are coded to accept only two-digit entries in the date code field. Beginning in the year 2000, these date code fields will need to accept four-digit entries to distinguish 21st century dates from 20th century dates. This "Year 2000" issue potentially affects all individuals and companies (including the Company, its customers, business partners, vendors, suppliers, service providers and banks) using computer systems. The Company believes that all of its computer systems and microprocessors are Year 2000 compliant. Although the change in year has occurred, there can be no assurance that all aspects of the Year 2000 issue that may affect the Company, including those related to customers, suppliers or third parties, will be resolved.

DEPENDENCE ON KEY PERSONNEL

The business of the Company is substantially dependent on the services and performance of certain senior management personnel and other key employees. In particular, the Company is dependent upon the services of Gary Bartholomew, David Campbell, Jason Smith, Stephen Schrupp, Patricia Nielsen, Lawrence Hudack and Peter Ross. The loss of their services could have a material adverse effect on the business of the Company. While the Company maintains key person insurance, there can be no assurance that this insurance can be renewed or maintained by the Company on favourable terms, if at all. Any inability of the Company to renew or maintain key person insurance could have a material adverse effect on the business of the Company.

NEED TO ATTRACT AND RETAIN QUALIFIED PERSONNEL

The Company's success depends to a significant extent on its ability to identify, attract, hire, train and retain qualified personnel. Competition for such personnel may be intense and there can be no assurance that the Company will be successful in identifying, attracting, hiring, training and retaining such personnel in the future. Due to the rapid expansion in Internet commerce, the competition for qualified personnel is particularly intense. If the Company is unable to identify, attract, hire, train and retain qualified personnel in the future, such inability could have a material adverse effect on the Company's business, operating results and financial condition.

RISK OF SYSTEM FAILURE OR INADEQUACY

The Company's operations are dependent on its ability to maintain its equipment in effective working order and to protect its systems against damage from fire, natural disaster, power loss, telecommunications failure or similar events. In addition, the growth of the Company's customer base may strain or exceed the capacity of its computer and telecommunications systems and lead to degradations in performance or systems failure. The Company may in the future experience failure of its information systems which may result in decreased levels of service delivery or interruptions in service to its customers. While the Company continually reviews and seeks to upgrade its technical infrastructure and provides for certain system redundancies and backup power to limit the likelihood of systems overload or failure, any damage, failure or delay that causes interruptions in the Company's operations could have a material and adverse effect on the Company's business.

In addition, some of the Company's applications are hosted by third parties. Any failure on the part of those third parties to maintain their equipment in good working order and to prevent system disruptions could have a material and adverse effect on the Company's business.

BRAND RECOGNITION

If the Company fails to promote and maintain its brand successfully or incurs significant expenses in promoting its brand and fails to generate a corresponding increase in revenue as a result of the Company's branding efforts, the Company's business and the value of an investment in the Company's securities could be materially adversely affected. The Company believes that continuing to build brand awareness of its services is critical to achieving increased demand for its service. Brand recognition is a key differentiating factor among providers of on-line mortgage services and the Company believes it will be increasingly important as competition intensifies in the on-line mortgage market. In order to increase the Company's brand awareness, it must succeed in its marketing efforts, provide high-quality service and increase the number of consumers using its marketplace. If visitors to the Company's websites do not perceive its services to be of high quality or if the Company alters or modifies its existing service, introduces new services or enters into new business ventures that are not favourably received, the value of its brand could be diluted, which could decrease the attractiveness of its service to consumers and lenders.

ATTRACTING AND INTEGRATING LENDERS

The success of the Company's mortgage and appraisal technology depends on its ability to attract and retain a comprehensive group of mortgage lenders to service consumer needs across a wide array of product lines, consumer credit profiles and geographic locations. Integration of a mortgage lender into the Company's on-line marketplace requires a significant commitment of time and resources on the part of the mortgage lender and on the Company's part. Potential mortgage lenders may not be willing to invest the time and resources necessary to achieve this integration and the Company may not have sufficient personnel to devote the time necessary to successfully integrate mortgage lenders into its on-line marketplace. The failure to integrate could limit the variety of products that the Company can offer to its existing customers, which, in turn, may be lost to other on-line competitors. Any failure to attract or integrate lenders could have a material and adverse effect on the Company's business.

STRATEGIC RELATIONSHIPS

The Company depends on establishing and maintaining relationships with a large number of lenders and other industry participants. The loss of strategic relationships or the failure to establish additional ones would materially reduce the Company's revenue. Basis100 has entered into a five year agreement with MCAP Mortgage Corporation ("MCAP") in respect of the development of one of its lead products. The agreement may be terminated by MCAP for material breach, among other reasons. Any termination of this agreement could have a material adverse effect on the Company's business, financial condition and operating results.

The Company also has strategic relationships with Lexis/Nexis, GE and Cebra. Any failure of the Company to maintain these relationships could have a material adverse effect on the Company's business, financial condition and operating results.

There is intense competition for relationships with industry participants and the Company may have to pay significant fees to establish additional relationships or maintain existing relationships in the future. Additionally, the Company may be limited or restricted in the way it establishes and maintains relationships by regulations generally applicable to the Company's business. As a result, the Company may be unable to enter into relationships with these industry participants on commercially reasonable terms or at all. Even if the Company enters into these relationships, they may not attract significant numbers of participants. If the Company is unable to establish or maintain strategic relationships, the Company's business and the value of an investment in the Company's securities could be materially adversely affected.

INTELLECTUAL PROPERTY

The Company may be subject to legal claims relating to its intellectual property, the content in its websites or the downloading and distribution of such content. For example, persons may bring claims against the Company if it does not obtain a licence to use the intellectual property displayed on its websites. Claims could also involve matters such as defamation, invasion of privacy, and copyright or patent infringement. Providers of Internet products and services have been sued in the past, sometimes successfully, based on the content of material on their websites. In addition, some of the content the Company intends to provide on its websites will be drawn from data compiled by other parties, including governmental and commercial sources. This data may have errors. If such content is improperly used or if the Company supplies incorrect information, it could result in unexpected liability. Any insurance the Company may obtain may not cover claims of this type, or may not provide sufficient coverage. The Company's business, financial condition and operating results could suffer a material adverse effect from costs resulting from these claims.

Proprietary rights are important to the Company's success and its competitive position. Although the Company seeks to protect its proprietary rights, its actions may be inadequate to protect any trademarks and other proprietary rights or to prevent others from claiming violations of their trademarks and other proprietary rights. In addition, effective copyright and trademark protection may be unenforceable or limited in certain countries, and the global nature of the Internet makes it impossible to control the ultimate designation of the Company's work. Any of these claims, with or without merit, could subject the Company to costly litigation and the diversion of the time and attention of its technical management personnel. In addition, the Company licenses key components of its intellectual property from third parties such as Cebra and GE. The loss of any of these licences could have a material adverse effect on the Company's business, financial condition and operating results.

FLUCTUATIONS IN STOCK MARKET PRICES

The stock market in general has recently experienced and is still continuing to experience extreme price and volume fluctuations. The market prices of technology companies, particularly internet-related companies, have experienced fluctuations unrelated or disproportionate to the operating performance of those companies. These broad market fluctuations could depress the market price of the Company's common shares.

LEGAL PROCEEDINGS

The Company is subject to certain legal proceedings. See “Legal Proceedings”. There can be no assurance that the Company will succeed in such litigation and the outcome of the litigation may have a material adverse effect on the Company’s financial position and results of operations.

MATERIAL CONTRACTS

The following are the only material contracts, other than contracts entered into in the ordinary course of business, which have been entered into by the Company within the past two years or which are proposed to be entered into:

1. the Underwriting Agreement and Special Warrant Indenture referred to under “Plan of Distribution”;
2. Amalgamation Agreement dated September 16, 1999 between e-Net and Autrex Inc. Under the terms of the amalgamation agreement, Autrex shareholders received one common share for each 9.64 Autrex shares on a fully diluted basis. In addition, 300,000 Basis100 common shares were issued from treasury to an intermediary. Minority Autrex shareholders received a total special payment of \$0.40 per share of Autrex held as of the close of business on October 19, 1999; and
3. Shareholder Rights Plan dated February 21, 2000.

Copies of these agreements may be examined at the head and principal office of Basis100 during normal business hours during the course of distribution to the public of the common shares qualified by this prospectus and for 30 days thereafter.

LEGAL MATTERS

Certain legal matters relating to the issue and sale of the common shares issuable upon the exercise of the Special Warrants and qualified hereby will be passed upon on behalf of Basis100 by Torys and on behalf of the Underwriters by Wildeboer Rand Thomson Apps & Dellelce, LLP.

As of April 17, 2000, the partners and associates of Torys beneficially owned, directly or indirectly, less than 1% of the outstanding common shares of the Company. As of April 17, 2000, the partners and associates of Wildeboer Rand Thomson Apps & Dellelce, LLP beneficially owned, directly or indirectly, less than 1% of the outstanding common shares of the Company.

AUDITORS, TRANSFER AGENTS AND REGISTRARS

The auditors of Basis100 are Deloitte & Touche LLP, BCE Place, 181 Bay Street, Suite 1400, Toronto, Ontario M5J 2V1, Canada.

The transfer agent and registrar for the common shares is CIBC Mellon Trust Company at its principal offices in Toronto, Ontario.

PURCHASERS’ STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces of Canada securities legislation further provides a

purchaser with remedies of rescission or, in some jurisdictions, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, but such remedies must be exercised by the purchaser within the time limit prescribed by the securities legislation of his or her province. The purchaser should refer to the applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

CONTRACTUAL RIGHT OF ACTION FOR RESCISSION

In the event that a holder of Special Warrants, who acquires common shares upon exercise of Special Warrants as provided for in this Prospectus, is or becomes entitled under applicable securities legislation to the remedy of rescission by reason of a final Prospectus or any amendment thereto containing a misrepresentation, such holder shall be entitled to rescission not only of the holder's exercise of its Special Warrants but also of the private placement transaction pursuant to which its Special Warrants were initially acquired and shall be entitled in connection with such rescission to a full refund of all consideration paid by such holder on the acquisition of the Special Warrants. In the event such holder is the permitted assignee of an interest of the original Special Warrant subscriber, such permitted assignee shall be entitled to exercise the rights of rescission and refund granted hereunder as if such permitted assignee were such original subscriber. The foregoing is in addition to any other right or remedy available to a holder of Special Warrants under section 130 of the *Securities Act* (Ontario), equivalent provisions of securities laws in the other provinces of Canada or otherwise at law.

The contractual rights of action for rescission provided in the foregoing paragraph are subject to the defences, limitations (including time limitations) and other provisions described under section 130 of the *Securities Act* (Ontario) and the equivalent provisions of any other applicable Canadian provincial securities legislation.

BASIS100 INC.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Financial Statements of

BASIS 100 INC.
(formerly e-Net Financial Services (Canada) Inc.)

December 31, 1999 and 1998

**Prepared in accordance with accounting principles generally accepted in
Canada.**

AUDITORS' REPORT

Auditors' Report

To the Directors of
Basis100 Inc.

We have audited the consolidated balance sheets of Basis100 Inc. (formerly e-Net Financial Services (Canada) Inc.) as at December 31, 1999 and 1998 and the consolidated statements of operations and deficit and of cash flows for the year ended December 31, 1999 and the period from the date of incorporation, October 16, 1998, to December 31, 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1999 and 1998 and the results of its operations and its cash flows for the year ended December 31, 1999 and the period from the date of incorporation, October 16, 1998, to December 31, 1998 in accordance with generally accepted accounting principles in Canada.

Chartered Accountants

Toronto, Ontario
February 4, 2000
except for Note 17

Consolidated Balance Sheets

AS AT DECEMBER 31

	Notes	1999	1998
ASSETS			
CURRENT			
Cash	3(a)	\$ 7,196,466	\$ 17,574
Accounts receivable	4	1,325,276	31,066
Prepaid expenses and other current assets		384,994	—
Future income tax assets	11	134,606	4,048
		<u>9,041,342</u>	<u>52,688</u>
INVESTMENTS	5	125,000	100,000
OTHER ASSETS		72,000	—
FIXED ASSETS	6	850,727	6,702
FUTURE INCOME TAX ASSETS	11	534,378	16,192
INTANGIBLES	7	16,696,102	516,462
		<u>\$ 27,319,549</u>	<u>\$ 692,044</u>
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities		\$ 2,637,520	\$ 462,681
Future income tax liabilities	11	335,608	—
Current portion of obligations under capital leases	8	84,717	—
		<u>3,057,845</u>	<u>462,681</u>
FUTURE INCOME TAX LIABILITIES	11	924,777	—
OBLIGATIONS UNDER CAPITAL LEASES	8	121,771	—
		<u>4,104,393</u>	<u>462,681</u>
SHAREHOLDERS' EQUITY			
Share capital	9	33,072,731	500
Warrants	9	2	549,240
Deficit		(9,857,577)	(320,377)
		<u>23,215,156</u>	<u>229,363</u>
		<u>\$ 27,319,549</u>	<u>\$ 692,044</u>

APPROVED BY THE BOARD

*Gary Bartholomew*_____
Gary Bartholomew
Chief Executive Officer and Director*Peter Wallace*_____
Peter Wallace
Director

Consolidated Statements of Operations and Deficit
PERIODS ENDED DECEMBER 31

	Notes	Year ended December 31, 1999	Period from October 16 to December 31, 1998
REVENUE		\$ 2,183,700	\$ —
COST OF REVENUE		1,313,286	—
GROSS MARGIN		870,414	—
EXPENSES			
Bank charges, interest and foreign exchange gains		37,316	1,171
Consulting, legal and professional fees		1,737,664	221,375
Facilities management		332,625	—
General and administrative		457,313	7,564
Marketing, promotions and public relations		391,161	—
Meals and entertainment		105,261	712
Occupancy		209,236	—
Salaries and benefits		2,109,644	81,983
Telephone, network and Internet		103,452	6,389
Travel and accommodation		190,499	—
		5,674,171	319,194
LOSS BEFORE DEPRECIATION, AMORTIZATION AND OTHER OPERATING EXPENSES		4,803,757	319,194
Depreciation and amortization		2,546,419	1,183
Write-off of intangibles	3(f)(g)	1,516,462	—
Settlement of legal claim	10	1,000,002	—
LOSS BEFORE INCOME TAXES		9,866,640	320,377
Income tax benefit	11	329,440	—
NET LOSS		9,537,200	320,377
DEFICIT AT BEGINNING OF PERIOD		320,377	—
DEFICIT AT END OF PERIOD		\$ 9,857,577	\$ 320,377
LOS PER COMMON SHARE			
Basic and fully diluted	12	\$ 0.93	\$ 0.06

Statements of Cash Flows
PERIODS ENDED DECEMBER 31

	Notes	Year ended December 31, 1999	Period from October 16 to December 31, 1998
Cash flows from operating activities			
Net loss for the period		\$ (9,537,200)	\$ (320,377)
Adjustments for			
Depreciation and amortization		2,546,419	1,183
Future income tax liabilities		(329,440)	—
Settlement of legal issue with share/warrants		1,000,002	—
Services paid with shares		187,500	—
Write-off intangible assets		1,516,462	—
		<u>(4,616,257)</u>	(319,194)
Changes in non-cash working capital			
Increase (decrease) in accounts receivable		(1,279,138)	4,434
Increase in prepaid expenses and other current assets		(379,322)	—
Increase in accounts payable		1,840,711	427,181
Cash flows used in operating activities		<u>(4,434,006)</u>	112,421
Cash flows from investing activities			
Purchase of fixed assets		(652,352)	(7,885)
Purchase of intangible assets		(2,588,893)	(616,462)
Purchase of investments		(125,000)	—
Cash flows used in investing activities		<u>(3,366,245)</u>	(624,347)
Cash flows from financing activities			
Payment for capital transaction		(314,655)	—
Proceeds from issue of Special Warrants		15,892,000	575,000
Payments for issue of Special Warrants		(1,168,961)	(46,000)
Proceeds from issue of Common Shares		604,315	500
Repayment of obligations under capital leases		(33,556)	—
Cash flows from financing activities		<u>14,979,143</u>	529,500
Net increase in cash		7,178,892	17,574
Cash at beginning of period		<u>17,574</u>	—
Cash at end of period		<u>\$ 7,196,466</u>	<u>\$ 17,574</u>
SUPPLEMENTARY CASH FLOW INFORMATION			
Interest paid		\$ 35,379	\$ —
Interest received		155,900	—

Notes to the Consolidated Financial Statements

December 31, 1999 and 1998

1. DESCRIPTION OF BUSINESS

e-Net Financial Services (Canada) Inc. was incorporated under the laws of Ontario on October 16, 1998. On January 19, 1999, e-Net Financial Services (Canada) Inc. changed its name to e-Net (Canada) Financial Services Ltd.

Basis100 Inc. ("Basis100" or the "Company") was formed, through a reverse takeover, upon the October 25, 1999 amalgamation of e-Net (Canada) Financial Services Ltd. ("e-Net") and Autrex Inc. ("Autrex"), a publicly listed company on The Toronto Stock Exchange ("TSE"). The respective shareholders and the TSE approved the transaction.

The Company builds network-centric technology applications and deploys them to create electronic marketplaces that link participants within various financial services industry segments.

The Company's successful completion of its development program, and its transition to the attainment of profitable operations, is ultimately dependent upon the Company's ability to achieve successful commercialization of its products and sales levels adequate to support the Company's cost structure. It is not possible at this time to predict with assurance the outcome of these activities.

2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada and reflect the following policies:

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned direct and indirect subsidiaries, e-Net Financial Services (Canada) Inc. (formerly known as Adelaide Street International Inc.) and Online Mortgage Explorer Inc.

Fixed assets

Fixed assets are recorded at cost and are depreciated over their estimated useful lives using the following methods and rates:

Furniture and fixtures	20% declining-balance
Computer hardware and software	30% declining-balance
Leasehold improvements	Straight-line over the term of the leases
Equipment under capital leases	Straight-line over estimated useful life

Notes to the Consolidated Financial Statements

December 31, 1999 and 1998

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangibles

Intangibles include software, licences, rights and other items, which are recorded at their assigned values. Amortization is calculated using the straight-line method over the estimated useful lives of the assets, which range from three to five years. Intangibles are evaluated in each reporting period to determine if there were events or circumstances that would indicate the carrying amount is not recoverable, based on expected future net cash flows from the use of the asset and its eventual disposition. When future recoverability is not assured, the intangibles are written down to their estimated net recoverable value.

Revenue recognition

The Company's revenue is primarily transaction-based revenue derived from financial services companies. Service revenue includes customer support and maintenance contracts, installation, and software customization services. Revenues are recognized as services are performed. Royalty revenue is derived from licensing agreements and is recognized as earned.

Research and development costs

Research costs are expensed as incurred. Development costs are expensed as incurred unless they meet the criteria under generally accepted accounting principles for deferral and amortization. Development costs incurred prior to the establishment of technological feasibility are expensed, as they do not meet the criteria. The Company reassesses the relevant criteria for deferral and amortization at each reporting date.

Income taxes

Effective with the fourth quarter of the financial year ended December 31, 1999, the Company adopted the new Canadian Institute of Chartered Accountants' standard for accounting for income taxes. The new standard requires the use of the asset and liability method of accounting for the tax effect of temporary differences between the carrying amount and the tax basis of the Company's assets and liabilities. Temporary differences arise when the realization of an asset or the settlement of a liability would give rise to either an increase or decrease in the Company's income taxes payable for the year or a later period.

Future income taxes are recorded at the income tax rates, which are expected to apply when the future tax liability is settled or the future income tax asset is realized. Valuation allowances are established when necessary to reduce future income tax assets to the amount expected to be realized. Income tax expense consists of the income taxes payable for the period and the change during the period in future income tax assets and liabilities.

Previously, the Company followed the tax allocation method of accounting for income taxes, which relates the provision for income taxes to the accounting income for the period. Using this method, a provision is made for the deferred income taxes applicable to timing differences arising between taxable income and income reported in the financial statements.

Notes to the Consolidated Financial Statements

December 31, 1999 and 1998

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Management has made estimates for the recoverability of intangibles. Actual results may differ from such estimates.

3. ACQUISITIONS

a) OME and related acquisitions

On January 1, 1999, the Company purchased all of the issued and outstanding common shares of e-Net Financial Services (Canada) Inc. and its subsidiary, Online Mortgage Explorer Inc. ("OME"), for a total purchase price of \$3,623,485. OME owns the world-wide licence for the Online Mortgage Explorer software that enables individuals to apply for mortgages through a website. At the time of the purchase, the rights to the product in Canada and the United States had been sold by OME to Cebra Inc. ("Cebra"), a subsidiary of Bank of Montreal. The purchase price included cash consideration of \$100,000 and the issuance of 1,750,000 common shares with a value of \$3,500,000, plus the costs of acquisition.

On August 9, 1999, the Company entered into an agreement with Cebra to purchase the Canadian rights to the Online Mortgage Explorer software for \$450,000. Pursuant to the agreement, the Company acquired the exclusive rights for use of the software in Canada and the website operating as www.themortgage.com. The Company was also assigned the agreements with mortgage lenders that offer mortgages on the website.

The Company issued 150,000 common shares valued at \$450,000 as consideration. Under the agreement, the Company guaranteed the value of the shares within a specific time frame subsequent to their issuance and issued 75,000 additional shares as contingent consideration. These shares were redeemed on December 21, 1999 once the guarantee price was met.

On October 25, 1999, the Company entered into an agreement with Cebra to purchase the United States rights to the Online Mortgage Explorer software for \$463,064. Pursuant to the agreement, the Company purchased the exclusive rights for use of the software in the United States, and was assigned: (i) the agreement with BCE Emergis Inc. ("Emergis") which provides for Emergis to market the Online Mortgage Explorer software in the United States; (ii) all technology built by Cebra to support the Online Mortgage Explorer technology in the United States and (iii) the agreements between mortgage lenders that offer mortgages on the website operating as www.multilender.com.

The consideration of \$463,064 included the issuance of 150,000 common shares valued at \$450,000 plus acquisition costs. Under the agreement, the Company guaranteed the value of the shares within a specific time frame subsequent to their issuance and issued 75,000

Notes to the Consolidated Financial Statements

December 31, 1999 and 1998

additional shares as contingent consideration. These shares were redeemed on December 21, 1999 once the guarantee price was met.

Notes to the Consolidated Financial Statements

December 31, 1999 and 1998

3. ACQUISITIONS (continued)

a) OME and related acquisitions (continued)

Under the agreement, Cebra owns, and is responsible for, the operation and maintenance of the website. The Company is obligated to pay a royalty to Cebra for each funded mortgage that originates on the website until March 31, 2001.

On October 25, 1999, the Company entered into an agreement to purchase 100 percent of the units of a limited partnership for \$1,103,661. The limited partnership's sole asset is the software program known as Online Mortgage Explorer. The purchase price included cash consideration of \$65,000, the issuance of 200,000 common shares with a value of \$1,000,000, plus the costs of acquisition.

Under the agreement, the Company provided certain guarantees to the vendor in connection with the realization of the value assigned to the common shares during the period from October 31 to December 31, 1999. The guarantees provided that the Company's obligation would not exceed \$1 million. The Company deposited \$1 million in escrow with a law firm as security for the contingent liability. As at December 31, 1999, the guarantees had been met and the Company was entitled to the funds deposited in escrow. The Company subsequently received the funds on January 18, 2000.

The OME and related acquisitions described above were accounted for by the purchase method under which the assets purchased and liabilities assumed were recorded at their fair values with the excess of the purchase price over the fair value of net tangible assets acquired allocated to intangible assets.

Assets and liabilities acquired were as follows:

Current assets (including cash overdraft of \$6,722)	\$ 49,504
Fixed assets	14,173
	<u>63,677</u>
Current liabilities	62,628
Future income tax liability	1,593,872
	<u>1,656,500</u>
Net tangible liabilities acquired, at fair value	(1,592,823)
Software	4,888,033
Customer contracts	2,145,000
Trade name	200,000
Purchase price	<u>\$ 5,640,210</u>

Notes to the Consolidated Financial Statements

December 31, 1999 and 1998

3. ACQUISITIONS (continued)

b) *I-formation for Financial Services*

On October 25, 1999, the Company purchased a division of Cebra for \$2,525,918. The division's primary asset is software, known as I-formation, that electronically transfers the information required to originate and qualify a mortgage. The specific assets acquired included: (i) an exclusive 10 year licence to operate I-formation for Financial Services in Canada in connection with lending products; (ii) a non-exclusive licence to operate I-formation for Financial Services in Canada in connection with revenues from other parties associated with the lending products; (iii) a non-exclusive licence to operate I-formation for Financial Services in the United States in connection with lending products and in connection with revenues from other parties associated with the lending products; (iv) the right to use the I-formation trademark; (v) all existing contracts with customers and (vi) related software.

The purchase price included cash consideration of \$1,250,000 and the issuance of 250,000 common shares with a value of \$1,250,000 plus the costs of acquisition. Under the agreement, the Company guaranteed the value of the shares within a specific time frame subsequent to their issuance and issued 222,222 additional shares as contingent consideration. These shares were redeemed on December 21, 1999 once the guarantee price was met.

The assets purchased were recorded at their fair values as follows:

Software licences	\$ 1,865,918
Customer contracts	660,000
Purchase price	<u>\$ 2,525,918</u>

The agreement provides for royalty payments to Cebra when the I-formation brand or the I-formation technology is used based on the following:

- i) Canadian revenues derived from providing I-formation service to Canadian based lenders;
- ii) Canadian revenues derived from providing services to related parties;
- iii) I-formation United States based revenues.

Minimum royalty payments payable in each of the ten years under licence agreements are described in note 16 (b).

c) *I-formation for Insurance*

On October 25, 1999, the Company entered into an agreement to purchase a division of Cebra for \$5,475,601. The assets acquired included: (i) an exclusive licence, to continue for an indefinite period and to operate I-formation for Insurance in North America in connection with property and casualty insurance products; (ii) an option to acquire an exclusive licence to operate I-formation for Insurance in North America in connection with life and accident insurance products and (iii) fixed assets.

Notes to the Consolidated Financial Statements

December 31, 1999 and 1998

3. ACQUISITIONS (continued)

c) *I-formation for Insurance (continued)*

The purchase price included cash consideration of \$1,000,000, the issuance of 550,000 common shares with a value of \$4,200,000 plus acquisition costs of \$275,601. Under the agreement, the Company guaranteed the value of the shares within a specific time frame subsequent to their issuance and issued 700,000 additional shares as contingent consideration. These shares may be redeemed subsequent to year end if the price guarantee is met. The Company has determined that the price guarantee has been met and has initiated the procedures on February 2, 2000 to have the shares redeemed:

The assets purchased were recorded at their fair values as follows:

Software licence	\$ 4,462,041
Customer contracts	825,000
Fixed assets	188,560
Purchase price	<u>\$ 5,475,601</u>

Under the agreement, Cebra is to provide sales and marketing support. The Company is obligated to pay a royalty based on the I-formation for Insurance gross revenues to Cebra when the I-formation for Insurance technology is used. The Company has an option to reduce the future royalty payments based on a tiered lump sum payment scale expiring October 25, 2002.

d) *Morty Systems Inc.*

On August 6, 1999, the Company entered into an agreement with Morty Systems Inc. ("MSI") to acquire for \$250,000 an irrevocable option exercisable until January 31, 2000. The option allows the Company to purchase substantially all of the assets and assume substantially all of the debt obligations of MSI and enter into an agency agreement whereby the Company shall be the exclusive technology provider to MSI. The Company and MSI also entered into an agreement effective August 1, 1999 whereby Basis100 will provide certain technology services to MSI up until the earlier of the date that Basis100 exercises the option or January 31, 2000. MSI is a national supplier of technology to mortgage brokers to enable users to originate mortgages with lenders electronically.

On October 24, 1999, the Company exercised the option for a total purchase price of \$3,934,000 (including the cost of the option). The purchase price included cash of \$250,000, the issuance of convertible debentures for the assumption of debts totaling \$2,700,000 and the issuance of 460,000 common shares at a value of \$920,000 plus the costs of acquisition.

The assets and liabilities acquired were recorded at their fair values and included fixed assets of \$35,624, assumed debt of \$2,700,000, software of \$1,148,376 and customer contracts of \$2,750,000.

Notes to the Consolidated Financial Statements

December 31, 1999 and 1998

3. ACQUISITIONS (continued)

d) *Morty Systems Inc. (continued)*

The agreement provided for Basis100 to settle the assumed debt through the issuance of convertible debentures. MSI, using its best efforts, may receive or cause to have received shares of Basis100 in lieu of cash for some or all of the assumed liabilities based on a weighted average trading price over a limited period. Basis100 settled the entire \$2,700,000 debt through the conversion of the debentures and issuance of 867,291 common shares of the Company at a weighted average price of \$3.1131 per share.

e) *Asset purchase*

On August 20, 1999 Basis100 acquired specific business plans and intellectual property related to establishing an electronic, fixed income retail trading service for the financial community. Total consideration paid amounted to \$200,000 through the issuance of 100,000 common shares of the Company.

f) *Sanga International Inc.*

On December 1, 1998, Sanga International Inc. ("Sanga") granted the Company a sub-licence in Canada to market and distribute certain of Sanga's products in the territory of Canada. In addition, the Company has the right of first refusal for other territories throughout the world. Under the terms of the agreement, the Company paid an initial services fee of \$516,462 and shall pay Sanga 50% of gross revenues from the distribution of the software.

The Company has terminated this agreement and written off the \$516,462 carrying value of the Sanga sub-licence as Sanga is not in a position to produce a commercial product.

g) *Shorcan Brokers Limited*

In 1999, the Company entered into three agreements with Shorcan Brokers Limited ("Shorcan"). On May 1, 1999, the Company and Shorcan entered into a licence and services agreement whereby the Company licensed Shorcan's institutional bond trading system. The purchase price was 250,000 common shares of the Company at a guaranteed value of \$1,000,000. The shares were to be issued in four equal tranches of 62,500 shares, three issued in 1999 and the fourth to be issued May 1, 2000. The release of the shares from escrow was contingent upon the execution of specific conditions in the licence agreement. The expected releases in 1999 occurred as per the terms of the agreement.

In addition, on May 1, 1999 the Company entered into an operations services agreement with Shorcan in which the Company was to provide ongoing operations and management services to Shorcan. Revenues from this agreement approximated 54% of the revenues and 71% of the cost of sales of the Company for the year ended December 31, 1999.

Notes to the Consolidated Financial Statements

December 31, 1999 and 1998

3. ACQUISITIONS (continued)

g) *Shorcan Brokers Limited (continued)*

On December 24, 1999 the Company and Shorcan terminated their licence and services agreement and the operations services agreement. The consideration for terminating the licence and services agreement was the issuance of the final tranche of 62,500 shares held by the Escrow Agent. There was no consideration given with respect to terminating the operations services agreement.

As a result of the above transactions the Company has written off the \$1,000,000 carrying value of the Shorcan licence as the technology does not fit the Company's plan.

4. ACCOUNTS RECEIVABLE

	<u>1999</u>	<u>1998</u>
Trade receivables	\$ 445,382	\$ -
Other receivables	862,392	11,066
Advances to related party (Note 13)	17,502	20,000
	<u>\$ 1,325,276</u>	<u>\$ 31,066</u>

5. INVESTMENTS

The Company acquired, for \$62,500, an option to subscribe for and purchase common shares in a private company which would result in the Company holding a 15% fully diluted interest in the private company. Furthermore, the Company acquired, for an additional \$62,500, an option to subscribe for and purchase common shares in another private company which would result in the Company holding a 15% fully diluted interest in the private company. The options for both companies may be exercised at an option price of \$1.00 each at any time prior to June 1, 2004. The private companies are Ontario corporations founded to develop and market certain products and publications within the mutual fund industry.

6. FIXED ASSETS

	<u>1999</u>			<u>1998</u>		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Furniture and fixtures	\$ 66,264	\$ 10,346	\$ 55,918	\$ 7,885	\$ 1,183	\$ 6,702
Computer hardware	286,555	23,569	262,986	-	-	-
Computer software	343,813	24,758	319,055	-	-	-
Leasehold improvements	13,402	2,816	10,586	-	-	-
Equipment under capital leases	240,044	37,862	202,182	-	-	-

Notes to the Consolidated Financial Statements

December 31, 1999 and 1998

\$	950,078	\$	99,351	\$	850,727	\$	7,885	\$	1,183	\$	6,702
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Notes to the Consolidated Financial Statements

December 31, 1999 and 1998

7. INTANGIBLES

	1999			1998		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Software	\$ 6,236,409	\$ 1,406,371	\$ 4,830,038	\$ -	\$ -	\$ -
Software licences	6,327,959	234,747	6,093,212	516,462	-	516,462
Customer contracts	6,380,000	759,926	5,620,074	-	-	-
Trade name	200,000	47,222	152,778	-	-	-
	\$ 19,144,368	\$ 2,448,266	\$ 16,696,102	\$ 516,462	\$ -	\$ 516,462

8. OBLIGATIONS UNDER CAPITAL LEASES

Capital lease obligations are secured by equipment and bear interest at rates between 10.1% and 39.8% per annum.

The following is a schedule of minimum lease payments:

2000	\$ 125,861
2001	83,674
2002	27,545
2003	20,674
2004	10,789
Total minimum lease payments	268,543
Amount representing interest	62,055
	206,488
Less: Current portion	84,717
	\$ 121,771

During the year ended December 31, 1999, interest on capital lease obligations was \$19,062.

Notes to the Consolidated Financial Statements

December 31, 1999 and 1998

9. SHARE CAPITAL

a) *Authorized share capital*

The Company is authorized to issue an unlimited number of common shares.

b) *Issued share capital*

	Shares	Amount
Issued on incorporation – October 16, 1998	5,000,000	\$ 500
Issued as part of employment contracts – December 7, 1998	333,333	-
Balance at December 31, 1998	5,333,333	500
Issued as part of employee remuneration	626,086	-
Exercise of stock options	764,881	104,316
Issued on amalgamation	900,000	-
Exercise of warrants	8,483,500	16,110,415
Issued for acquisition	4,932,222	12,970,000
Issued as part of legal settlement	500,000	1,000,000
Issued as payment for services	188,750	187,500
Issued on conversion of debentures	867,291	2,700,000
Shares redeemed (Notes 3(a) and 3(b))	(372,222)	-
Balance at December 31, 1999	22,223,841	\$ 33,072,731

c) *Shares issued on amalgamation*

As part of the business combination described in Note 1, 900,000 shares of the Company were issued to Autrex shareholders. Shares issued relating to the amalgamation were valued at nil dollars as the transaction was capital in nature. Effectively, no consideration was received as Autrex had no identifiable assets or liabilities at the time of the amalgamation.

d) *Shares issued as part of employment contracts*

On September 10, 1999, the Company removed the vesting requirements on 626,086 common shares to be issued in connection with employment contracts. The shares were issued in accordance with the contracts, as amended, on September 10, 1999.

Notes to the Consolidated Financial Statements

December 31, 1999 and 1998

9. SHARE CAPITAL (continued)

e) Fixed price options

The Company has two fixed stock option plans.

Under the Initial Key Employee Stock Option Plan, the Company may grant options to its employees as part of signed employment contracts. Options granted under this plan vest over a period of three years. This option plan was closed in May 1999. On September 10, 1999, the Company removed the previous vesting requirements on stock options granted prior to April 17, 1999. Stock options totaling 732,551 were exercised in the period at an option price of \$0.01. A summary of the Company's Initial Key Employee Stock Option Plan as at December 31, 1999 and changes during the year ended are presented below:

<u>Initial Key Employee Stock Option Plan</u>	<u>Number of Options</u>	<u>Exercise Price</u>
Options granted as part of employment contracts	500,000	\$ 0.01
Balance at December 31, 1998 (167,666 vested)	500,000	\$ 0.01
Options granted as part of employment contracts	250,000	\$ 0.01
Stock Options forfeited by former employees	(17,449)	\$ 0.01
Options Exercised	(732,551)	\$ 0.01
Balance at December 31, 1999 (plan closed)	-	

Under the 1999 Employee & Director Stock Option Plan, the Company may grant options to its employees, consultants and directors for up to 4 million shares of common stock. Prior to the Company becoming public, the exercise price was fixed at \$3.00. Subsequent to the Company becoming public, the exercise price of each option is the closing price of the Company's stock on the TSE on the day prior to the date of grant. The options expire in 2-5 years. Options commence vesting at the time the employee or consultant commences employment or consulting with the Company. Senior management stock options vest over a period of three years and employees and consultants vest within 1-2 years. A summary of the status of the Company's 1999 Employee & Director Stock Option Plan as of December 31, 1999 and changes during the year ended on December 31, 1999 are presented below:

<u>Employee & Director Stock Option Plan</u>	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>
Balance as at December 31, 1998	-	\$ -
Options Granted to Employees and Consultants	3,148,700	\$ 3.26
Options Granted to Outside Directors	150,000	\$ 3.00
Exercised prior to December 31, 1999	(32,330)	\$ 3.00
Balance as at December 31, 1999	3,266,370	\$ 3.25

Notes to the Consolidated Financial Statements

December 31, 1999 and 1998

9. SHARE CAPITAL (continued)

e) Fixed price options (continued)

<u>Employee & Director Stock Option Plan</u>	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>
Vested as at December 31, 1999	642,920	\$ 3.37
Vested as at December 31, 2000	1,294,800	\$ 3.30
Vested as at December 31, 2001	685,150	\$ 3.30
Vested as at December 31, 2002	616,300	\$ 3.00
Vested as at December 31, 2003	27,200	\$ 3.00
	3,266,370	

f) Warrants – Special, Broker, Series A and Series B warrants

<u>Special Warrants</u>	<u>Number of Warrants</u>	<u>Amount</u>
Issued November 19, 1998	287,500	\$ 549,240
Balance at December 31, 1998	287,500	549,240
Issued between January 1, 1999 and October 25, 1999	7,946,000	15,237,382
	8,233,500	15,786,622
Mandatory conversion to common shares on October 25, 1999	(8,233,500)	(15,786,622)
Balance at December 31, 1999	-	\$ -

<u>Other Warrants</u>	<u>Number of Warrants</u>	<u>Amount</u>
Balance at December 31, 1998	-	\$ -
Broker warrants – issued	360,000	-
Broker warrants – exercised	(250,000)	-
Broker warrants – outstanding at December 31, 1999	110,000	-
Series A warrants	500,000	1
Series B warrants	500,000	1
Balance at December 31, 1999	1,110,000	\$ 2

Notes to the Consolidated Financial Statements

December 31, 1999 and 1998

9. SHARE CAPITAL (continued)

f) Warrants – Special, Broker, Series A and Series B warrants (continued)

In April and May of 1999 the Company issued 1,946,000 special warrants at \$2.00 per warrant net of total issue costs of \$121,320 including 45,000 common shares.

On August 31, 1999 the Company issued 6,000,000 special warrants at \$2.00 per warrant net of total issue costs of \$1,047,641. In addition, the Underwriters and Agents received 360,000 broker warrants at \$2.00 per share exercisable until August 31, 2001. As at December 31, 1999 the Underwriters and Agents had exercised 250,000 of these warrants.

Special warrants are exchangeable for common shares of the Company on a one-for-one basis. Conversion of special warrants is mandatory at the earlier of one year from the date of issuance or the Company going public. On October 25, 1999 in conjunction with the company going public all special warrants were converted into common shares of the Company.

Pursuant to the settlement of the legal claim (Note 10), the Company issued 500,000 non-transferable Series A warrants and 500,000 non-transferable Series B Warrants. The Series A may be converted to common shares of the Company on a one-for-one basis at a cost of \$5.00 per common share exercisable until October 25, 2001. The Series B warrants may be converted to common shares of the Company on a one-for-one basis at a cost of \$8.00 per common share exercisable until October 25, 2001. As at December 31, 1999, no warrants had been exercised.

10. SETTLEMENT OF LEGAL CLAIM

On October 25, 1999 the Company settled an outstanding claim with e-Net Global Financial Services Inc. (“Global”). As part of the settlement, Basis100 received from Global: (i) certain intellectual property rights and work product, and (ii) termination of any potential obligation under its license agreement and sub-licence agreement with Sanga International Inc. (Note 3(f)) which had been acquired by Global. Total consideration amounted to \$1,000,002. This amount includes the issuance of 500,000 common shares of the Company, the issuance of 500,000 Series A warrants (Note 9(f)) and the issuance of 500,000 Series B warrants (Note 9(f)). The total consideration was charged to income during the period.

Notes to the Consolidated Financial Statements

December 31, 1999 and 1998

11. INCOME TAXES

The reconciliation of income taxes computed at the Canadian statutory tax rate to the Company's effective tax rate is as follows:

	<u>1999</u>	<u>1998</u>
Loss before income taxes	\$9,866,640	\$320,377
<hr/>		
Combined basic federal and provincial rates	44%	44%
Income tax benefit based on statutory income tax rate	4,341,321	140,965
Increase (decrease) in income taxes resulting from:		
Writedown of future income tax liabilities	333,488	-
Writedown of future income tax assets	(4,048)	-
Unrecorded future income tax assets relating to non-capital loss carryforwards	(3,924,960)	(477,620)
Other	(416,361)	336,655
Income tax benefit	\$ 329,440	\$ -

	<u>1999</u>		<u>1998</u>	
	Current	Long-term	Current	Long-term
Future income tax assets				
Warrant issue costs	\$ 134,606	\$ 534,378	\$ 4,048	\$ 16,192
<hr/>				
Future income tax liabilities				
Fixed assets and intangibles	\$ 335,608	\$ 924,777	\$ -	\$ -

As of December 31, 1999, the Company has non-capital losses of approximately \$8,900,000 available to reduce future years income for tax purposes, the tax effect of which has not been recorded in these financial statements.

If not utilized, these losses will expire as follows:

2002	\$ 17,000
2003	305,000
2004	678,000
2005	6,600,000
2006	1,300,000
	<hr/> \$8,900,000 <hr/>

Notes to the Consolidated Financial Statements

December 31, 1999 and 1998

12. EARNINGS PER SHARE

Earnings per share have been calculated on the basis of earnings divided by the weighted average number of common shares outstanding. Fully diluted earnings per share information has not been presented, as potential conversions are anti-dilutive.

13. RELATED PARTY TRANSACTIONS

Included in accounts payable and accrued liabilities is \$ nil (1998 - \$35,500) of advances from a related party. Advances to/from related parties bear no interest, have no specific terms of repayment and are unsecured.

14. FINANCIAL INSTRUMENTS

Fair value of financial instruments

The carrying value of the Company's financial instruments, including cash, accounts receivable, accounts payable and accrued liabilities and obligations under capital leases approximate fair value due to their short-term nature. Investments are carried at cost. In the opinion of management, it is not practicable within the constraints of timeliness, cost or the availability of a consistent resale market to determine the fair value of these financial assets with sufficient reliability. Management does, however, believe that the fair value of the investments approximate book value.

Credit risk

A substantial portion of the Company's accounts receivable are with customers in the financial institution industry and are subject to normal industry credit risks.

15. SEGMENT INFORMATION

The Company currently operates in one industry segment, which is in the business of creating e-commerce partnerships through Internet-based transactions, which deliver diverse financial services from organizations in the financial services sector to intermediaries and directly to the consumer.

Management is currently evaluating the type of reporting they will be receiving on an ongoing basis given the number of acquisitions, which occurred late in the fourth quarter of financial 1999, and early in financial 2000.

Notes to the Consolidated Financial Statements

December 31, 1999 and 1998

16. COMMITMENTS

a) *Operating lease commitments*

The Company has entered into a commitment for premises and equipment with minimum future lease payments as follows:

2000	\$ 702.924
2001	198.818
2002	7.016
2003	2.061
2004	2.061
	\$ 912,880

b) *Royalty commitments*

The Company has entered into an 10-year agreement, which contains minimum royalty payment requirements to Cebra as follows:

2000	\$ 205.000
2001	235.833
2002	270.833
2003	300.000
2004	300.000
Thereafter	1,500.000
	\$ 2,811,666

17. SUBSEQUENT EVENTS

a) *E*TRADE Canada*

On January 13, 2000, the Company entered into a strategic alliance with E*TRADE Canada, a service of Versus Brokerage Services Inc. that will enable consumers to qualify and apply on-line for mortgages through E*TRADE Canada's branded Internet site. As part of the transaction, Basis100 issued 20,000 non-transferable Purchase Warrants (Options) that may be converted to common shares of the Company on a one-for-one basis at a cost of \$8.10 per common share. 6,500 vested on January 13, 2000, 6,500 vest on January 13, 2001 and the remainder vest on January 13, 2002. These options expire one year after vesting.

b) *Special warrants*

On January 20, 2000, the Company announced that it had entered into an agreement under which a syndicate of underwriters agreed to buy 5,000,000 Special Warrants at a price of \$10.50 each, for aggregate proceeds of Cdn\$52,500,000, subject to regulatory approval. Each Special Warrant is exercisable for no additional consideration to acquire one common share of Basis100, upon the occurrence of certain events and subject to adjustments. On February 1, 2000 this financing was completed.

Notes to the Consolidated Financial Statements

December 31, 1999 and 1998

17. SUBSEQUENT EVENTS (continued)

c) *Acquisition of Solimar.Net*

On January 24, 2000, the Company announced an agreement to acquire 100% of the outstanding common shares of Solimar.Net ("Solimar") in an all cash transaction valued at US\$24 million plus acquisition costs. Solimar provides a number of collateral risk assessment services through an automated residential property valuation system accessible via the Internet.

18. 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. Although the change in year has occurred it is not possible to conclude that all aspects of the Year 2000 issue that may affect the Company, including those related to customers, suppliers or third parties, will be resolved.

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation adopted in the current period.

SOLIMAR.NET
FINANCIAL STATEMENTS

Financial Statements of

SOLIMAR.NET

December 31, 1999 and 1998

Prepared in accordance with accounting principles generally accepted in the United States.

AUDITORS' REPORT

To the Shareholders of
Solimar.Net

We have audited the accompanying balance sheets of Solimar.Net as of December 31, 1999 and 1998 and the related statements of operations and retained earnings (deficit) and cash flows for each of the three years in the period ended December 31, 1999. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform an audit to obtain reasonable assurance about 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 1999 and 1998, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.

Chartered Accountants

Toronto, Ontario
March 17, 2000

SOLIMAR.NET

Balance Sheets

As of December 31

(U.S. dollars)

	<u>1999</u>	<u>1998</u>
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 689,495	\$ 309,462
Accounts receivable (Note 3)	759,093	128,806
Prepaid expenses and other	121,851	4,814
	<u>1,570,439</u>	<u>443,082</u>
FIXED ASSETS (Note 4)	134,009	85,130
DUE FROM RELATED PARTY (Note 5)	5,639	-
	<u>\$ 1,710,087</u>	<u>\$ 528,212</u>
LIABILITIES		
CURRENT		
Accounts payable	\$ 96,826	\$ 91,772
Accrued liabilities	72,298	17,505
Pension contribution payable (Note 9)	213,297	149,514
Related party loan (Note 5)	-	13,700
Deferred revenue	615,000	335,480
	<u>997,421</u>	<u>607,971</u>
DUE TO RELATED PARTY (Note 5)	-	38,829
	<u>997,421</u>	<u>646,800</u>
COMMITMENTS (Note 11)		
SHAREHOLDERS' EQUITY		
Common stock, no par value; shares authorized – 10,000,000; issued and outstanding - 7,000,000 at 1999 and 1998	3,500	3,500
ADDITIONAL PAID-IN CAPITAL (Note 6)	416,075	-
RETAINED EARNINGS (DEFICIT)	293,091	(122,088)
	<u>712,666</u>	<u>(118,588)</u>
	<u>\$ 1,710,087</u>	<u>\$ 528,212</u>

APPROVED BY THE BOARD

Gary Bartholomew

Gary Bartholomew

Chief Executive Officer and Director

Peter Wallace

Peter Wallace

Director

SOLIMAR.NET

Statements of Operations and Retained Earnings (Deficit)

For the years ended December 31

(U.S. dollars)

	<u>1999</u>	<u>1998</u>	<u>1997</u>
REVENUE	\$ 2,807,153	\$ 464,630	\$ 161,206
EXPENSES			
Salaries and benefits	1,120,189	236,777	311,281
Stock option compensation expense (Note 6)	416,075	-	-
Consulting, legal and professional fees	330,016	61,901	74,651
Facilities management	151,012	50,000	3,518
General and administrative	78,154	100,189	45,204
Marketing, promotion and public relations	76,291	14,300	2,166
Telephone, network and internet	45,107	28,672	9,306
Occupancy	41,941	37,906	29,979
Travel and accommodations	33,674	4,034	2,980
Bad debts	33,544	38,172	-
Meals and entertainment	12,396	5,764	6,075
Depreciation	35,057	30,576	26,130
	<u>2,373,456</u>	<u>608,291</u>	<u>511,290</u>
EARNINGS (LOSS) BEFORE INTEREST INCOME	433,697	(143,661)	(350,084)
INTEREST INCOME	23,201	955	5,562
INCOME (LOSS) BEFORE INCOME TAXES	456,898	(142,706)	(344,522)
INCOME TAXES (Note 8)	800	800	800
NET INCOME (LOSS) FOR THE YEAR	456,098	(143,506)	(345,322)
RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR	(122,088)	21,418	432,695
DIVIDENDS	(40,919)	-	(65,955)
RETAINED EARNINGS (DEFICIT), END OF YEAR	\$ 293,091	\$ (122,088)	\$ 21,418

SOLIMAR.NET
Statements of Cash Flows
For the years ended December 31
(U.S. dollars)

	<u>1999</u>	<u>1998</u>	<u>1997</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss) for the year	\$ 456,098	\$ (143,506)	\$ (345,322)
Adjustments for			
Depreciation	35,057	30,576	26,130
Stock option compensation expense	416,075	-	-
Loss on disposal of fixed assets	-	-	449
	907,230	(112,930)	(318,743)
Changes in non-cash working capital			
Accounts receivable	(630,287)	(74,378)	3,607
Deferred revenue	279,520	333,519	1,961
Prepaid expenses and other	(117,037)	(55)	3,895
Accounts payable	5,054	85,464	225
Accrued liabilities	54,793	10,555	(242)
Pension contribution payable	63,783	14,821	32,600
	563,056	256,996	(276,697)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets	(83,936)	(28,770)	(46,267)
Proceeds on disposal of fixed assets	-	-	1,185
	(83,936)	(28,770)	(45,082)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from related parties	-	60,569	20,699
Payments to related parties (Note 5)	(44,468)	(1,585)	(40,971)
Repayments of automobile loan	-	-	(5,649)
Proceeds (payments) of related party loans	(13,700)	13,700	-
Dividends	(40,919)	-	-
	(99,087)	72,684	(25,921)
NET INCREASE (DECREASE) IN CASH	380,033	300,910	(347,700)
CASH AND CASH EQUIVALENTS			
Beginning of year	309,462	8,552	356,252
End of year	\$ 689,495	\$ 309,462	\$ 8,552
Supplemental disclosures of cash flow information			
Cash paid during the year for interest	\$ 772	\$ 850	\$ 198
Cash paid during the year for income taxes	\$ 800	\$ 800	\$ 810

SOLIMAR.NET
Notes to the Financial Statements
December 31, 1999 and 1998
(U.S. dollars)

1. DESCRIPTION OF BUSINESS

Solimar Inc. was incorporated under the laws of California on November 13, 1979. On October 18, 1999, the Board of Directors approved an amendment to the articles of incorporation to change the Company's name to Solimar.Net ("Solimar" or the "Company").

The Company provides collateral risk assessment services to the financial institutions sector. These services consist of a variety of automated residential property valuation products accessed by customers via the Internet.

2. SIGNIFICANT ACCOUNTING POLICIES

Generally accepted accounting principles

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States.

Cash equivalents

The Company considers investments with a maturity of three months or less when purchased to be cash equivalents. As of December 31, 1999 and 1998 the Company's cash equivalents were comprised of money market funds. The Company's cash and cash equivalents are subject to potential credit risk.

Fixed assets

Fixed assets are recorded at cost and are depreciated over their estimated useful lives using the following methods and rates:

Furniture and fixtures	20% Declining balance
Computer hardware and software	30% Declining balance
Automobiles	Straight-line over 5 years

Revenue recognition and deferred revenue

Revenue is recognized ratably over the term of the contract or as services are provided to customers. Amounts billed in advance are recorded as deferred revenue on the balance sheet.

SOLIMAR.NET
Notes to the Financial Statements
December 31, 1999 and 1998
(U.S. dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Research and development costs

The Company follows Statement of Position (“SOP”) 98-1 “Accounting for the Costs of Computer Software Developed or Obtained for Internal Use.” This standard requires that certain costs related to the development or purchase of internal-use software be capitalized and amortized over the estimated useful life of the software. This SOP also requires that costs related to the preliminary project, data conversion and post-implementation/operation stages of an internal-use computer software development project be expensed as incurred. SOP 98-1 is effective for fiscal years beginning after December 15, 1998. In accordance with this requirement, the Company adopted SOP 98-1 on January 1, 1999. For the 1999 fiscal year the Company’s software developed for internal use was in the post-implementation/operation stage and as such all software costs were maintenance costs and were charged to expense as incurred. Prior to this time the Company followed industry practice and expensed all research and development costs as incurred.

Stock-based compensation

The Company follows the provisions of Accounting Principles Board Opinion (“APB”) No. 25, which requires compensation expense for stock-based employee compensation to be measured based on the difference, if any, between the market price of the stock at the date stock options are granted and the amount an employee must pay to acquire the stock.

Income taxes

The Company follows the provisions of Statement of Financial Accounting Standards (“SFAS”) No. 109, “Accounting for Income Taxes” which require an asset and liability approach to financial accounting for income taxes.

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 disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from such estimates.

Recent accounting pronouncements

In June 1998, the FASB issued SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities,” which the Company is required to adopt effective in its fiscal year 2001. SFAS No. 133 will require the Company to record all derivatives on the balance sheet at fair value. The Company does not currently engage in hedging activities but will continue to evaluate the effects of adopting SFAS No. 133.

SOLIMAR.NET
Notes to the Financial Statements
December 31, 1999 and 1998
(U.S. dollars)

3. ACCOUNTS RECEIVABLE

	<u>1999</u>	<u>1998</u>
Trade accounts receivable	\$ 781,406	\$ 154,337
Less: Allowance for doubtful accounts	(38,172)	(35,940)
	<u>743,234</u>	<u>118,397</u>
Employee advances, non-interest bearing	15,859	10,409
	<u>\$ 759,093</u>	<u>\$ 128,806</u>

4. FIXED ASSETS

	<u>1999</u>			<u>1998</u>		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Furniture and fixtures	\$ 33,704	\$ 13,614	\$ 20,090	\$ 26,960	\$ 10,177	\$ 16,783
Computer hardware	199,747	86,472	113,275	122,816	54,879	67,937
Computer software	670	26	644	410	-	410
Automobiles	-	-	-	19,993	19,993	-
	<u>\$234,121</u>	<u>\$100,112</u>	<u>\$ 134,009</u>	<u>\$ 170,179</u>	<u>\$ 85,049</u>	<u>\$ 85,130</u>

5. RELATED PARTY TRANSACTIONS

The related party loan represents an amount owing to a family member of an indirect shareholder. The balance payable as of December 31, 1998 carried an interest rate of 8% per annum and was repaid during 1999 when it became due.

The amounts due to/from related party, are amounts due to/from an indirect shareholder of the Company, bear no interest, have no specific terms of repayment and are unsecured.

In 1997 the Company reduced the amount owing from the related party by the amount of the dividend paid in that year.

SOLIMAR.NET
Notes to the Financial Statements
December 31, 1999 and 1998
(U.S. dollars)

6. STOCK INCENTIVE PLANS

On November 26, 1999 the Company granted 50,000 stock options to each of two employees and on December 11, 1999 granted an additional 25,000 stock options to a third employee. These options were granted under contracts with the individual employees and were vested at the time of issue. All of the options were granted at an exercise price of \$0.10 per share. The options were exercisable for ten years from the grant date. As of December 31, 1999 125,000 fully vested stock options were outstanding with an exercise price of \$0.10 per share. Subsequent to the year-end, pursuant to the agreement of purchase and sale of the Company (Note 13), all outstanding stock options were redeemed by the Company.

The Company has recorded \$416,075 as compensation expense. This has been classified as "Additional paid-in capital" on the balance sheet. In computing the compensation expense, the market value of the common stock was determined using the purchase price in the agreement of purchase and sale of the Company which closed on February 8, 2000. This was deemed to be the most reasonable proxy for the valuation of the Company at the measurement date.

SFAS No. 123 "Accounting for Stock-Based Compensation," allows the Company to account for its employee stock-based compensation plans under APB No. 25 and the related interpretations. In accordance with APB No. 25, deferred compensation is recorded for stock-based compensation grants based on the excess of the market value of the common stock on the measurement date over the exercise price. If the exercise price of the stock-based compensation grants is equal to the market price of the Company's stock on the date of grant, no compensation expense is recorded.

Had the compensation expense for these plans been determined under SFAS No. 123, the impact on the Company's net earnings would not have been material.

SOLIMAR.NET
Notes to the Financial Statements
December 31, 1999 and 1998
(U.S. dollars)

7. RESEARCH AND DEVELOPMENT COSTS

Research and development costs in the amount of \$145,000, \$187,000 and nil were charged to expense for each of the three years ended December 31,1999.

8. INCOME TAXES

The provision for income taxes consists of the following:

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Current			
Federal	\$ -	\$ -	\$ -
State	800	800	800
Foreign	-	-	-
	800	800	800
Deferred			
Federal	-	-	-
State	-	-	-
	-	-	-
Total	\$ 800	\$ 800	\$ 800

The reconciliation of income tax expense computed at state statutory rate of 1.5% to income tax expense are as follows:

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Tax at federal statutory rates	\$ -	\$ -	\$ -
State income taxes	800	800	800
Total	\$ 800	\$ 800	\$ 800

SOLIMAR.NET
Notes to the Financial Statements
December 31, 1999 and 1998
(U.S. dollars)

8. INCOME TAXES (continued)

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred taxes are as follows:

	<u>1999</u>	<u>1998</u>
Deferred tax assets		
Accrual to cash adjustments	\$ -	\$ 58
Vacation reserve	497	206
Pension contribution	28	-
State research credits	31,165	15,718
Net operating losses	7,774	5,065
Gross deferred tax asset	<u>39,464</u>	<u>21,047</u>
Deferred tax liabilities		
Accrual to cash adjustments	(9,162)	-
Fixed assets	(2,579)	(1,321)
Pension contribution	-	(40)
Prepaid expenses	(1,828)	(72)
Gross deferred tax liabilities	<u>(13,569)</u>	<u>(1,433)</u>
Net deferred tax before valuation allowance	25,895	19,614
Valuation allowance	(25,895)	(19,614)
Total deferred tax asset/(liabilities)	<u>\$ -</u>	<u>\$ -</u>

The Company has California state net operating loss carryforwards and California state tax credits which can be applied against future taxable income and future taxes payable. As of December 31, 1999, these items expire as follows:

	<u>Operating Loss</u> <u>Carry-forwards</u>	<u>State Tax</u> <u>Credits</u>
2002	\$ 288,482	\$ -
2003	49,217	-
2004	180,573	-
2012	-	7,504
2018	-	8,214
2019	-	15,447
	<u>\$ 518,272</u>	<u>\$ 31,165</u>

SOLIMAR.NET
Notes to the Financial Statements
December 31, 1999 and 1998
(U.S. dollars)

8. INCOME TAXES (continued)

For the three years ending December 31, 1999, the Company elected to be treated as an S corporation under the provisions of subchapter S of the Internal Revenue Code and California Revenue and Taxation Code. Accordingly, the provisions for income taxes for the three years ended December 31, 1999, are computed by applying the California franchise tax rate for S corporations of 1.5%. Subsequent to the year end, the Company converted to a C corporation upon closing of the purchase and sale of the Company, February 8, 2000. At that time the Company became subject to regular federal and state income taxes on an ongoing basis.

9. PENSION BENEFITS

The Company has a defined benefit pension plan (the "plan") covering three employees. The following table provides a reconciliation of the changes in the plan's benefit obligations and fair value of assets over the three-year period ended December 31, 1999 and a statement of the funded status as of December 31, 1999, 1998 and 1997.

Subsequent to the year ended December 31, 1999, an additional \$105,000 was contributed to the plan assets.

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Change in benefit obligations			
Benefit obligations at January 1	\$ 215,663	\$ 144,184	\$ 103,470
Service cost	67,809	81,996	126,156
Interest cost	14,018	9,732	7,243
Amendments	-	-	-
Actuarial (gain)/loss	(68,258)	(20,249)	(92,685)
Benefits paid	-	-	-
Benefit obligations at December 31	\$ 229,232	\$ 215,663	\$ 144,184
Change in plan assets			
Fair value of plan assets at January 1	\$ 184,783	\$ 128,933	\$ 5,000
Actual return on plan assets	8,653	(2,860)	26,360
Company contributions	-	58,710	97,573
Plan participant contributions	-	-	-
Benefits paid	-	-	-
Fair value of plan assets at December 31	\$ 193,436	\$ 184,783	\$ 128,933
Funded status of the plan	\$ (35,796)	\$ (30,880)	\$ (15,251)
Unrecognized actuarial (gain)/loss	(177,501)	(118,634)	(116,760)
Unrecognized prior service cost	-	-	-
Unrecognized net transition asset	-	-	-
Total recognized	\$ (213,297)	\$ (149,514)	\$ (132,011)

SOLIMAR.NET
Notes to the Financial Statements
December 31, 1999 and 1998
(U.S. dollars)

9. PENSION BENEFITS (continued)

The amounts recognized in the balance sheet as of December 31, 1999 and 1998.

	<u>1999</u>	<u>1998</u>
Prepaid benefit cost	\$ -	\$ -
Accrued benefit liability	(213,297)	(149,514)
Additional minimum liability	-	-
Intangible asset and other	-	-
Accumulated other comprehensive income	-	-
Total recognized	\$ (213,297)	\$ (149,514)

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the plan with accumulated benefit obligations in excess of plan assets were \$229,232, \$229,232 and \$193,436 respectively.

The following table provides the components of net pension (income) cost for the plan for 1999, 1998 and 1997.

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Service cost-benefits earned during the year	\$ 67,809	\$ 81,996	\$ 126,156
Interest cost on projected benefit obligations	14,018	9,732	7,243
Expected return on plan assets	(12,935)	(10,399)	(5,908)
Amortization of unrecognized gain	(5,109)	(5,117)	-
Amortization of prior service cost	-	-	-
Amortization of transition asset	-	-	-
Total pension (income) cost	\$ 63,783	\$ 76,212	\$ 127,491

The assumptions used in the measurement of the Company's benefit obligations are shown in the following table:

	<u>1999</u>	<u>1998</u>
Actuarial assumptions		
Discount rate	7.5%	6.5%
Rate of increase in compensation levels	0%	0%

SOLIMAR.NET

Notes to the Financial Statements

December 31, 1999 and 1998

(U.S. dollars)

9. PENSION BENEFITS (continued)

The expected long-term rate of return on plan assets was 7% for 1999 and 1998. Due to the size of the plan population (3 participants), and the volatility of the plan participants' salaries, prospective final average salary was not based on an assumed year over year percentage increase in salary. Instead, final average salary was based on actual salary history and the current salary projected forward.

On February 7, 2000 the Board of Directors passed a resolution to terminate the defined benefit pension plan effective April 15, 2000. Whether the plan assets will be sufficient to fund the plan's benefit obligations will not be known until the plan assets are distributed. At that time, additional employer contributions may be required or legally permissible benefit reductions may be negotiated.

10. FINANCIAL INSTRUMENTS

Fair value of financial instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, due from related party, accounts payable, accrued liabilities, related party loan and due to related party. The carrying amount of these items approximates market value due to their short maturity.

Credit risk

A substantial portion of the Company's accounts receivable are with customers in the financial institution industry and are subject to normal industry credit risks. At December 31, 1999, accounts receivable from one customer comprised 12% of the total balance (December 31, 1998 - three customers comprised 61%). These are large companies which the Company believes pose minimal credit risk.

11. COMMITMENTS

(a) Rental agreement

The Company is party to an operating lease agreement in respect of premises with minimum future payments as follows:

<u>Year</u>	<u>Amount</u>
2000	\$ 33,762
2001	17,130
	<u>\$ 50,892</u>

The Company recorded operating lease expenses of \$33,544, (1998 - \$32,588; 1997 - \$25,508).

SOLIMAR.NET
Notes to the Financial Statements
December 31, 1999 and 1998
(U.S. dollars)

11. COMMITMENTS (continued)

(b) Long-term commitment

The Company is party to an agreement to acquire information related to the valuation of properties during fiscal 1998. The future minimum payments are as follows:

<u>Year</u>	<u>Amount</u>
2000	\$ 644,475
2001	547,130
2002	548,755
2003	555,006
2004	138,752
	\$2,434,118

12. CANADIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

These financial statements have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP"), which conform in all material respects applicable to the Company, with those in Canada ("Canadian GAAP") during the years presented except with respect to the following:

Under U.S. GAAP there is a requirement to record compensation on the issue of stock options to employees, consultants or directors. Under Canadian GAAP there is no such requirement. Accordingly, for Canadian GAAP purposes, for the year ended December 31, 1999, compensation related to stock options would be decreased by and net income would be increased by \$416,075. Additional paid-in capital, a component of shareholders equity, would be decreased by \$416,075.

The following table reconciles net income for the year ended December 31, 1999 in the accompanying statements of income with that which would have been reported had the financial statements been presented in accordance with Canadian GAAP. There were no Canadian and U.S. GAAP reconciliation adjustments for 1998 and 1997.

Net income in conformity with U.S. GAAP	\$ 456,097
Adjustments:	
Compensation expense re: Employee Stock Options	416,075
Net income in conformity with Canadian GAAP	\$ 872,172

SOLIMAR.NET
Notes to the Financial Statements
December 31, 1999 and 1998
(U.S. dollars)

13. SUBSEQUENT EVENT

Sale of Company to Basis100 Inc.

On January 24, 2000, the Company entered into an agreement to sell 100% of its outstanding common shares to Basis100 Inc. ("Basis") in an all cash transaction valued at US\$24 million plus acquisition costs. The transaction closed on February 8, 2000.

14. 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. Although the change in year has occurred it is not possible to conclude that all aspects of the Year 2000 issue that may affect the Company, including those related to customers, suppliers or third parties, will be resolved.

**PRO FORMA
FINANCIAL STATEMENTS**

Pro forma Unaudited Consolidated Financial Statements of

BASIS100 Inc.

December 31, 1999

Prepared in accordance with accounting principles generally accepted in Canada.

COMPILATION REPORT

To the Directors of Basis100 Inc.

We have reviewed, as to compilation only, the accompanying pro forma consolidated balance sheet of Basis100 Inc. ("Basis100") as at December 31, 1999 and the pro forma consolidated statement of operations for the year ended December 31, 1999 prepared in accordance with accounting principles generally accepted in Canada. These statements have been prepared for inclusion in the prospectus relating to the qualification for distribution of common shares issuable on the exercise of Special Warrants.

In our opinion, the pro forma consolidated balance sheet and pro forma consolidated statement of operations of Basis100 have been properly compiled to give effect to the proposed transactions and the assumptions described in the notes thereto.

Chartered Accountants

Toronto, Ontario
April 14, 2000

BASIS100 Inc.
Pro Forma Consolidated Balance Sheet

As at December 31, 1999

(Unaudited)

	ACTUAL			Notes	Foreign Exchange Adjustment (Note 1(b))	Sub-total Solimar (Cdn. GAAP and Cdn. Dollars)	Pro Forma Reclass	Pro Forma Adjustments	Notes	Pro Forma Consolidatio n
	BASIS100 (Cdn. GAAP and Cdn. dollars)	Solimar.Net (U.S. GAAP and U.S. dollars)	Canadian GAAP Adjustment (U.S. dollars)							
ASSETS										
Current										
Cash	\$7,196,466	\$ 689,495	\$ -		\$ 305,653	\$ 995,148	\$ -	\$49,767,500 (34,639,200)	2(e) 2(a)	\$23,319,914
Accounts receivable	1,325,276	759,093	-		336,506	1,095,599	-	-		2,420,875
Prepaid expenses and other current assets	384,994	121,851	-		54,017	175,868	-	-		560,862
Future income tax assets	134,606	-	-		-	-	-	-		134,606
	9,041,342	1,570,439	-		696,176	2,266,615	-	15,128,300		26,436,257
INVESTMENTS	125,000	-	-		-	-	-	-		125,000
OTHER ASSETS	72,000	-	-		-	-	-	-		72,000
FIXED ASSETS	850,727	134,009	-		59,406	193,415	-	-		1,044,142
DUE FROM RELATED PARTY	-	5,639	-		2,500	8,139	-	-		8,139
FUTURE INCOME TAX ASSETS	534,378	-	-		-	-	-	-		534,378
INTANGIBLES	16,696,102	-	-		-	-	-	36,025,000	2(a), (b)	52,721,102
	\$ 27,319,549	\$1,710,087	\$ -		\$ 758,082	\$2,468,169	\$ -	\$51,153,300		\$80,941,018
LIABILITIES										
Current										
Accounts payable and accrued liabilities	\$2,637,520	\$ 96,826	\$ -		\$ 42,922	\$ 139,748	\$104,348	\$2,414,391	2(a), (d)	\$5,296,007
Accrued liabilities	-	72,298	-		32,050	104,348	(104,348)	-	2(d)	-
Pension contribution payable	-	213,297	-		94,555	307,852	-	-		307,852
Deferred revenue	-	615,000	-		272,630	887,630	-	-		887,630
Future income tax liabilities	335,608	-	-		-	-	-	-		335,608
Current portion of obligations under capital leases	84,717	-	-		-	-	-	-		84,717
	3,057,845	997,421	-		442,157	1,439,578	-	2,414,391		6,911,814
FUTURE INCOME TAX LIABILITIES	924,777	-	-		-	-	-	-		924,777
OBLIGATIONS UNDER CAPITAL LEASES	121,771	-	-		-	-	-	-		121,771
	4,104,393	997,421	-		442,157	1,439,578	-	2,414,391		7,958,362
SHAREHOLDERS' EQUITY										
Share capital	33,072,731	3,500	-		1,552	5,052	-	(5,052) 49,767,500	2(e)	82,840,231

Additional paid-in capital	-	416,075	(416,075)	2(c)	-	-	-	-	-
Warrants	2	-	-		-	-	-	-	2
Retained earnings (deficit)	(9,857,577)	293,091	416,075	2(c)	314,373	1,023,539	-	(1,023,539)	(9,857,577)
	23,215,156	712,666	-		315,925	1,028,591	-	48,738,909	72,982,656
	\$	\$1,710,087	\$		\$ 758,082	\$2,468,169	\$	\$51,153,300	\$80,941,018
	27,319,549								

BASIS100 Inc.
Pro Forma Consolidated Statement of Operations
For the year ended December 31, 1999
(Unaudited)

	Actual		Canadian GAAP Adjustment (U.S. dollars)	Notes	Foreign Exchange Adjustment (Note 1 (b))	Sub-total Solimar (Cdn. GAAP and Cdn. Dollars)	Pro Forma Reclass	Pro Forma Adjustments	Notes	Pro Forma Consolidation
	BASIS100 (Cdn. GAAP and Cdn. dollars)	Solimar.Net (U.S. GAAP and U.S. dollars)								
REVENUE	\$ 2,183,700	\$ 2,807,153	\$ -		\$ 1,244,411	\$ 4,051,564	\$ -	\$ -		\$ 6,235,264
COST OF REVENUE	1,313,286	-	-		-	-	-	-		1,313,286
GROSS MARGIN	870,414	2,807,153	-		1,244,411	4,051,564				4,921,978
EXPENSES										
Bank charges, interest and foreign exchange gains	37,316	-	-		-	-	-	-		37,316
Bad debts	-	33,544	-		14,870	48,414	-	-		48,414
Stock option compensation expense	-	416,075	(416,075)	2 (c)	-	-	-	-		-
Consulting, legal and professional fees	1,737,664	330,016	-		146,296	476,312	-	-		2,213,976
Depreciation	-	35,057	-		15,541	50,598	(50,598)	-	2 (d)	-
Facilities management	332,625	151,012	-		66,944	217,956	-	-		550,581
General and administrative	457,313	78,154	-		34,646	112,800	-	-		570,113
Marketing, promotions and public relations	391,161	76,291	-		33,820	110,111	-	-		501,272
Meals and entertainment	105,261	12,396	-		5,495	17,891	-	-		123,152
Occupancy	209,236	41,941	-		18,592	60,533	-	-		269,769
Salaries and benefits	2,109,644	1,120,189	-		496,580	1,616,769	-	-		3,726,413
Telephone network and Internet	103,452	45,107	-		19,996	65,103	-	-		168,555
Travel and accommodation	190,499	33,674	-		14,928	48,602	-	-		239,101
TOTAL EXPENSES	5,674,171	2,373,456	(416,075)		867,708	2,825,089	(50,598)	-		8,448,662
INCOME (LOSS) BEFORE INTEREST INCOME	(4,803,757)	433,697	416,075		376,703	1,226,475	50,598	-		(3,526,684)
Interest income	-	23,201	-		10,285	33,486	-	-		33,486
INCOME (LOSS) BEFORE DEPRECIATION, AMORTIZATION AND OTHER OPERATING EXPENSES	(4,803,757)	456,898	416,075		386,988	1,259,961	50,598	-		(3,493,198)
Depreciation and amortization	2,546,419	-	-		-	-	50,598	9,485,000	2 (b), (d)	12,082,017
Write-off intangibles	1,516,462	-	-		-	-	-	-		1,516,462
Settlement of legal claim	1,000,002	-	-		-	-	-	-		1,000,002
INCOME (LOSS) BEFORE INCOME TAXES	(9,866,640)	456,898	416,075		386,988	1,259,961	-	(9,485,000)		(18,091,679)
INCOME TAX BENEFIT (PROVISION)	329,440	(800)	-		(355)	(1,155)	-	-		328,285
NET INCOME (LOSS)	\$ (9,537,200)	\$ 456,098	\$ 416,075		\$ 386,633	\$ 1,258,806	\$ -	\$(9,485,000)		\$ (17,763,394)
BASIC LOSS PER SHARE	\$ (0.93)	Note 3								\$ (1.16)
BASIC WEIGHTED AVERAGE NUMBER OF SHARES	10,264,007	Note 3					5,000,000			15,264,007

BASIS100 Inc.

Notes to the Pro Forma Consolidated Financial Statements

December 31, 1999

(Unaudited)

1. BASIS OF PRESENTATION

The pro forma consolidated balance sheet as at December 31, 1999 and the pro forma consolidated statement of operations for the year ended December 31, 1999 have been prepared by Basis100 Inc.'s ("Basis100") management based on the following financial statements which have been prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"):

- (a) The audited consolidated financial statements of Basis100 for the year ended December 31, 1999 included elsewhere in the prospectus; and
- (b) The audited financial statements of Solimar.Net ("Solimar") for the year ended December 31, 1999 included elsewhere in the prospectus after translation of such financial statements from U.S. dollars to Canadian dollars. The consolidated balance sheet and the consolidated statement of operations were translated at a rate of US\$0.69=CDN\$1, which is the December 31, 1999 closing rate.

The business combination has been accounted for as purchase.

The pro forma consolidated financial statements should be read in conjunction with the notes thereto included in the following pages and the historical consolidated financial statements of Basis100 and the financial statements of Solimar included elsewhere in this prospectus. The pro forma operating results are not indicative of the results that actually would have occurred if the business combination had been in effect on the dates indicated or which may be obtained in the future.

2. PRO FORMA ASSUMPTIONS AND ADJUSTMENTS

The pro forma consolidated balance sheet gives effect to the above transaction as if it had occurred on December 31, 1999. The pro forma consolidated statement of operations gives effect to the above business combination as if it had occurred on January 1, 1999.

The pro forma consolidated financial statements give effect to the following:

- (a) The purchase of all of the outstanding common shares of Solimar for \$24,000,000 U.S. (or \$37,053,591 Cdn. including acquisition costs) allocated as follows:

Non-cash working capital	\$835,176
Fixed assets	193,415
Intangibles	<u>36,025,000</u>
	<u>\$37,053,591</u>
Consideration:	
Cash	\$34,639,200
Acquisition costs	<u>2,414,391</u>
	<u>\$37,053,591</u>

BASIS100 Inc.

Notes to the Pro Forma Consolidated Financial Statements

December 31, 1999

(Unaudited)

-
- (b) The aggregate value of the consideration to be paid for Solimar (including estimated acquisition costs) exceeds the book value of the net identifiable assets by approximately \$36,025,000. The pro forma consolidated statement of operations reflects the amortization of the intangibles on the acquisition of Solimar of \$9,485,000 (Note 4) for the year ended December 31, 1999.
- (c) Under U.S. GAAP, compensation expense in connection with stock options issued during the year at amounts below fair market value is recorded at the time of issuance. Canadian GAAP does not require an entity to record such an expense. Therefore, in order for Solimar to comply with Canadian GAAP, this amount has been added back to income and removed from "Additional paid in capital".
- (d) The pro forma consolidated financial statements reflect certain reclassification entries to disclose information for Solimar on a basis consistent with the consolidated financial statements of Basis100.
- (e) The issue of 5,000,000 Special Warrants at a price of \$10.50 per Special Warrant for total proceeds of \$52,500,000. Estimated expenses before tax related to the issue of the Special Warrants total \$2,732,500 consisting of Underwriters' commissions, legal, accounting, printing and other fees relating to the preparation of the prospectus, resulting in net proceeds of \$49,767,500.

3. PRO FORMA EARNINGS PER SHARE

For the purpose of computation of the pro forma earnings per share, the weighted average number of common shares outstanding for the year ended December 31, 1999 has been adjusted to give effect to the issuance of 5,000,000 Special Warrants which would have been outstanding had the issuance occurred at the beginning of the year.

As Solimar was a privately held Company prior to the date of acquisition, earnings per share information has not been presented.

4. ALLOCATION OF INTANGIBLES

It is anticipated that the value of intangibles will be allocated to software and contracts with the residual allocated to goodwill. These estimates are preliminary and are therefore subject to change. Preliminary allocations of intangibles and amortization are as follows:

<u>Intangible</u>	<u>Amortization Period</u>	<u>Amount</u>	<u>Amortization</u>
Software	3 years	\$ 1,850,000	\$ 617,000
Contracts	3 years	15,250,000	5,083,000
Goodwill	5 years	18,925,000	3,785,000
		<u>\$36,025,000</u>	<u>\$9,485,000</u>

CERTIFICATES

Date: April 18, 2000

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 7 of the *Securities Act* (British Columbia), by Part VII of *The Securities Act* (Manitoba) and by Part XV of the *Securities Act* (Ontario) and the respective regulations thereunder. This prospectus, as required by the *Securities Act* (Québec) and the regulations thereunder, does not contain any misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

(Signed) Gary Bartholomew
Chief Executive Officer

(Signed) David Campbell
Chief Financial Officer

On behalf of the Board of Directors

(Signed) Victor Hum
Director

(Signed) Peter Wallace
Director

Date: April 18, 2000

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 7 of the *Securities Act* (British Columbia), by Part VII of *The Securities Act* (Manitoba) and by Part XV of the *Securities Act* (Ontario) and the respective regulations thereunder. To our knowledge, this prospectus, as required by the *Securities Act* (Québec) and the regulations thereunder, does not contain any misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

RBC DOMINION SECURITIES INC.

GRIFFITHS McBURNEY & PARTNERS

By: (Signed) John L. Easson

By: (Signed) J. Robert Fraser

DUNDEE SECURITIES CORPORATION

By: (Signed)

David G. Anderson

The following includes the name of every person or company having an interest, directly or indirectly, to the extent of not less than five percent in the capital of:

RBC Dominion Securities Inc.: a direct wholly-owned subsidiary of a Canadian chartered bank.

Griffiths McBurney & Partners: Eugene C. McBurney, Kevin Sullivan, Michael Wekerle, Thomas A. Budd and J. Robert Fraser.

Dundee Securities Corporation: a wholly-owned subsidiary of Dundee Wealth Management Inc.