A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in the Provinces of Canada other than Québec but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.

This short form 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 regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. ***Information has been incorporated by reference in this short form prospectus from documents as filed with securities commissions or similar regulatory authorities in Canada.*** *Copies of the documents incorporated herein by reference may be obtained on request without charge from the Company's head office located at 33 Yonge Street, Suite 900, Toronto, Ontario M5E 1G4, telephone number (416) 364-6085, or by accessing the Company's disclosure documents available through the Internet on SEDAR at WWW.SEDAR.COM.*

These securities have not been and will not be registered under the United States Securities Act of 1933, as amended, (the "1933 Act") or any state securities laws and may not be offered or sold within the United States of America or to or for the account or benefit of United States persons unless registered under the 1933 Act and applicable state securities laws or unless an exemption from such registration is available. See "Plan of Distribution".

New Issue May 6, 2002

PRELIMINARY SHORT FORM PROSPECTUS

$7,000,002

2,333,334 Units
(Each Unit Consisting of One Common Share and One Share Purchase Warrant)

Basis100 Inc. ("Basis100" or the "Company") is offering, and this short form prospectus qualifies the distribution of, a total of 2,333,334 units of Basis100 (the "Units"), each Unit consisting of one common share (a "Common Share") and one common share purchase warrant of Basis100 (a "Warrant"), at a price of $3.00 per Unit.

Share Purchase Warrants

Each Warrant will entitle the holder to purchase one Common Share for a price of $3.50 at any time on or prior to the dated that is 18 months from the date of the closing of this offering. The Warrants will be issued in registered form. The Common Shares and the Warrants comprising the Units will separate immediately upon the closing of this offering. See "Details of the Offering".

The offering price has been determined by negotiation between Basis100 and Griffiths McBurney & Partners. The outstanding Common Shares are listed on the Toronto Stock Exchange (the "TSX"). On May 1, 2002, the trading day immediately preceding the announcement of this offering, the closing price of the Common Shares on the TSX was $3.10 per share. Application has been made to list the Warrants issuable in connection with this offering on the TSX. Listing will be subject to the fulfilling all of the listing requirements of the TSX, including distribution requirements.

Price: $3.00 per Unit

	Price to Public	Underwriters' Fee(1)	Net Proceeds to Basis100(2)
Per Unit (3)	$3.00	$0.18	$2.82
Total Offering	$7,000,002(4)	$420,000	$6,580,002

Notes:
(1) The Underwriters' fee for the sale of the Units is 6.0% of the gross proceeds.
(2) Before deducting the expenses of this offering, estimated to be $300,000, which, together with the Underwriters' fee, will be paid from the gross proceeds of this offering.
(3) Of the Unit issue price of $3.00, Basis100 will allocate $2.60 to the Common Share and $0.40 to the Warrant comprising each Unit.
(4) Basis100 has granted to the Underwriters an option, exercisable until the filing of the (final) prospectus of this offering, to acquire, at the issue price hereunder, up to an aggregate of 1,000,000 additional Units (the "Underwriters' Option"). If the Underwriters' Option is exercised in full, the total price to the public, the Underwriters' fee and the net proceeds (before deducting the expenses of this offering) to Basis100 will be $10,000,002, $600,000 and $9,400,002, respectively. This short form prospectus also qualifies the Common Shares and the Warrants comprising the Units issuable upon the exercise by the Underwriters of the Underwriters' Option.

Prior to subscribing for Units, potential purchasers should carefully consider certain risk factors. See "Risk Factors".

Griffiths McBurney & Partners, CIBC World Markets Inc. and Haywood Securities Inc. (collectively, the "Underwriters"), as principals, conditionally offer to purchase the Units, subject to prior sale, if, as and when issued and delivered by the Company and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Company by Fraser Milner Casgrain LLP and on behalf of the Underwriters by Wildeboer Rand Thomson Apps & Dellelce, LLP. **One of the Underwriters, CIBC World Markets Inc., is a subsidiary of a Canadian chartered bank which has made credit facilities available to a subsidiary of the Company and currently has outstanding indebtedness to one of the subsidiaries of the Company. Accordingly, the Company may be considered a connected issuer of CIBC World Markets Inc. under applicable securities legislation.** Reference is made to "Plan of Distribution".

Subscriptions will be received subject to rejection or allotment, in whole or in part, and the right is reserved to close the subscription books at any time without notice. It is anticipated that certificates representing the Common Shares and the Warrants comprising the Units in definitive form will be available for delivery at the closing on or about May 22, 2002 or such other date as may be mutually agreed to by Basis100 and the Underwriters, but in any event not later than June 14, 2002 (the "Closing Date").

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CURRENCY

All dollar amounts set forth in this short form prospectus are in Canadian dollars, except where otherwise indicated.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This short form prospectus, and the documents incorporated by reference in this short form prospectus, contain forward-looking statements which reflect the expectations of the Company's management regarding results of operations, performance and business prospects and opportunities. Wherever possible, words such as "anticipate", "believe", "expect", "intend" and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve significant risk, uncertainties and assumptions. A number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully and prospective investors should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in this short form prospectus and the documents incorporated by reference are based upon what management believes to be reasonable assumptions, they cannot assure prospective purchasers that actual results will be consistent with these forward-looking statements.

ELIGIBILITY FOR INVESTMENT

In the opinion of Fraser Milner Casgrain LLP, counsel to the Company, and Wildeboer Rand Thomson Apps & Dellelce, LLP, counsel to the Underwriters, the Common Shares and Warrants comprising the Units will, on the Closing Date, be qualified investments under the *Income Tax Act* (Canada) for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans. Based on an officer's certificate provided by the Company, the Common Shares and Warrants, as of the date hereof, will not constitute "foreign property" under the Income Tax Act (Canada) ("Tax Act") to deferred income plans and certain other persons who are generally exempt from tax.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated by reference in this short form prospectus may be obtained on request without charge from the Company's head office located at 33 Yonge Street, Suite 900, Toronto, Ontario M5E 1G4, telephone number (416) 364-6085, or by accessing the Company's disclosure documents available through the Internet on SEDAR at www.SEDAR.com.

The following documents of the Company filed with securities commissions or similar authorities in Canada are specifically incorporated into, and form an integral part of, this short form prospectus:

(a) the Annual Information Form of the Company dated December 19, 2001 for the period ended September 30, 2001;

(b) Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company for the fiscal year ended December 31, 2001 contained in the 2001 Annual Report of the Company;

(c) the Management Information Circular of the Company dated April 5, 2002 prepared in connection with the Annual and Special Meeting of Shareholders of the Company to be held on May 9, 2002, except the sections entitled "Report on Executive Compensation", "Performance Graph" and "Corporate Governance";

(d) the audited Consolidated Financial Statements of the Company as at December 31, 2001 and December 31, 2000, and for each of the fiscal years ended December 31, 2001 and 2000, and related notes thereto, together with the accompanying auditors' report;

(e) the Material Change Report of the Company dated January 24, 2002 relating to the purchase by the Company of all the issued and outstanding shares of EFA International Inc. ("EFA International"); and

(f) the audited Financial Statements of Solimar.Net (prior to the acquisition by Basis100) as at December 31, 1999 and December 31, 1998, and for each of the fiscal years ended December 31, 1999 and 1998 and related notes thereto, together with the accompanying auditors' report, included in the (final) prospectus dated May 30, 2000 of the Company filed to qualify the distribution of 5,000,000 Common Shares.

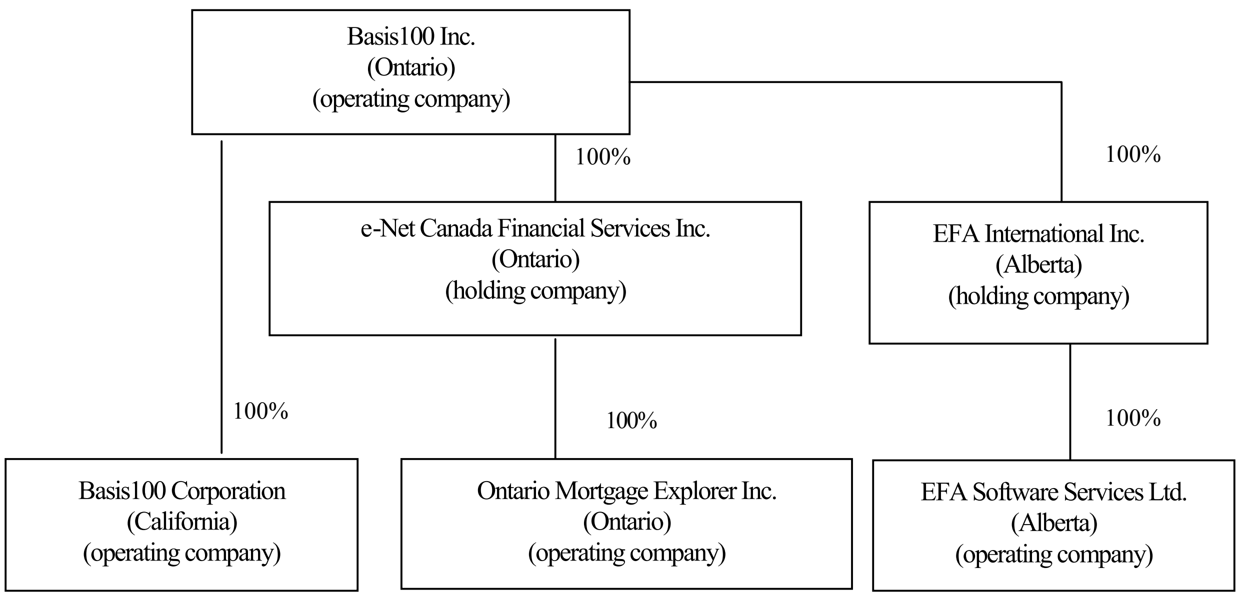
Any documents of the type referred to above (excluding confidential material change reports) filed by the Company pursuant to the requirements of applicable securities legislation after the date of this short form prospectus and prior to the termination of distribution of this offering will be deemed to be incorporated by reference into this short form prospectus.

Any statement contained in this short form prospectus or in a document incorporated or deemed to be incorporated by reference in this short form prospectus will be deemed to be modified or superseded to the extent that a statement contained in this short form prospectus, or in any subsequently filed document which also is or is deemed to be incorporated by reference in this short form prospectus, modifies or supersedes that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of such a modifying or superseding statement will not be deemed an admission that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus.

THE COMPANY

Basis100 is a company existing under the *Business Corporations Act* (Ontario) as a result of the amalgamation of e-Net Financial Services (Canada) Inc. and Autrex Inc. ("Autrex") on October 25, 1999. 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 such that none of the assets and liabilities of Autrex were assumed by Basis100. The Company acquired SOLIMAR.NET in the United States on February 8, 2000, and subsequently changed its name to Basis100 Corporation. On April 3, 2000, the Company filed articles of amendment to change its name from "Basis 100 Inc." to "Basis100 Inc." (removing the space between "Basis" and "100"). With an effective date of January 15, 2002, the Company acquired 100% of the common shares of EFA International. The Company's head and principal office is at 33 Yonge Street, Suite 900, Toronto, Ontario, M5E 1G4, Canada.

References to "Basis100" and the "Company" include its subsidiaries and affiliates, unless the context otherwise requires.



BUSINESS OF THE COMPANY

Basis100 is a global technology solutions provider, which enables businesses to build, distribute, buy and sell products and services in more efficient and innovative ways. Basis100's lines of business include: "Lending Solutions" for consumer credit, mortgage origination and processing; "Data Warehousing and Analytics Solutions" for automated property valuations, data warehousing, data products and analytics support; and, "Capital Markets Solutions" for cash and derivatives trading, clearance and settlement. The Company's technology solutions are installed on five continents and in over 36 countries around the world**.**

In fiscal 2001 and prior, Basis100 segregated and managed its technology products and services in two primary market segments:

- mortgage/credit origination and processing; and
- fixed income trading.

The Company also segregated its mortgage/credit origination and processing technology products and services in two geographic regions: Canada; and the United States. Basis100's strategy was then and remains to develop and implement a suite of primarily browser-based e-commerce technology solutions designed to automate mortgage/credit processing for financial institutions and intermediaries, as well as develop technologies to facilitate the trading, settlement and clearing of financial instruments. The Company is currently introducing these products in stages.

By the end of 2001, as a result of the significant expansion of both the lending solutions and data analytics aspects of its mortgage/credit origination and processing market segment, and an acquisition transaction early in 2002, management re-configured the Company's operations. The Company will manage its business lines in 2002 and forward as three distinct core technology solutions and business lines:

- **Lending Solutions –** for consumer credit, mortgage origination and processing;
- **Data Warehousing and Analytics Solutions –** for automated property valuations, property data-warehousing, data products and analytics support; and
- **Capital Markets Solutions –** for fixed income and equities trading, and settlement and clearing.

The Company presently provides Lending Solutions products and services and Data Warehousing and Analytics Solutions products and services in two geographic regions, Canada and the United States. The geographic split in revenue of the Company is detailed in "Note 16 – Segment Information" in the Notes to the Comparative Consolidated Financial Statements of the Company for the fiscal year ended, and as at, December 31, 2001, which are incorporated by reference. For the fiscal year ended December 31, 2001, Capital Markets Solutions products and services were not classified as a reportable operating segment, as the operations were not material.

The Company routinely investigates potential acquisitions within its three business lines as part of its business plan. The Company evaluates these opportunities against strategic and operating criteria.

Lending Solutions

The Company's business-to-business lending solutions consist of a full suite of browser-based e-commerce technology solutions focused on automating financial transaction processes and connecting all the participants within a lending transaction. Through its technology, the Company offers access to its centrally-hosted computing environment using networking solutions. The Company anticipates that financial institutions and intermediaries will be brought onto the system without a significant capital investment in their hardware or operating platforms.

The Company has software to incorporate robust, real-time processing engines to support the following:

- the instantaneous receipt and review of mortgage loan applications;
- decision making which incorporates integrated underwriting tools and corporate lending policies;
- document preparation services for closing and funding tasks; and
- accounting interfaces to facilitate funding.

In the mortgage/credit origination and processing area, the Company offers products and services in two sub-components, which are broadly divided as follows: (i) Origination; and, (ii) Processing. Origination products are designed to bring together multiple channels, including mortgage brokers and consumer portals, financial institutions and intermediaries. Processing products provide a variety of functions to assist in the processing of mortgage/credit applications.

Data Warehousing and Analytics Solutions

Basis100 provides a variety of property valuation tools to many different constituents in the United States financial services industry. Basis100 combines sophisticated analytics with data warehousing to provide a high level of accuracy, geographic coverage, data suitability and accessibility in the automated residential valuation methodology ("AVM") market. In 2001, the Company captured approximately 40% of this market and grew its customer base from 500 to over 1,600, including 25 of the top 30 lenders in the United States.

Capital Markets Solutions

The Company's technology products are designed for maximum scalability and flexibility and can trade equities, fixed income, derivatives, commodities, over-the-counter ("OTC") products, and even exotic products such as emissions quotas, energy or weather futures. The Company has implemented systems ranging from:

- trading solutions for regional, linked exchanges; to

- major national clearance, settlement and depositories; to
- international investment firms needing order book and crossing technologies.

Trading

Basis100 Capital Markets trading solutions are comprehensive and flexible, supporting a complete exchange model, or a scalable internal market. This allows the Company to develop customized industry-class solutions for a wide range of financial service institutions.

BasisXchange offers a suite of trading technologies designed to meet the needs of large exchanges. It supports cash and derivatives trading on a single platform.

Horizon™ is a leading cash trading solution for mid-size exchanges. It powers 29 exchanges and alternative trading systems ("ATS"), enhancing the efficiency and effectiveness of every marketplace.

Clearance & Settlement

Approximately $2 trillion worth of traded funds and/or shares are waiting to be settled at any given point in time. The Company's modular clearing solutions are designed for the demands of modern-day central clearing. The Company has the technology products to address customers' clearing needs as new products enter the exchange marketplace.

Equator™ is an integrated cash and derivatives clearance, settlement, depository, registry and risk management system. Equator consists of a set of separate modules that may be implemented as a fully integrated solution or individually, as the customer requires. The system is highly flexible and scalable to meet every customer's needs. By integrating its Horizon trading technology, Basis100 has delivered complete end-to-end solutions to 15 trading clients.

RECENT DEVELOPMENTS

Purchase of EFA International Inc.

Effective January 15, 2002, the Company acquired 100% of the shares of EFA International. EFA International is an Alberta corporation. Through its subsidiary, EFA Software Services Ltd. ("EFA Software"), it is a major provider of securities trading and clearing and settlement services with a worldwide focus serving more than 53 exchanges and depositories in 36 countries on five continents.

The purchase price included cash consideration of $6,373,520, the issuance of 2,743,836 Common Shares with a value of $10,508,892, plus acquisition costs of $1,036,473. In addition, Basis100 may be required to issue up to 6,502,200 additional Common Shares, based on EFA Software achieving revenue and earnings before interest, taxes, depreciation and amortization ("EBITDA") performance targets over the next two fiscal years. This issuance of the performance-related Common Shares will require formal approval by the Basis100 shareholders at the next annual general meeting.

The preliminary allocation of assets and liabilities acquired is as follows:

	January 15, 2002
Current assets	$ 8,230,997
Capital assets	1,076,158
Other long term assets	415,239
	9,722,394
Current liabilities	15,862,186
Demand term loan	1,611,110
Other long term liabilities	489,744
Net tangible liabilities acquired, at fair value	(8,240,646)

		January 15, 2002
Software		6,639,000
Contracts		2,655,000
Goodwill		16,865,531
Purchase price	$	17,918,885

The estimate of intangibles allocation are preliminary and subject to change.

On closing of the EFA International acquisition, David Ewasuik, Chairman and Chief Executive Officer of EFA International, was appointed a Director of the Company.

See "Pro Forma Consolidated Financial Statements of Basis100 Inc." and "Consolidated Financial Statements of EFA International Inc."

Stock Option Plan

At the Annual and Special Meeting of Shareholders of Basis100 to be held on May 9, 2002, shareholders will be asked to approve the reservation of an additional 416,000 Common Shares for issuance on the exercise of options issued under the Company's stock option plan. With this replenishment of the pool of shares reserved for issuance, the option pool size will represent 20% of the issued and outstanding common shares of the Company as of April 5, 2002.

DESCRIPTION OF SHARE CAPITAL

Basis100 has an authorized share capital consisting of an unlimited number of Common Shares. As at April 30, 2002, there were 32,721,957 Common Shares issued and outstanding as fully paid and non-assessable shares.

Holders of Common Shares are entitled to one vote for each Common Share held at any meeting of shareholders of Basis100. Holders of Common Shares are entitled to receive dividends when declared by the board of directors of Basis100. Holders of Common Shares are also entitled to receive the remaining property of the Company upon dissolution or winding up.

DETAILS OF UNITS OFFERED

The following is a brief summary of the material attributes and characteristics of the Common Shares and the Warrants, which does not purport to be complete. Reference is made to the Warrant Indenture, referred to below, for the full text of such attributes and characteristics. Capitalized items used herein and not otherwise defined shall have the meaning ascribed thereto in the Warrant Indenture.

Common Shares

For a description of the attributes of the Common Shares, see "Description of Share Capital".

Warrants

The following statements are subject to the detailed provisions of the Warrant Indenture referred to below.

The Warrants will be issued in registered form under, and be governed by, an indenture to be dated as of the Closing Date (the "Warrant Indenture") between Basis100 and CIBC Mellon Trust Company, as trustee thereunder. Basis100 has appointed the principal transfer office of CIBC Mellon Trust Company in Toronto as the location at which Warrants may be surrendered for exercise or transfer.

Each Warrant will entitle the holder to purchase one Common Share at a price of $3.50 per Common Share, subject to adjustment as summarized below. Warrants will be exercisable at any time prior to 5:00 p.m. (Toronto time) on the date which is 18 months from the Closing Date, after which the Warrants will expire. Under the Warrant Indenture, Basis100 will be entitled to purchase in the market, by private contract or otherwise, all or any of the Warrants then outstanding, and any Warrants so purchased will be cancelled.

The Warrant Indenture will provide for adjustment in the number of Common Shares issuable upon the exercise of the Warrants and/or the exercise price per Common Share in the event of: (i) the subdivision or consolidation of the Common Shares or issuance of a stock dividend on the Common Shares or other distribution of Common Shares or securities convertible into Common Shares (other than a "dividend paid in the ordinary course", as defined in the Warrant Indenture); (ii) the issuance of rights, options or warrants to purchase Common Shares or securities convertible into Common Shares at less than 95% of the "current market price" (as defined in the Warrant Indenture) of the Common Shares; and (iii) the distribution to all or substantially all the holders of Common Shares of shares of any other class or of rights, options or warrants (other than those referred to in (ii), above) to acquire Common Shares or securities convertible into Common Shares or property or other assets of Basis100 or of evidences of indebtedness or of assets (other than a "dividend paid in the ordinary course", as defined in the Warrant Indenture). The Warrant Indenture will also provide for adjustment in the class and/or number of securities issuable upon the exercise of the Warrants and/or exercise price per security in the event of: (i) any reclassification of the Common Shares; (ii) an amalgamation, merger or consolidation of Basis100 with another entity; or (iii) the transfer of all or substantially all of the assets of Basis100.

No adjustment in the exercise price or the number of Common Shares purchasable upon the exercise of the Warrants will be required to be made unless the cumulative effect of such adjustment or adjustments would change the exercise price by at least 1% or the number of Common Shares purchasable upon exercise by at least one one-hundredth of a share.

No fractional Common Shares will be issuable upon the exercise of any Warrants. Holders of Warrants will not have any voting or pre-emptive rights or any other rights which a holder of Common Shares would have.

The rights of the holders of Warrants will be subject to modification by "extraordinary resolution", which will be defined in the Warrant Indenture as a resolution either passed at a meeting of the holders of Warrants, of which a quorum shall consist of two Warrant holders present in person or represented by proxy and representing at least 10% of the aggregate number of Warrants then outstanding, by holders of not less than $66^{2/3}$% of the Warrants represented at the meeting or adopted by instruments in writing signed by the holders of not less than $66^{2/3}$% of all Warrants then outstanding.

Subject to certain exceptions permitting certain United States institutional investors to exercise their Warrants, the Warrants may not be exercised within the United States or by or on behalf of any U.S. Person (as defined in Regulation S under the United States Securities Act of 1933, as amended (the "1933 Act")) and no certificate evidencing any Common Share issuable upon the exercise of a Warrant will be delivered to any address in the United States. See "Plan of Distribution".

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Fraser Milner Casgrain LLP, counsel to Basis100, and Wildeboer Rand Thomson Apps & Dellelce, LLP, counsel to the Underwriters, the following summary describes, as of the date hereof, the principal Canadian federal income tax considerations under the Income Tax Act (Canada) (the "Tax Act") that should be considered by prospective purchasers hereunder. This summary:

- is based upon the current provisions of the Tax Act, all specific proposals to amend the Tax Act publicly announced by the Minister of Finance (Canada) prior to the date hereof ("Proposed Amendments"), and counsels' understanding of the current administrative and assessing policies of the Canada Customs and Revenue Agency (the "CCRA"). No assurance can be given that the Proposed Amendments will be enacted in their current proposed form if at all; however, the Canadian federal income tax considerations generally applicable to holders with respect to the Common Shares and the Warrants will not be materially different if the Proposed Amendments are not enacted. This summary does not otherwise take into account or anticipate any other change to the law or administrative practice, whether by legislative, governmental or judicial action;

- applies only to persons who acquire, hold and dispose of Common Shares and Warrants as capital property, and deal at arm's length and are not affiliated with Basis100. Common Shares and Warrants will generally be considered to be capital property to the holder provided that the holder does not hold such securities in the course of carrying on a business of dealing in securities and has not acquired such securities in a transaction or transactions considered to be an adventure in the nature of trade. Depending on the holder's particular circumstances, Common Shares and Warrants may be deemed to be capital property where the election in subsection 39(4) of the ITA has been made by a Canadian resident eligible to make such election;

- does not encompass the "mark-to-market" rules in the Tax Act to which certain "financial institutions" are subject. Persons to whom such rules are applicable should consult their own tax advisers;

- applies only to persons who are residents of Canada under the Tax Act; and

- does not take into account foreign, provincial or territorial tax legislation or considerations, which may vary from the Canadian federal income tax considerations described herein.

This summary is of a general nature only rather than a complete analysis of all possible income tax considerations, and is not intended to be, nor should it be construed as, legal or tax advice to any particular person. Accordingly, prospective purchasers should consult their own tax advisers with respect to their particular circumstances.

Acquisition of Common Shares and Warrants

Where Units are acquired hereunder, it is necessary to allocate the total purchase price thereof on a reasonable basis between the Common Shares and the Warrants comprising the Units. Basis100, in consultation with the Underwriters, believes that a reasonable allocation of the purchase price of $3.00 per Unit is $2.60 per Common Share and $0.40 per Warrant, and Basis100 intends to use this allocation for its tax purposes. While Basis100 and the Underwriters believe that this allocation is reasonable, the CCRA is not bound by this allocation. The cost of any Common Shares purchased hereunder will be averaged with the adjusted cost base ("ACB") of any other Common Shares held by the purchaser at that time, so as to produce a uniform cost for each Common Share held by that person.

Warrants

Exercise of Warrants

The exercise of Warrants will not be a disposition for the purposes of the Tax Act, with the result that no gain or loss will be realized by a holder upon the exercise of Warrants. A holder's cost of Common Shares acquired upon the exercise of Warrants will be the aggregate of the holder's ACB of the Warrants so exercised and the exercise price paid for such Common Shares. The cost of any Common Shares acquired on the exercise of Warrants by any person will be averaged with the ACB of any other Common Shares held by that person at that time, so as to produce a uniform cost for each Common Share held by that person.

Disposition of Warrants

A person who disposes of Warrants will realize a capital gain (or capital loss) as a result of such disposition. The tax treatment of capital gains and losses is discussed in greater detail below under the subheading "Capital Gains and Losses".

Expiry of Warrants

The expiry of unexercised Warrants will constitute a disposition thereof for nil proceeds of disposition, resulting in the holder realizing a capital loss equal to such holder's ACB of the expired Warrants. The tax treatment of capital losses is discussed in greater detail below under the subheading "Capital Gains and Losses".

Disposition of Common Shares

Any gain (or loss) realized upon the disposition of Common Shares will be a capital gain (or capital loss) to the holder. The tax treatment of capital gains and losses is discussed in greater detail below under the subheading, "Capital Gains and Losses".

Capital Gains and Losses

A person's capital gain (or capital loss) from the disposition of any capital property is calculated as the amount by which the holder's proceeds of disposition exceed (or are less than) the aggregate of the holder's ACB of the property disposed of and any reasonable outlays or expenses incurred to make the disposition. The holder's taxable capital gain (or allowable capital loss) is one-half of this amount. The holder must include any such taxable capital gain in income for the taxation year of the disposition, and may deduct any such allowable capital loss from taxable capital gains realized in that same taxation year. Subject to the detailed rules contained in the Tax Act, any unused allowable capital loss may generally be applied to reduce net taxable capital gains realized by the holder in the three preceding and in all subsequent taxation years.

Capital gains realized by an individual may be subject to alternative minimum tax under the Tax Act depending on the individual's circumstances. Recognition of capital losses otherwise realized may be denied where they arose in certain circumstances set out in the Tax Act, including transactions involving "affiliated persons". In addition, pursuant to detailed rules in the Tax Act, a capital loss realized on the disposition of a share may be reduced by the amount of certain dividends received or deemed to have been received by the holder on that share. Shareholders realizing a capital loss should consult their own tax advisers concerning these complex rules. Canadian-controlled private corporations may be subject to an additional refundable tax of $6^{2/3}$% of such corporation's "aggregate investment income" (which includes taxable capital gains). This additional tax will be refunded to the corporation at the rate of $1 for every $3 of taxable dividends paid by it while it is a private corporation.

Dividends

A holder who is an individual and who receives dividends on the Common Shares will be subject to the gross-up and dividend tax credit rules in respect of such dividends normally applicable to taxable dividends received from taxable Canadian corporations (as defined in the ITA).

A holder that is a corporation will normally be required to include the amount of any dividends on the Common Shares received or deemed to be received by the holder in computing its income, but will normally be entitled to deduct the amount of the dividends in computing its taxable income. A holder that is a "private corporation" or a "subject corporation" (as defined in the ITA) may be liable under Part IV of the ITA to pay a refundable tax of $33^{1/3}$% of dividends received or deemed to be received on the Common Shares to the extent that such dividends are deductible in computing the holder's taxable income. This tax will be refunded to the corporation at the rate of $1 for every $3 of taxable dividends paid by it while it is a private corporation.

PLAN OF DISTRIBUTION

Pursuant to an underwriting agreement (the "Underwriting Agreement") dated as of May 2, 2002 between the Company and the Underwriters, the Company has agreed to issue and sell, and the Underwriters have agreed to purchase, as principal, 2,333,334 Units at a price of $3.00 per unit, each Unit consisting of one Common Share and one Warrant, for gross proceeds to the Company of $7,000,002, on May 22, 2002 or on such other date as the Company and the Underwriters may agree, but in any event not later than June 14, 2002, subject to compliance with all necessary legal requirements and to the terms and conditions contained in the Underwriting Agreement. The price of the Units was determined by negotiation between the Company and Griffiths McBurney & Partners. In consideration for their services, the Company has agreed to pay the Underwriters a fee equal to 6.0% of the gross proceeds of this offering and certain expenses of the Underwriters incurred in connection with this offering.

The Company has granted to the Underwriters the Underwriters' Option, exercisable until the filing of the (final) Prospectus, to acquire up to an aggregate of 1,000,000 additional Units at $3.00 per Unit. If the Underwriters' Option is exercised in full, the gross proceeds, the Underwriters' fee and the net proceeds (before deducting the expenses of this offering) to the Company will be $10,000,002, $600,000 and $9,400,002, respectively. This short form prospectus also qualifies the Common Shares and the Warrants comprising the Units issuable upon the exercise by the Underwriters of the Underwriters' Option.

The Company has agreed to indemnify the Underwriters and their directors, officers, employees and agents against certain liabilities.

The obligations of the Underwriters under the Underwriting Agreement may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Common Shares and the Warrants if any of the Common Shares and the Warrants are purchased under the Underwriting Agreement.

Subscriptions for the Common Shares and the Warrants will be received subject to rejection or allotment, in whole or in part, and the right is reserved to close the subscription books at any time without notice.

The Company has agreed with the Underwriters not to issue or announce the issuance of any Common Shares or any securities convertible into, or exchangeable for or exercisable to acquire Common Shares, in each case for a period ending 90 days after the Closing Date, without the prior written consent of Griffiths McBurney & Partners, other than pursuant to: (i) rights or agreements, including options, warrants and other convertible securities and any rights which have been granted or issued, subject to any necessary regulatory approval, which are outstanding as at the date of the Underwriting Agreement; (ii) options granted to officers, directors, employees or consultants of the Company or any subsidiary thereof pursuant to the Company’s stock option plan, which are outstanding as at the date of the Underwriting Agreement; (iii) options pursuant to the Company’s stock option plan; (iv) any acquisition of a business, whether by way of purchase by shares or assets, merger, plan of arrangement, amalgamation or otherwise; and (v) in the event that Offering closes with less than $10 million of gross proceeds, the Company maintains the right to issue additional Common Shares or some security convertible into Common Shares up to an amount which, when combined with the gross proceeds of this Offering, equals $10 million, at a price not below the Issuer Price.

Certain principal shareholders, directors and officers of the Company have agreed to execute and deliver written undertakings in favour of the Underwriters agreeing not to sell, transfer, assign, pledge or otherwise dispose of any securities of the Company owned, directly or indirectly, by such principal shareholders, directors or officers for a period of 90 days following the Closing Date.

Pursuant to the policy statements of the relevant securities commissions, the Underwriters may not, throughout the period of distribution, bid for or purchase Common Shares or Warrants. These restrictions are subject to exceptions, as long as the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in or raising the price of such securities. Exceptions include a bid or purchase permitted under the rules and requirements of the TSX relating to market stabilization and passive market-making activities and a bid or purchase made for and on behalf of a client where the order was not solicited during the period of distribution. Pursuant to the first-mentioned exception, in connection with this offering, the Underwriters may effect transactions which stabilize or maintain the market price of the Common Shares at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

The Common Shares and the Warrants have not been and will not be registered under the 1933 Act and, subject to certain exceptions, may not be offered, sold or delivered within the United States or to, or for the account or benefit of, United States persons except in transactions exempt from the registration requirements of the 1933 Act. The Underwriters have agreed that they will not offer or sell the Common Shares and the Warrants within the United States of America, except to certain institutional accredited investors in accordance with the Underwriting Agreement and in a manner exempt from the registration requirements of the 1933 Act and in compliance with applicable state securities laws. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the Common Shares and the Warrants in the United States of America. In addition, until 40 days after the commencement of the offering of the Common Shares and the Warrants pursuant to this short form prospectus, an offering or sale of the Common Shares and the Warrants within the United States of America by any dealer (whether or not participating in this offering) may violate the registration requirements of the 1933 Act if such offer or sale is made otherwise than in accordance with Rule 144A under the 1933 Act. The Common Shares and the Warrants will be restricted securities within the meaning of Rule 144(a)(3) of the 1933 Act.

The Company has applied to list the securities distributed under this short form prospectus on the TSX. Listing will be subject to the Company fulfilling all of the listing requirements of the TSX.

One of the Underwriters, CIBC World Markets Inc., is a subsidiary of a Canadian chartered bank which has made credit facilities available to a subsidiary of the Company and currently has outstanding indebtedness to one of the subsidiaries of the Company. Accordingly, the Company may be considered a connected issuer of CIBC World Markets Inc. under applicable securities legislation. Currently, the subsidiary is indebted to the bank in the amount of approximately $1,499,999 million and the indebtedness is secured against all of the assets of the subsidiary. The subsidiary is currently not in compliance with one of the financial covenants under the terms of the credit facility. The terms of this Offering were negotiated at arm's length between the Company and the Underwriters (principally by Griffiths McBurney & Partners which is an "independent underwriter" pursuant to applicable securities legislation). The bank did not have any involvement in such determinations. CIBC World Markets Inc. will not receive any benefit in connection with the Offering other than its portion of the fees payable by the Company on the issue price of the Units sold to the Underwriters.

USE OF PROCEEDS

The net proceeds to the Company from this offering are estimated to be $6,280,002 (or, if the Underwriters' Option is exercised in full, $9,280,002), after deducting the Underwriters' fee and the other expenses of this offering estimated, in the aggregate, to be $720,000. The net proceeds of this offering will be used by the Company to fund expansion and for general corporate purposes. In addition, the Company may use a portion of the net proceeds to acquire or invest in one or more new technologies, products or businesses that expand or complement or are otherwise related to the Company's business and products. Although the Company evaluates potential acquisition and investment opportunities on an ongoing basis, the Company has no present agreements or commitments with respect to any such transactions. The Company's actual use of the net proceeds may vary depending upon the Company's operating and capital needs from time to time.

CAPITALIZATION

Since December 31, 2001, the Company has issued: (i) 196,542 Common Shares upon the exercise of previously issued stock options for aggregate consideration of $442,487; (ii) 10,836 Common Shares under the Company's Employee Share Purchase Plan for aggregate consideration of $37,546; and (iii) 2,743,836 Common Shares on the acquisition of EFA International for aggregate consideration of $10,508,892.

The following table sets forth the capitalization of the Company as at December 31, 2001: (i) on an actual basis; (ii) on a *pro forma* basis to reflect the issue of 2,333,334 Units for gross proceeds of $7,000,002; and (iii) on a *pro forma* basis to reflect the exercise of the Underwriters' Option in full and the issue of 3,333,334 Units for gross proceeds of $10,000,002. This table should be read in conjunction with the Company's Consolidated Financial Statements and the notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations incorporated by reference in this short form prospectus.

	December 31, 2001		
	Actual	**Pro Forma (if Underwriters' Option is not exercised)** (unaudited)	**Pro Forma (if Underwriters' Option is exercised in full)** (unaudited)
Debt			
Obligations under capital leases	$ 863,016	$ 863,016	$ 863,016
Convertible Debentures(1)	16,184,616	16,184,616	16,184,616
Total Debt	17,047,632	17,047,632	17,047,632
Shareholders' Equity			
Common Shares: without par value; unlimited authorized;	100,380,917	106,447,585	109,047,585
(number)	29,770,743	32,104,077	33,104,077
Warrants(2)	–	933,334	1,333,334
Equity component of Convertible Debentures	3,532,079	3,532,079	3,532,079

	December 31, 2001		
	Actual	Pro Forma (if Underwriters' Option is not exercised) (unaudited)	Pro Forma (if Underwriters' Option is exercised in full) (unaudited)
Cumulative foreign exchange translation adjustment	236,758	236,758	236,758
Deficit	(63,780,619)	(63,780,619)	(63,780,619)
Total Shareholders' Equity	40,369,135	47,369,137	50,369,136
Total Capitalization	$ 57,416,767	$ 64,416,769	$ 67,416,769

Notes:
(1) See note 10 to the December 31, 2001 Audited Consolidated Financial Statements of the Company, incorporated by reference.
(2) Both the underwriters fee of $420,000 or $600,000, respectfully, and the estimated expenses of this Offering have been excluded from the table above.
(3) See "Recent Developments – Purchase of EFA International Inc."
(4) See note 11(d), (e) and (f) to the December 31, 2001 Audited Consolidated Financial Statements of the Company, incorporated by reference.

DIVIDEND POLICY

Neither the Company nor any of 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 and has no current plans to pay any dividends on the Common Shares.

RISK FACTORS

The following risk factors, as well as the other information contained in this short form prospectus, should be considered carefully. These risk factors could materially and adversely affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

Limited Operating History; Anticipated Losses

The Company effectively commenced operations in October 1998 through the Company's predecessor company, e-Net Financial Services (Canada) Inc. Accordingly, the Company has only a limited operating history upon which an evaluation of the Company and the Company's prospects can be based. The Company has accumulated net losses of approximately $63.8 million as of December 31, 2001, primarily attributable to expenses related to the establishment of an e-commerce technology solutions business. Although the Company anticipates increases in revenues, net losses are anticipated for the foreseeable future. Expenses 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 technology solutions business, acquisitions and marketing activities. The Company's success will ultimately depend on the Company's ability to generate positive cash flow from its e-commerce technology solutions businesses, such that the Company's 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 technology solutions business will be sufficient to raise the required funds to continue the development of its business and marketing activities.

Success of Business Plan

The Company anticipates incurring additional costs to fund the continued development of the Company's e-commerce technology solutions software and increased marketing initiatives, additional strategic alliances and acquisitions and 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 products to customers in the Capital Markets around the world. The Company's revenue model has not yet generated net income. The Company must develop and market its Lending Solutions technologies, its Data Warehousing and Analytics technologies and services and its Capital Markets technologies to achieve broad market acceptance in a timely manner. It is possible that the Company will be required to further adapt the Company's business model in response to additional changes in mortgage lending, and trading and clearing technologies, or if the Company's current business model is not successful. If the Company's technology development is delayed, if current e-commerce lending and data analytics technology solutions, trading clearing and settlement technologies, or automated valuation services are 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.

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 the Company's growth, the Company must expand the Company's operational and technical capabilities and manage the Company's 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 the Company's expanding operations effectively. Any failure 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 anticipates that it will continue 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 the Company 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.

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 Company's limited operating history;
- acquisitions;
- the pace of development of the market for e-commerce technology solutions;
- changes in pricing policies by the Company or the Company's competitors;
- changes in the level of marketing and other operating expenses to support future growth;
- seasonal trends;
- changes in demand;
- revenue recognition with respect to the sale of software license products;
- delays in product and technology introduction resulting from unexpected problems or market factors;
- 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 the Common Shares and the Warrants.

Future Capital Needs; Uncertainty of Additional Financing

The Company currently anticipates that the net proceeds it will receive from this offering will be sufficient to meet its presently anticipated working capital and capital expenditure requirements. 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 financings, 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 holders of Common Shares 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 the Company's business, take advantage of future opportunities 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

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, automated valuation and capital markets industries. 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 technology solutions 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 various product offerings may currently, or at any time in the future, have more attractive features and functionality. If customers 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 solutions company will be commercially successful over the long-term due to the concentration of the industry.

Limited Market Size for Fixed Income and Mortgage Products

The arrangement the Company has entered into with CanDeal.ca Inc. ("CanDeal") involves most of the major Canadian investment banks. If that arrangement is not successful, it would be difficult for the Company to market the fixed income platform further in Canada as there are a very limited number of other potential customers. If the Capital Markets group takes the fixed income platform to markets outside Canada, this may require substantial customization expenditures. The Company's mortgage products also have a limited distribution potential because of the limited number of Canadian financial institutions that can use the Company's products on a scale which will contribute sufficient revenues to the Company to offset the corresponding costs.

Attracting and Integrating Financial Institutions and Intermediaries

The success of the Company's e-commerce lending technology solutions, data warehousing and analytics solutions automated property valuation services, and trading and settlement solutions depends on the Company's ability to attract and retain a comprehensive group of financial institutions and intermediaries to service business-to-business and consumer needs across a wide array of product lines and geographic locations. Integration of a financial institution into the Company's e-commerce technology solutions requires a significant commitment of time and resources on the part of the financial institution and the Company. Potential financial institutions 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 financial institutions into the Company's e-commerce technology solutions. A failure to integrate could limit the variety of products and services that the Company can offer to the Company's existing customers, which, in turn, may be lost to other competitors. Any failure to attract or integrate financial institutions and intermediaries could have a material adverse effect on the Company's business, results of operation and financial condition.

Fluctuations in Interest Rates

A significant portion of the Company's revenue is associated with mortgage procurement transactions through its Lending technology solutions and automated property valuation services. During periods of rising interest rates, slower growth or a decline in mortgage procurement transactions or automated property valuation services may occur. The Company expects that, as the Company's 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 to assess the impact of seasonal effects on its business or the effects of a broad range of interest rate environments.

Risks of the Internet as a Medium for Commerce

Use of the Internet by financial institutions and other financial services industry participants is still 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 the Company's ability to 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 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) 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 or regulated the use of the Internet. However, the legal and regulatory environment that pertains to the Internet may change. New laws and regulations, or new interpretations of existing laws and regulations, could impact the Company directly by regulating the Company's 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 the Company's clients from obtaining 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 and 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 the Company's services would be limited and the Company's business, results of operations and financial condition could be adversely affected.

Access to and Use of Data

To date, on-line companies and companies in the financial services industry have had access to data, 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 such data will not be introduced. If so, the Company's ability to carry on the Company's business may be materially adversely affected.

Basis100 Corporation, one of the Company's subsidiaries, relies on data obtained electronically from three data suppliers. If any of these data suppliers cease obtaining and providing such data, or fail to provide the Company with such data in a timely fashion, the Company's ability to carry on the Company's business may be materially adversely affected.

Strategic Relationships

The Company depends on establishing and maintaining relationships with a large number of industry participants. The loss of strategic relationships or the failure to establish additional ones would materially reduce the Company's revenue. Basis100 has strategic relationships with BEA Systems, Inc., General Electric Mortgage Insurance Corporation Residential Funding Corporation ("GMAC RFC"), INVIS Inc., Q9 Networks Inc., CanDeal, the Mortgage Alliance Company of Canada and most of the Canadian chartered banks (especially in the fixed income trading solution business). Any failure to maintain these relationships could have a material adverse effect on the Company's business, results of operation and financial condition.

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. 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.

Rapid Technological Change

To remain competitive, the Company must continue to enhance and improve the responsiveness, functionality and features of the Company's e-commerce technology solutions. The Company's industry is 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 the Company's existing services, develop new services and technology that address the increasingly sophisticated and varied needs of the Company's 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 e-commerce technology solutions 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 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, results of operations and financial condition could be materially adversely affected.

Security Risks

Despite the Company's implementation of network security measures similar to most of the Company's competitors, the Company's 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 customers. 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.

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 the Company's 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, results of operation and financial condition.

In addition, third parties host some of the Company's applications. 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 adverse effect on the Company's business, results of operation and financial condition.

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 the Company 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, results of operation and financial condition 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, the Company's 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 the Company's intellectual property from third parties such as Cebra Inc. (or its successor) and GMAC RFC. The loss of any of these licences could have a material adverse effect on the Company's business, results of operations and financial condition.

Dependence on Key Personnel

The Company's business 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, Joseph Murin, Lance McIntosh, and Stephen Schrump. The loss of their services could have a material adverse effect on the Company's business. While the Company maintains key person insurance on some of these key individuals, there can be no assurance that this insurance can be renewed or maintained by the Company on favourable terms, if at all. Any inability the Company may have in renewing or maintaining key person insurance could have a material adverse effect on the Company's business, results of operation and financial condition.

Internal Resistance to Change

One of the major competitors for the lending solutions business unit is the customer's internal groups that have designed and managed the processes and systems that technology products automate and improve. Resistance to change and the requirement for many of customers to undergo a change management process as part of adopting technology solutions may delay or have an adverse impact on our ability to deploy our technology product solutions.

Need to Attract and Retain Qualified Personnel

The Company's success depends to a significant extent on the Company's 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 expansion in e-commerce technology solutions, 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, results of operation and financial condition.

Ability to Service Debt

The ability of the Company to make scheduled payments under its present and future indebtedness will depend on, among other things, the future operating performance of the Company and its ability to refinance the indebtedness when necessary. Each of these factors is to a large extent subject to economic, financial, competitive, regulatory and other factors, many of which are beyond the Company's control. In addition, future borrowings may be subject to covenants which limit the Company's operating and financial flexibility.

Adverse Consequences of Financial Leverage

Total liabilities of the Company, on a consolidated basis as at December 31, 2001, were approximately $21 million. The level of the Company's indebtedness could have important consequences to holders of the Company's securities, including the following: (i) the ability of the Company to obtain additional financing in the future for capital expenditures could be restricted; (ii) cash flow from operations dedicated to the payment of the principal of, and interest on, its indebtedness will not be available for other purposes; (iii) the Company's flexibility in planning for, or reacting to, changes to its business and market conditions could be restricted; (iv) the Company may in the future become more highly leveraged than certain of its competitors, which might place the Company at a competitive disadvantage; and (v) the Company could be more vulnerable in the event of a downturn in its business.

Foreign Exchange Risk

The Company carries on a significant portion of its business in the United States and the majority of its sales outside of Canada are made in United States dollars. Any weakening in the value of the United States dollar against the Canadian dollar would result in lower revenues and operating margins for the Company when stated in Canadian dollars. The Company does not engage in hedging activities.

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 have experienced fluctuations unrelated or disproportionate to the operating performance of those companies. These broad market fluctuations could depress the market price of the Common Shares.

LEGAL MATTERS

Certain legal matters relating to the issue and sale of the Units will be passed upon on behalf of the Company by Fraser Milner Casgrain LLP and on behalf of the Underwriters by Wildeboer Rand Thomson Apps & Dellelce, LLP. As of the date of this short form prospectus, the partners and associates of Fraser Milner Casgrain LLP and Wildeboer Rand Thomson Apps & Dellelce, LLP, as a group, own beneficially, directly or indirectly, less than 1%, respectively, of the Common Shares.

LEGAL PROCEEDINGS

EFA Software Service Ltd. ("EFA Software"), a subsidiary of the Company, is involved in a lawsuit with respect to alleged infringement of third party intellectual property. EFA Software has counter-claimed, seeking damages from the third party. EFA Software has proposed a settlement to the third party and settlement negotiations are on-going. A settlement amount is provided for in: i) the consolidated balance sheet of EFA International for the year ended June 30, 2001; and, ii) the unaudited Pro Forma Consolidated Balance Sheet of EFA International as at

December 31, 2001 that forms part of the Pro Forma Consolidated Balance Sheet for Basis100, both of which are separately disclosed in this prospectus.

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

AUDITORS, TRANSFER AGENT AND REGISTRAR

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 and the Warrants is CIBC Mellon Trust Company at its principal office in Toronto, Ontario.

PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

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.

PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS OF
BASIS100 INC.

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, 2001, and the pro forma consolidated statement of operations for the year ended December 31, 2001, which have been prepared for inclusion in the Short Form Prospectus relating to the sale and issuance of Units, each Unit consisting of One Common Share and One Share Purchase Warrant. In our opinion, the pro forma consolidated balance sheet and the pro forma consolidated statement of operations have been properly compiled to give effect to the transactions and assumptions described in notes thereto.

Toronto, Canada
May 6, 2002

●
Chartered Accountants

PRO FORMA CONSOLIDATED BALANCE SHEET OF BASIS100 INC.
(December 31, 2001 (unaudited) see compilation report)

	Basis100 Inc. (audited)	EFA International Inc. (unaudited)	Pro Forma Investment	Pro Forma Adjustments	Pro Forma Consolidated
ASSETS					
CURRENT					
Cash and short-term investments	$23,953,796	$ –	$ (7,409,993)	$ (4,631,925)	$ 11,911,878
Accounts receivable	5,793,102	4,520,476	–	–	10,313,578
Work in progress	–	732,096	–	–	732,096
Prepaid expenses and other	398,825	539,090	–	–	937,915
	30,145,723	5,791,662	(7,409,993)	(4,631,925)	23,895,467
INVESTMENTS	1,244,124	24,001	17,918,885	(17,918,885)	$ 1,268,125
OTHER ASSETS	429,292	391,238	–	–	820,530
FIXED ASSETS	5,515,987	1,083,812	–	–	6,599,799
FUTURE INCOME TAX ASSETS	1,745,210	–	–	–	1,745,210
INTANGIBLE ASSETS	21,078,286	2,338,699	–	22,038,202	45,455,187
DEFERRED FINANCING COSTS	1,201,764	–	–	–	1,201,764
	$61,360,386	**$ 9,629,412**	**$ 10,508,892**	**$ (512,608)**	**$ 80,986,082**
LIABILITIES					
CURRENT					
Operating line of credit	$ –	$ 4,631,925	$ –	$ (4,631,925)	$ –
Accounts payable and accrued liabilities	3,071,452	4,666,211	–	–	7,737,663
Deferred revenue	872,167	2,038,169	–	–	2,910,336
Demand term loan	–	1,611,110	–	–	1,611,110
Current portion of obligations under capital leases	639,386	322,499	–	–	961,885
	4,583,005	13,269,914	–	(4,631,925)	13,220,994
OBLIGATIONS UNDER CAPITAL LEASES	223,630	95,577	–	–	319,207
OTHER LONG TERM LIABILITIES	–	383,238	–	–	383,238
CONVERTIBLE DEBENTURES	16,184,616	–	–	–	16,184,616
	20,991,251	13,748,729	–	(4,631,925)	30,108,055
SHAREHOLDERS' EQUITY					
Share capital	100,380,917	3,719,226	10,508,892	(3,719,226)	110,889,809
Warrants	–	–	–	–	–
Equity component of convertible debentures	3,532,079	–	–	–	3,532,079
Cumulative foreign exchange translation adjustment	236,758	88,987	–	(88,987)	236,758
Deficit	(63,780,619)	(7,927,530)	–	7,927,530	(63,780,619)
	40,369,135	(4,119,317)	10,508,892	4,119,892	50,878,027
	$61,360,386	$ **9,629,412**	**$ 10,508,892**	**$ (512,608)**	**$ 80,986,082**

See notes to the pro forma consolidated financial statements.

PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS OF BASIS100

(Year ended December 31, 2001 (unaudited) see compilation report)

	Basis100 Inc. (audited)	EFA International Inc. (unaudited)	Adjustments	Pro Forma Consolidated
REVENUE	$ 28,306,332	$ 15,114,158	$ –	$ 43,420,490
COST OF REVENUE	2,329,904	2,027,680	–	4,357,584
GROSS MARGIN	25,976,428	13,086,478	–	39,062,906
EXPENSES:				
Research and development	$ 9,451,997	$ 6,214,449	$ –	$ 15,666,446
Selling and marketing	5,764,634	3,607,508	–	9,372,142
General and administrative	5,938,817	3,842,444	–	9,781,261
Customer support services	5,727,049	9,375,928	–	15,102,977
Restructuring	515,033	–	–	515,033
	27,397,530	23,040,329	–	50,437,859
LOSS BEFORE DEPRECIATION, AMORTIZATION AND OTHER OPERATING EXPENSES	(1,421,102)	(9,953,851)	–	(11,374,953)
Depreciation and amortization	13,126,014	726,899	6,321,106	20,174,019
Write-down of intangible assets and investments	440,492	1,696,259	–	2,136,751
Gain on disposition of business	–	(1,711,831)	–	(1,711,831)
Loss on disposal of fixed assets	14,029	–	–	14,029
Provision for settlement	–	250,000	–	250,000
Interest expense	178,985	882,635	–	1,061,620
Interest earned	(193,855)	(37,355)	–	(231,210)
LOSS BEFORE INCOME TAXES	(14,986,767)	(11,760,458)	(6,321,106)	(33,068,331)
INCOME TAX BENEFIT (note 12)	–	(242,425)	–	(242,425)
NET LOSS	(14,986,767)	(11,518,033)	(6,321,106)	(32,825,906)
BASIC LOSS PER SHARE	$ (0.51)	Note 3		$ (1.02)
BASIC WEIGHTED AVERAGE NUMBER OF SHARES	29,581,687	Note 4	2,743,836	32,325,523

See notes to the pro forma consolidated financial statements.

1. Basis of Presentation

The pro forma consolidated balance sheet and statement of operations for the year ended December 31, 2001 have been prepared by Basisl00 Inc.'s ("Basisl00") management based on the following financial statements which have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"):

(a) The audited consolidated financial statements of Basis100 for the year ended December 31, 2001 incorporated by reference in this short form prospectus; and

(b) The unaudited consolidated balance sheet and statement of operations of EFA International Inc. ("EFA") for the 12 months ended December 31, 2001.

The acquisition of EFA has been accounted for using the purchase method of accounting.

The pro forma consolidated balance sheet and statement of operations should be read in conjunction with the notes thereto included in the following pages and the historical consolidated financial statements of Basis100 and the consolidated financial statements incorporated by reference of EFA 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

The pro forma balance sheet gives effect to the EFA purchase as if it had occurred on December 31, 2001. The pro forma consolidated statement of operations gives effect to the above purchase as if it had occurred on January 1, 2001.

The pro forma consolidated balance sheet and statement of operations gives effect to the following:

(a) The purchase price included cash consideration of $6,373,520, the issuance of 2,743,836 common shares with a value of $10,508,892, plus acquisition costs of $1,036,473. In addition, Basisl00 may be required to issue up to 6,502,200 additional shares, based on EFA achieving revenue and earnings before interest, taxes, depreciation and amortization ("EBITDA") performance targets over the next two fiscal years.

(b) The assets and liabilities, acquired on January 15, 2002 were as follows:

Current assets	$ 8,230,997
Fixed assets	1,076,158
Other long term assets	415,239
	9,722,394
Current liabilities	15,862,186
Demand term loan	1,611,110
Other long term liabilities	489,744
Net tangible liabilities acquired, at fair value	(8,240,646)
Software	6,639,000
Contracts	2,655,000
Goodwill	16,865,531
Purchase price	17,918,885

The estimates of intangibles allocation are preliminary, subject to change.

Goodwill recorded on the Pro Forma Consolidated Balance Sheet was reduced by $1,782,360 as compared to the goodwill allocated at January 15, 2001 purchase price equation. The reduction was due to the difference between the net liabilities acquired on January 15, 2002 as compared to December 31, 2001.

(c) The aggregate value of the consideration to be paid for EFA (including estimated acquisition costs) plus the book value of the net identifiable liabilities total $26,159,531. The pro forma consolidated statement of operations reflects the amortization of the intangibles on the acquisition of EFA of $6,321,106 (Note 4) for the year ended December 31, 2001.

(d) The pro forma consolidated balance sheet reclassified the operating line to cash as the pro forma entity had sufficient cash available to pay off the operating line of EFA.

(e) The pro forma consolidated statement of operations and balance sheet reflects certain reclassification entries to disclose information for EFA on a basis consistent with the consolidated financial statements of Basisl00.

3. Pro Forma Earnings per Share

As EFA was a privately held company prior to the date of acquisition, earnings per share information for EFA 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:

Intanigible	Amortization Period	Amount	Amortization
Software	3 years	$ 6,639,000	$ 2,213,000
Contracts	3 to 5 years	2,655,000	645,000
Goodwill	5 years	16,865,531	3,373,106
		$ 26,159,531	$ 6,231,106

Effective January 1, 2002, goodwill will no longer be amortized but will be subject to an annual impairment test.

CONSOLIDATED FINANCIAL STATEMENTS OF
EFA INTERNATIONAL INC.
for the Year ended June 30, 2001

AUDITORS' REPORT

To the Shareholders of
EFA International Inc.

We have audited the consolidated balance sheet of EFA International Inc. as at June 30, 2001 and the consolidated statements of operations and retained earnings (deficit) and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

●
Chartered Accountants

Calgary, Canada
October 31, 2001, except for note 13
which is at January 15, 2002

EFA INTERNATIONAL INC.
Consolidated Balance Sheet

Year ended June 30, 2001, with comparative figures for 2000

	2001	2000
Assets		
Current assets:		
Cash	$ –	$ 203,445
Accounts receivable	9,791,566	5,608,822
Income taxes recoverable	64,713	–
Prepaid expenses and deposits	251,523	393,652
	10,107,802	6,205,919
Capital assets (note 4)	1,157,995	518,270
Long-term investments (note 5)	250,000	257,000
Intellectual property	594,725	660,805
Goodwill	2,214,028	–
	$ 14,324,550	$ 7,641,994
Liabilities and Shareholders' Equity		
Current liabilities:		
Operating loans (note 6)	$ 2,155,416	$ –
Contract financing (note 6)	1,883,093	–
Demand loan (note 6)	2,055,819	150,000
Accounts payable and accrued liabilities	2,708,248	1,234,124
Current income taxes payable	186,219	99,278
Bonuses payable	289,746	565,000
Deferred revenue	3,157,023	767,088
Current portion of due on acquisition of subsidiary	200,000	150,000
Current portion of a capital lease (note 6)	363,976	–
	12,999,540	2,965,490
Deferred tenant inducements	33,328	73,312
Provision for settlement	250,000	–
Capital lease (note 6)	241,834	–
Due on acquisition of subsidiary	354,223	510,805
Shareholders' equity:		
Share capital (note 7)	3,655,050	3,242
Cumulative translation adjustment	72,904	11,980
Retained earnings (deficit)	(3,282,329)	4,077,165
	445,625	4,092,387
Liquidity and financing requirements (note 11)		
Commitments and contingencies (note 12)		
Subsequent events (note 13)		
	$ 14,324,550	$ 7,641,994

See accompanying notes to consolidated financial statements.

EFA INTERNATIONAL INC.
Consolidated Statement of Loss and Deficit

Year ended June 30, 2001, with comparative figures for 2000

	2001	2000
Revenue:		
Programming services and software sales	$ 14,306,127	$ 12,756,062
Maintenance and other	2,914,219	2,383,840
Third party hardware and software sales	35,082	834,640
	17,255,428	15,974,542
Cost of revenue	12,190,111	7,313,148
Gross margin	5,065,317	8,661,394
Expenses:		
Operating	4,246,769	2,008,242
General and administrative	3,951,128	2,519,257
Sales and marketing	1,566,802	1,176,857
Depreciation and amortization	544,295	203,180
Interest and bank charges	216,082	146,601
Foreign exchange gain	(41,826)	(200,845)
	10,483,250	5,853,292
(Loss) earnings from operations	(5,417,933)	2,808,102
Other items:		
Management fees and bonuses	313,693	583,562
Loss on disposal of capital assets	–	8,010
Write-down of investment (note 5)	1,470,260	–
Provision for settlement (note 12)	250,000	–
	2,033,953	591,572
(Loss) earnings before income taxes	(7,451,886)	2,216,530
Income tax expense (recovery):		
Current (note 9)	(92,392)	251,882
Net (loss) earnings	(7,359,494)	1,964,648
Retained earnings, beginning of year	4,077,165	2,112,517
Retained earnings (deficit), end of year	$ (3,282,329)	$ 4,077,165
(Loss) earnings per share:		
Basic	$ (1.12)	$ 0.31

See accompanying notes to consolidated financial statements.

EFA INTERNATIONAL INC.
Consolidated Statement of Cash Flows

Year ended June 30, 2001, with comparative figures for 2000

	2001	2000
Cash (used in) provided by:		
Operations:		
Net (loss) earnings	$ (7,359,494)	$ 1,964,648
Items not affecting cash:		
Depreciation and amortization	544,295	203,180
Deferred charges	–	125,000
Foreign exchange	60,919	(47,046)
Loss (gain) on disposal of capital assets	(20,000)	8,010
Deferred tenant inducement	(39,984)	(39,984)
Sale of intellectual property for shares	–	(250,000)
Share acquisition	(422,625)	–
Write-down of investment	1,477,260	–
Changes in non-cash operating working capital items:		
Accounts receivable	(4,182,766)	(2,609,790)
Prepaid expenses and deposits	142,128	(259,192)
Provision for settlement	250,000	–
Accounts payable and accrued liabilities	1,364,106	193,384
Bonuses payable	(275,254)	348,568
Deferred revenue	2,389,934	(171,752)
Income taxes receivable	(64,708)	–
Income taxes payable	86,941	72,450
	(6,049,248)	(462,524)
Financing:		
Repayment of capital lease liability	(115,022)	–
Operating loans	2,155,416	–
Long-term debt	(106,582)	(275,000)
Sale of shares	–	242
Contract financing	1,883,093	–
Sale of special warrants	1,450,000	–
Acquisition loan	2,015,835	–
	7,282,740	(274,758)
Investments:		
Purchase of capital assets	(317,108)	(285,404)
Proceeds on sale of capital assets	20,000	17,000
Purchase of long-term investments	(1,047,635)	–
Purchase of subsidiary, net of cash acquired	(92,194)	–
	(1,436,937)	(268,404)
Net cash outflow	(203,445)	(1,005,686)
Cash position, beginning of year	203,445	1,209,131
Cash position, end of year	$ –	$ 203,445
Cash taxes paid	$ –	$ 180,991
Cash interest paid	$ 187,578	$ 108,620

See accompanying notes to consolidated financial statements.

EFA International Inc. (the "Company") is a Canadian controlled private company incorporated under the Business Corporations Act (Alberta). The Company develops, installs, and provides a full range of application support and industry consulting services to domestic and international clients. The Company also provides programming, consulting services, computer hardware and software to the AS400 and personal computer market.

1. Liquidity and financing requirements:

The Company has made a significant investment in the development of new products and in infrastructure to support business expansion as contemplated in its strategic business plan. As a result, the Company incurred significant operating losses in 2001 and its working capital was depleted. Furthermore, as explained in note 6, the Company has failed to comply with two of the covenants contained within its funding agreement. While the lender has advised the Company that they do not intend to take action as a result of this breach, the Company recognizes the need to renegotiate this agreement or to secure additional financial resources to ensure that the covenants are complied with in future.

The Company intends to continue to finance growth and operations primarily through cash from the disposition of non-strategic assets, equity offerings and short-term borrowings as required. The Company is currently in negotiations with various parties to provide the financing required to execute its strategic business plan. There is no assurance that the Company will be able to obtain the additional financial resources required.

These financial statements have been prepared on the going concern basis which assumes the realization of its assets and discharge of its liabilities in the normal course of business. The application of the going concern basis is dependent upon the Company's ability to generate cash flow from operations or to raise sufficient equity and debt financing. Should the going concern basis be inappropriate, adjustments would be required to record assets and liabilities and reported revenues and expenses.

2. Significant accounting policies:

The financial statements are stated in Canadian dollars and have been prepared using the historical cost basis in accordance with accounting principles generally accepted in Canada ("Canadian GAAP").

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues and expenses during the reporting period. Actual results could differ from those estimated.

These financial statements have, in the opinion of management, been properly prepared within the framework of the accounting policies summarized below.

(a) Principles of consolidation:

These consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned.

2. Significant accounting policies (continued):

(b) Revenue:

The Company follows the American Institute of Certified Public Accountants' Statement of Position (SOP) 97-2 with respect to software revenue recognition.

Revenue from contracts involving integrated programming services and software installation is recognized following contract accounting using contract milestones as a measure of work accomplished. Revenue from provision of services, including maintenance, is recognized as services are provided.

(c) Capital assets:

Capital assets are recorded at cost and are depreciated at the following annual rates:

Assets	Method
Furniture and fixtures	20% declining balance
Computer equipment	30% declining balance
Computer software	50% declining balance
Leasehold improvements	Straight-line over term of leases

During the year the Company revised its estimate of the useful life of intellectual property from 5 years to 10 years. No charges to prior periods have been made as a result of this change.

(d) Intangible assets:

Intellectual property represents the value of proprietary "know-how" which was technologically feasible as of the acquisition date, and is charged to earnings on a straight-line basis over its estimated useful life of ten years.

Goodwill represents the excess of the purchase price over the fair values of the identifiable net assets of the Company's subsidiaries and is amortized on a straight-line basis over its estimated useful life of ten years.

When events and circumstances warrant a review, the Company evaluates the carrying value of acquired technology and goodwill for potential permanent impairment. In order to determine if such a permanent impairment exists, the carrying value of acquired technology less related future income taxes is compared to the undiscounted expected future after-tax cash flows of each project; and the carrying value of goodwill is compared to the financial condition and the present value of the expected future earnings before tax of the related operations. A permanent impairment in these intangibles assets is written off against earnings in the year that such impairment becomes evident.

(e) Deferred tenant inducements:

Tenant inducements represents leasehold improvements paid for by the landlord and reduced rental payments. Deferred tenant inducements are amortized on a straight-line basis over the term of the lease.

2. Significant accounting policies (continued):

(f) Income taxes:

The Company follows the liability method of accounting for income taxes. Under this method, future income tax liabilities and future income tax assets are recorded based on temporary differences – the differences between the carrying amounts of assets and liabilities in the consolidated balance sheet and their tax bases.

(g) Foreign currency translation:

The Company uses the current rate method of foreign currency translation to translate the accounts of its foreign subsidiaries. The resulting unrealized gains or losses are deferred and included in shareholders' equity until there is a reduction in the net investment in a foreign operation.

(h) Stock-based compensation plans:

The Company has a stock-based compensation plan, which is described in note 7(c). No compensation expense is recognized under this plan when stock options are granted. Consideration paid on exercise of stock options is credited to share capital.

(i) Per share amounts:

At June 30, 2001, the Company retroactively adopted new standards for earnings per share calculations under which diluted earnings per share is calculated using the treasury stock method. This method assumes that the proceeds from the exercise of share options are used to repurchase outstanding shares of the Company. As no market exists for granted options, the Company has excluded these from the calculation of diluted earnings per share.

(j) Cash and cash equivalents:

All highly liquid investments with original maturities of three months or less are classified as cash and cash equivalents. The fair value of cash and cash equivalent approximates the amounts shown in the financial statements.

3. Business acquisitions:

(a) Acquisition of ADR Management Ltd.:

On April 5, 2001 the Company acquired all of the outstanding share capital of ADR Management Limited ("ADR") for a total purchase price of $4,109,483. ADR is a company incorporated under the laws of England and Wales, and is engaged in the provision of consulting services.

The acquisition has been accounted for in the consolidated financial statements using the purchase method whereby operations of the acquired businesses are included in the consolidated statements of earnings and retained earnings from the date of acquisition. The following is a summary of the transaction:

3. Business acquisitions (continued):

(a) Acquisition of ADR Management Ltd. (continued):

Net assets acquired:	
Current assets	$2,497,809
Current liabilities	(682,356)
Capital assets	5
Goodwill	2,294,025
	$4,109,483
Consideration paid:	
Cash	$1,826,598
Issuance of 352,293 Class A common shares	2,201,808
Acquisition costs	81,077
	$4,109,483

150,983 of the Class A common shares issued are to be held in escrow and will be released to the vendors in stages during the period from June 30, 2001 until June 30, 2004. The Company has agreed to issue a further 150,983 Class A common shares to the vendors provided certain agreed revenue targets are met in the period between July 1, 2001 and June 30, 2004. If issued these shares will be accounted for as additional costs of acquisition at the date of issuance.

The Company has also granted the vendors of ADR the option to repurchase the entire share capital of ADR in the event that the Company is unable to continue in business or if a creditor takes a charging or garnishee order over a material part of the Company's assets. This option will cease if the shares of the Company are listed on a recognized stock exchange prior to its exercise.

(b) Acquisition of 531633 Alberta Ltd.:

On May 1, 2000, the Company acquired all of the issued and outstanding shares of 531633 Alberta Ltd. ("531633"), a company in the business of developing accounting software for use in the petroleum and natural gas industry. The acquisition has been accounted for by the purchase method of accounting. Under the terms of the purchase agreement, the Company has made a payment of $150,000 on July 1, 2000 and will make payments of $200,000 on each of July 1, 2001, 2002, and 2003. These future payments have been discounted to present value for a purchase price of $660,805. As there were no tangible assets in 531633, the entire purchase price has been allocated to Intellectual Property, which will be amortized on a straight-line basis over its estimated useful life of 5 years. Pursuant to the share purchase agreement, certain contingent consideration, in the form of cash, is payable to the vendor with the occurrence of certain specified events in the future. Any additional consideration paid under the terms of the agreement will be accounted for as additional intellectual property. To June 30, 2001, no additional consideration has been paid. On November 30, 2001 additional consideration of $380,384 was determined (see note 13).

4. Capital assets:

June 30, 2001	Cost	Accumulated Depreciation	Net Book Value
Furniture and fixtures	$ 286,164	$ 112,830	$ 173,334
Computer equipment	1,163,139	373,244	789,895
Computer software	479,770	398,196	81,574
Leasehold improvements	328,782	215,590	113,192
	$ 2,257,855	$ 1,099,860	$ 1,157,995
June 30, 2000			
Furniture and fixtures	$ 189,277	$ 94,756	$ 94,521
Computer equipment	375,797	264,634	111,163
Computer software	432,960	233,670	199,290
Leasehold improvements	279,896	166,600	113,296
	$ 1,277,930	$ 759,660	$ 518,270

Computer equipment includes assets with a net book value of $605,761 (2000 - $nil) which are held under capital leases.

5. Long-term investments:

During the year the Company provided cash and services to a customer in return for an investment amounting to $1,470,260. Subsequent to the completion of these transactions the Company reviewed the carrying value of the investment and determined that it was impaired. As a result of this impairment the amount of the investment was written-off during the year.

6. Loans, contract financing and capital leases:

(a) Long-term demand loan:

	2001	2000
Bank demand loan, bearing interest at bank prime lending rate plus 2.5%, repayable in 36 monthly instalments of $55,556, due June 30, 2004. Secured by the assets of the Company under a general security agreement	$ 2,055,819	$ –
Bank demand loan bearing interest at bank prime lending rate plus 4%, repayable in 12 monthly instalments of $12,500, due June 30, 2001. Secured by the assets of the Company under a general security agreement	–	150,000
	$ 2,055,819	$ 150,000

	2001	2000
Repayment Schedule:		
2001	$ 722,475	$ –
2002	666,672	150,000
2003	666,672	–

6. Loans, contract financing and capital leases (continued):

(a) Long-term demand loan (continued):

At June 30, 2001, the Company has not complied with two covenants contained within the funding agreement with the primary lender. The lender is aware of this failure to comply and has advised the Company that they do not intend to take immediate action, but reserve their right to demand repayment of the demand loan. Accordingly, the Company has classified the full amount of the demand loan as a current liability.

(b) Operating loans and contract financing:

The Company has a revolving demand loan in the amount of $5,000,000. Two amounts have been drawn against this facility at June 30, 2001. These amounts comprise a demand operating loan of $2,155,416 bearing interest at 1% to 2% above the bank's prime rate, depending on the Company's debt to equity ratio, and a demand contract financing loan of $1,883,093 bearing interest at 10%. This loan is repayable on demand and is used to finance specific customer implementation projects. Security for both of these loans is provided by all of the Company's assets under a general security agreement.

Interest of $107,814 (2000 - $108,620) related to long-term and obligations under capital lease is included in interest and bank charges.

(c) Capital leases:

The Company has entered into capital lease obligations for computer and office equipment. The leases are secured by chattel mortgages on the assets to which they relate. Future minimum lease payments are as follows:

2002	$381,465
2003	254,582
Total minimum lease payments	636,047
Less future financing charges	30,237
Balance of lease obligations	605,810
Less current portion	363,976
	$241,834

7. Share capital:

(a) Authorized

Unlimited number of Class A common voting shares.
Unlimited number of Class B common shares.
Unlimited number of Class C, D, E and F preferred shares.

7. Share capital (continued):

(b) Issued

	Number of Shares	Amount
Class A common shares issued:		
Balance, June 30, 2000	6,491,996	3,242
Issued on acquisition of subsidiary	352,293	2,201,808
Balance, June 30, 2001	6,844,289	2,205,050
Special Warrants issued (i)	90,707	1,450,000
Share capital, June 30, 2001	6,934,996	$ 3,655,050

(i) During fiscal 2001, the Company issued 90,707 Special Warrants at a price of $11.02 U.S. per Special Warrant for an aggregate purchase price of $1,000,000 U.S. Each Special Warrant is exercisable into a Unit at the option of the holder or upon the occurrence of certain events for no additional consideration. Each Unit consists of one common share and two common share purchase warrants of the Company. The purchase warrants entitle the holder to acquire 181,414 additional common shares issued subject to certain terms and conditions.

In the event the Company has not completed an initial public offering ("IPO") by the first anniversary of the Agreement, the number of Special Warrants will be increased by 10% for no additional consideration. As at October 31, 2001 these additional Special Warrants had not been issued. In addition, the holder shall have the right to require the Company to repurchase the Special Warrants at the original cost plus 10%. No provision has been made for this repurchase as the holder has informed the Company that they will not be seeking reimbursement.

In addition, the Agreement specifies that if the Company has not repurchased or otherwise cancelled 1,956,665 of its common shares by the first anniversary of the Agreement, the number of Special Warrants shall be increased by 2% of that portion of the 1,956,665 common shares which remain outstanding. As at October 30, 2001 these additional Special Warrants had not been issued.

The holder of the Special Warrants subscribed for an additional 10,370 Class A common shares on September 15, 2001, for consideration of $64,187.

Subsequent to the year end the Company agreed to re-purchase these Special Warrants and Class A common shares, see Note 13(c).

7. Share capital (continued):

(c) Stock options:

The Company has a stock option plan whereby options to purchase common shares may be issued to directors, officers, employees, key consultants and agents of the Company subject to certain terms and conditions. Stock options granted vest over a period of five years.

	2001		2000	
	Number of options	Weighted-Average Exercise Price	Number of options	Weighted-Average Exercise Price
Stock options outstanding, beginning of year	831,850	$1.20	–	$ –
Granted	399,900	5.00	878,350	1.20
Cancelled	(66,140)	1.20	(46,500)	1.20
Stock options outstanding, end of year	1,165,610	2.50	831,850	1.20
Options exercisable at year end	609,686		272,670	

The following table summarizes information about the stock options outstanding at June 30, 2001:

Exercise Price	Number Outstanding at June 30, 2001	Weighted-Average Remaining Contractual Life	Number Exercise at June 30, 2001
$ 1.20	765,710	3.6 years	449,726
5.00	399,900	4.0 years	159,960
	1,165,610	3.7 years	609,686

The Company has an option to repurchase up to 2,000,000 issued Class A common shares at a range of prices between $0.75 and $1.50 per share and intends to exercise this option in order to provide shares to be issued on the exercise of any employee stock options.

8. Related party transactions:

During the year, $80,000 (2000 - $80,000) with respect to directors and consulting fees were paid to directors and officers of the Company and has been included in management fees.

9. Income taxes:

Income tax expense varies from the amount that would be computed by applying the combined Federal and Provincial income tax rate before income tax as follows:

	2001	2000
Basic rate	41.6%	44.1%
Income taxes (recovery) calculated using basic rate	$ (3,099,985)	$ 977,490
Decrease resulting from:		
Tax Treaty for Active Business Income on Foreign Operations	2,194,144	(725,608)
Unprovided future tax assets	780,169	–
Permanent differences	33,280	–
Income tax expense (recovery)	$ (92,392)	$ 251,882

The components of the Company's net future income tax asset and liability at June 30, 2001, no portion of which has been recorded in these financial statements, are as follows:

	Asset (Liability)
Future tax asset:	
Non-capital/net operating losses	$ 939,207
Capital losses	298,022
Capital assets	36,400
Long-term debt	19,968
	1,293,597
Less valuation allowance	(1,034,178)
Net future tax asset	259,419
Future tax liability:	
Intellectual property	(259,419)
	$ –

The Company has non-capital losses of $4,968,306 which expire at various years through 2009. These losses arise in the various jurisdictions in which the Company operates as shown below:

Canada	$ 3,087,078
Cyprus	1,673,958
United States	207,270
	$ 4,968,306

The company also has net capital losses of $735,130 available for deduction against future realized taxable capital gains.

10. Financial instruments:

The carrying amounts of the Company's financial assets and liabilities approximate their fair value. The Company is exposed to credit risk to the extent that its customers may experience financial difficulty and would be unable to meet their obligations.

11. Segmented information:

(a) Operating segments:

The Company operates in three main operating segments identified on the basis of internal reporting to senior management. These segments are: PRISM, which provides production and revenue accounting software to oil and gas companies in Canada: SEMS, which provides capital markets with software and support services, and Special Projects, which provides software systems specific to individual customer specifications.

	SEMS		PRISM		Special Projects		Corporate		Total	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
Sales	$14,750	$12,670	$2,316	$1,463	$149	$1,828	$40	$14	$17,255	$15,975
Interest expense	6	–	43	–	–	–	138	109	187	109
Depreciation and amortization	172	127	118	28	3	20	136	28	429	203
Income tax expense (recovery)	(92)	183	–	–	–	–	–	–	(92)	183
Net earnings	(3,068)	3,587	421	(74)	(177)	249	(4,535)	(1,797)	(7,359)	1,965
Capital assets	921	391	27	33	3	3	165	91	1,116	518
Total assets	11,031	5,552	1,577	1,506	262	310	1,484	274	14,354	7,642
Capital expenditures excluding acquisition	500	196	38	1	–	4	102	172	640	373
Acquisition	2,295	–	–	–	–	–	–	661	2,295	661

(b) Sales by geographic segment (000's):

	2001	2000
Middle East	$ 6,569	$ 6,350
North America	6,281	5,506
Far East	1,176	1,397
Other	3,229	2,722

Sales are attributed to geographic segments based on the location of the customer.

(c) Major customers:

Of the Company's sales for the year ended June 30, 2001, 38.3% (2000 – 51.6%) were to 4 customers (2000 - 4 customers).

12. Commitments and contingencies:

(a) Lease commitments:

The Company has entered into a lease agreement for its premises with the following minimum annual lease payments:

2002	$	1,486,408
2003		1,305,409
2004		1,070,888
2005		126,756
2006		120,000

(b) Provision for settlement:

During the year the Company was served with a lawsuit by a customer. The Company counter-claimed seeking damages from the customer. The Company has proposed a settlement amounting to $250,000 and is awaiting a response from the customer. This amount has been provided for in these financial statements.

13. Subsequent events:

(a) Sale of PRISM:

On November 30, 2001 the assets of the PRISM operating division were sold for proceeds of $2,750,000 resulting in a gain of approximately $1,600,000. Proceeds consisted of $2,000,000 cash received at closing and future amounts payable by the purchaser as follows:

June 30, 2002	$	259,000
October 31,2002		78,000
June 30, 2003		258,000
October 31, 2003		78,000
October 31, 2004		77,000

Concurrent with this sale, the amount due on the acquisition of 531633 Alberta ltd. (note 3(b)) was increased by $380,384, on a discounted basis, in satisfaction of the contingent consideration arrangements contained in the 531633 Alberta Ltd. acquisition agreement. The purchase price of intellectual property has been adjusted upward by this amount. A payment of $500,000 was made on November 30, 2001 on the amount due on acquisition, leaving $233,000 payable in three equal annual payments commencing October 31, 2002. The purchaser of PRISM has agreed to make these payments on behalf of the Company which, when paid, will reduce the above amounts due from the purchaser.

(b) Letter of credit:

On December 27, 2001, a third party provided a $1,000,000 letter of credit to the Company's principal lender. This letter of credit can be drawn upon only on February 4, 2002 and only in the event that the third party and the Company fail to reach a business combination agreement by that date or that the third party fails to advance $1,000,000 to the Company, by promissory note, by February 1, 2002.

13. Subsequent events (continued):

(c) Special Warrant and Class A common share re-purchase:

On January 10, 2002, the Company agreed to purchase Special Warrants previously issued for US$1,000,000 (see note 7(b)(i)), for US$1,151,516. In addition, the Company has agreed to purchase 10,370 Class A common shares previously issued to the holder of the Special Warrants for $64,187. On January 14, 2002 the Company agreed to purchase, in aggregate, 1,351,860 Class A common shares from two other shareholders for $1,064,148. The purchase of the Special Warrants and Class A common shares by the Company in each of these transactions is conditional upon the Company completing a business combination with a third party by February 15, 2002. In the event that a business combination is not completed by that date, the Company’s obligation to complete the Special Warrant and Class A common share purchase in each of these transactions will cease.

EFA INTERNATIONAL INC.

Consolidated Balance Sheet

Six months ended December 31, 2001

Assets		**(unaudited)**
Current assets:		
Work in progress	$	732,096
Accounts receivable		3,929,199
Consideration due on sale of operating division (note 6)		332,619
Income taxes receivable		258,658
Prepaid expenses and deposits		539,090
		5,791,662
Capital assets		1,083,812
Long-term investments		24,001
Consideration due on sale of operating division (note 6)		391,238
Goodwill		2,338,699
	$	9,629,412
Liabilities and Shareholders' Deficiency		
Current liabilities:		
Operating loans (note 4)	$	2,748,832
Contract financing (note 3)		1,883,093
Accounts payable and accrued liabilities		4,233,035
Due to related party		52,978
Consideration payable on purchase of operating division (note 6)		73,619
Bonuses payable		306,579
Deferred revenue		2,038,169
Demand loan		1,611,110
Current portion of a capital lease		322,499
		13,269,914
Provision for settlement		250,000
Consideration payable on purchase of operating division (note 5)		133,238
Capital lease		95,577
Shareholders' deficiency:		
Share capital		3,719,226
Cumulative translation adjustment		88,987
Deficit		(7,927,530)
		(4,119,317)
Liquidity and financing requirements (note 1)		
Subsequent events (note 7)		
	$	9,629,412

See accompanying notes to consolidated financial statements.

EFA INTERNATIONAL INC.
Consolidated Loss and Deficit

Six months ended December 31, 2001

Revenue:		
Programming services and software sales	$	3,915,477
Maintenance and other		2,062,982
Third party hardware and software sales		68,869
Product		29,400
		6,076,728
Cost of revenue		4,541,795
Gross margin		1,534,933
Expenses:		
Operating		2,600,566
General and administrative		3,656,751
Sales and marketing		865,849
Depreciation and amortization		345,859
Interest and bank charges		620,611
Foreign exchange gain		(90,957)
		7,998,679
Loss from operations		(6,463,746)
Other items:		
Management fees and bonuses		86,227
Gain on sale of operating division (note 5)		(1,711,831)
Write-down of investment		225,999
		(1,399,605)
Loss before income taxes		(5,064,141)
Income tax recovery:		
Current		418,940
Net loss		(4,645,201)
Deficit, beginning of period		(3,282,329)
Deficit, end of period	$	(7,927,530)
Loss per share:		
Basic	$	0.68

See accompanying notes to consolidated financial statements.

EFA INTERNATIONAL INC.
Consolidated Statement of Cash Flow

Six Months ended December 31, 2001

Cash (used in) provided by:	
Operations:	
Net loss	$ (4,645,201)
Items not affecting cash:	
Depreciation and amortization	345,859
Gain on disposal of operating division	(1,711,831)
Deferred tenant inducement	(33,328)
Write-down of investment	225,999
Cumulative foreign exchange gain	16,070
Changes in non-cash operating working capital items:	
Work in progress	(732,096)
Accounts receivable	5,862,367
Income taxes receivable	(193,945)
Prepaid expenses and deposits	(287,567)
Accounts payable and accrued liabilities	1,524,787
Due to related party	52,978
Bonuses payable	16,836
Deferred revenue	(1,118,854)
Income taxes payable	(186,219)
	(864,145)
Financing:	
Repayment of capital lease liability	(187,734)
Repayment of demand loan	(444,709)
Sale of shares	64,176
Payable on purchase of operating division	(700,000)
	(1,268,267)
Investments:	
Purchase of capital assets	(271,666)
Proceeds on disposal of operating division	2,000,000
Purchase of long-term investments	(64,667)
Addition to goodwill	(124,671)
	1,538,996
Net cash outflow	(593,416)
Operating loans, beginning of period	(2,155,416)
Operating loans, end of period	$ (2,748,832)
Operating loans, end of period	$ 0
Cash interest paid	$ 331,063

See accompanying notes to consolidated financial statements.

The unaudited interim consolidated financial statements of EFA International Inc. (the "Company") have been prepared by management in accordance with accounting principles generally accepted in Canada. The unaudited interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the audited consolidated financial statements for the fiscal year ended June 30, 2001. The disclosures provided below are incremental to those included with the annual consolidated financial statements. The unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto for the fiscal year ended June 30, 2001.

1. Liquidity and financing requirements:

The Company has made a significant investment in the development of new products and in infrastructure to support business expansion as contemplated in its strategic business plan. As a result, the Company incurred significant operating losses in 2001 and in the period ended December 31, 2001 resulting in a working capital deficiency. Furthermore, as explained in note 3, the Company has failed to comply with two of the covenants contained within its funding agreement. While the lender has indicated that they do not intend to take action as a result of this breach, the Company recognizes the need to renegotiate this agreement or to secure additional financial resources to ensure that the covenants are complied with in the future.

Subsequent to period end, all of the Company's outstanding shares were acquired by Basis100 Inc. ("Basis") (note 6(d)). In conjunction with this transaction, Basis also subscribed to additional common shares of the Company for net cash proceeds of $8,626,480. This additional equity may not be sufficient to fund ongoing operations and the Company may require additional funding from Basis or other sources.

These financial statements have been prepared on the going concern basis which assumes the realization of its assets and discharge of its liabilities in the normal course of business. The application of the going concern basis is dependent upon the Company's ability to generate cash flow from operations or to raise sufficient equity and debt financing to fund ongoing operations.

2. Change in accounting policy:

On July 1, 2001, the Company changed its policy for accounting for goodwill to comply with the recommendations of the Canadian Institute of Chartered Accountants Handbook Section 3062: "Goodwill and Other Intangibles". Under the new policy, goodwill and intangible assets with an indefinite life are not amortized but are assessed for impairment.

When events and circumstances warrant a review, the Company evaluates the carrying value of goodwill and intangible assets for potential permanent impairment. Certain factors that the Company considers important which could trigger an impairment include, but are not limited to, significant underperformance relative to historical or projected future operating results, significant changes in the manner of use of the acquired assets or the strategy for the Company's overall business, and significant negative industry or economic trends.

The carrying value of goodwill is considered impaired when the anticipated net recoverable amount of the asset is less than its carrying value. In that event, a loss is recognized in an amount equal to the difference. Net recoverable amount is an amount equal to the anticipated cash flows net of directly attributable general and administrative costs, carrying costs, and income taxes, plus the expected residual value of the asset, if any. An impairment in goodwill is written off against earnings in the year that such impairment becomes evident.

The new policy has been applied prospectively. The effect of the change in accounting policy is to reduce amortization expense and accumulated amortization of goodwill during and at the end of the period by approximately $500,000.

3. Loans and contract financing:

(a) Long-term demand loan:

Demand bank loan, bearing interest at bank prime lending rate plus 2.5%, repayable in 36 monthly instalments of $55,556, due May 31, 2004. Secured by the assets of the Company under a general security agreement.	
	$1,611,110

Repayment Schedule:	
2002	$ 666,672
2003	666,672
2004	277,766

At December 31, 2001, the Company has not complied with two covenants contained within the funding agreement with the primary lender. The lender is aware of this failure to comply and has indicated that they do not intend to take immediate action, but reserve their right to demand repayment of the demand loan. Accordingly, the Company has classified the full amount of the demand loan as a current liability.

(b) Operating loans and contract financing:

The Company has secured a revolving demand loan in the amount of $5,000,000. Two amounts have been drawn down against this facility at December 31, 2001. These amounts comprise a demand operating loan of $2,748,832 bearing interest at 1% to 2% above the bank's prime rate, depending on the Company's debt to equity ratio, and a demand contract financing loan of $1,883,093 bearing interest at prime + 4%. This loan is repayable on demand and is used to finance specific customer implementation projects. Security for both of these loans is provided by all of the Company's assets under a general security agreement.

As a result of the acquisition of the Company by Basis (note 6), the Company received equity financing and repaid these loans subsequent to December 31, 2001.

4. Commitments and contingencies:

(a) Provision for settlement:

During the year ended June 30, 2001, the Company was served with a lawsuit by a customer. The Company counter-claimed seeking damages from the customer. The Company has proposed a settlement amounting to a $250,000 payment to the customer and is awaiting a response from the customer. This amount has been provided for in these financial statements.

(b) Letter of credit:

The Company has provided to a customer a US$2,000,000 letter of credit which may be called upon in the event that the Company is in breach of its contract to develop and implement a software system for the customer. At December 31, 2001 the related contract was in progress and is expected to be completed by December 31, 2002.

5. Sale of Operating Division:

On November 30, 2001 the assets of the PRISM operating division were sold for proceeds of $2,750,000 resulting in a gain of approximately $1,700,000. Proceeds consisted of $2,000,000 cash received at closing and future amounts payable by the purchaser as follows:

June 30, 2002	$ 259,000
October 31, 2002	78,000
June 30, 2003	258,000
October 31, 2003	78,000
October 31, 2004	77,000

Concurrent with this sale, the amount due on the acquisition of 531633 Alberta Ltd., a subsidiary, was increased by $380,384, on a discounted basis, in satisfaction of the contingent consideration arrangements contained in the 531633 Alberta Ltd. acquisition agreement. The purchase price of intellectual property has been adjusted upward by this amount. A payment of $500,000 was made on November 30, 2001 on the amount due on acquisition, leaving $233,000 payable, on an interest-free basis, in three equal annual payments commencing October 31, 2002. The purchaser of PRISM has committed to make these payments on behalf of the Company which, when paid, will reduce the above amounts due from the purchaser.

6. Subsequent events

(a) On January 10, 2002 the Company re-purchased 90,707 Special Warrants previously issued for US $1,151,516. The Company also re-purchased from the holder of the Special Warrants 10,370 Class A common shares for $64,176.

(b) On January 14, 2002, the Company re-purchased, pursuant to the terms of an agreement with two of the founders of the Company, 1,411,759 Class A common shares for cash consideration of $406,230.

(c) On January 14, 2002, the Company issued 649,100 Class A common shares, pursuant to the exercise of stock options, for net proceeds of $1,100,051. Also, the Company issued 373,300 Class A common shares to subscribers for net cash proceeds of $569,925.

(d) Effective January 16, 2002, 100% of the Company's outstanding shares were acquired by Basis. Immediately subsequent to January 16, 2002, Basis subscribed for additional common shares for net proceeds of $8,626,480. These funds were used to repay various bank loans (note 3(b)) and to provide additional working capital.

(e) In connection with the Company's acquisition of ADR Management Limited on April 5, 2001, 150,983 of the Class A common shares issued were to be held in escrow to be released to the vendors in stages during the period from June 30, 2001 until June 30, 2004. The Company also agreed to issue a further 150,983 Class A common shares to the vendors provided certain agreed revenue targets were met in the period between July 1, 2001 and June 30, 2004. Subsequent to December 31, 2001 the Company was purchased and pursuant to the terms of the original purchase agreement these additional shares were issued. The issuance of these shares, valued at $942,644, will be accounted for as additional costs of acquisition at the date of issuance.

CERTIFICATE OF THE COMPANY

Dated: May 6, 2002

This short form prospectus, together with the documents incorporated in this short form prospectus by reference, constitute full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of the Provinces of Canada other than Québec

(Signed) *"Gary Bartholomew"*	(Signed) *"Lance E. McIntosh"*
GARY BARTHOLOMEW	LANCE E. MCINTOSH
Chairman and Chief Executive Officer	Vice President and Chief Financial Officer

On behalf of the Board of Directors

(Signed) *"Jason P. Smith"*	(Signed) *"Victor Y.H. Hum"*
JASON P. SMITH	VICTOR Y.H. HUM
Director	Director

CERTIFICATE OF THE UNDERWRITERS

Dated: May 6, 2002

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated in this short form prospectus by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of the Provinces of Canada other than Québec.

GRIFFITHS McBURNEY & PARTNERS

By: (Signed) *"J. Robert Fraser"*
J. ROBERT FRASER

CIBC WORLD MARKETS INC.

By: (Signed) *"Daniel J. Daviau"*
DANIEL J. DAVIAU

HAYWOOD SECURITIES INC.

By: (Signed) *"John D. Willett"*
JOHN D. WILLETT

1472072

www.Basis100.com

Basis100 Inc.
33 Yonge Street, Suite 900
Toronto, Ontario M5E 1G4