

**FORM 27**

**SECURITIES ACT**

**MATERIAL CHANGE REPORT UNDER SECTION 85(1) OF THE B.C. SECURITIES ACT AND 118(1) OF THE ALBERTA SECURITIES ACT**

**Item 1. Reporting Issuer**

Totally Hip Software Inc.  
201 - 1040 Hamilton Street  
Vancouver, BC V6B 2R9

**Item 2. Date of Material Change**

May 30, 2000

**Item 3. Press Release**

Press Releases dated May 30, 2000 and disseminated to the Vancouver Stockwatch Magazine, B.C. Securities Commission, Alberta Securities Commission, Market News Publishing and George Cross News Letter.

Place of Issuance: Vancouver, British Columbia.

**Item 4. Summary of Material Change**

The Issuer announces financial results for the Issuer's fiscal second quarter ended March 31, 2000.

**Item 5. Full Description of Material Change**

The Issuer is pleased to announce improved financial results for the Issuer's fiscal second quarter that ended March 31, 2000. Financial results continue to improve with a pre-tax income profit for the 3-month reporting period of \$71,000 compared to a loss of (\$72,000) for the previous pre-tax first quarter. The Issuer continues to make progress by improving its award-winning products and technology, releasing new products, and increasing revenues and cash flow.

The Issuer posted a \$0.02 gain for the 6 months ending March 31, 2000 compared to a (\$0.07) loss for the same 6 months of fiscal 1999. The results do not include the \$450,000 in private placement funds that were raised in January but were not approved by the CDNX and released from a trust account until May 23, 2000.

Although it appears there is no significant additional gain per share when comparing the second quarter versus the first quarter fiscal 2000, the pre-tax results per share show an improvement in the second quarter 2000 as the first

quarter 2000 results included \$344,000 for recovered future income taxes. The pre-tax results have improved by \$143,000 for the second quarter 2000 when compared to the first quarter 2000 as show by the \$71,000 second quarter pre-tax gain versus the (\$72,000) first quarter pre-tax loss.

“The results are very gratifying considering that this improvement was achieved with limited resources available to a small dedicated team. We continue to show improving results each quarter and we believe shareholders and the markets will recognize that we are making positive progress as we work hard to improve our key Web design technology and Company,” said Randall H. McCallum Chairman, CEO and President of the Issuer. “The Company has really transformed itself since last year and we thank our loyal customers and certain long term shareholders for remaining supportive, especially during the market turbulence in the past two months. With our thriving community we have built one of the most innovative new Web developer tools and as a result we were recognized as one of the top developers in the World, having received two Apple Design Awards at WWDC 2000 in early May. We have kept to our promise and focus announced almost one year ago, and look forward to meeting our challenges to expose our products and Company to new customers and markets over the course of 2000.”

Results for the six-month period of fiscal 2000 ending March 31, to the comparative period of fiscal 1999 show across the board major improvements in all areas. The net gain was \$0.02 per share or \$343,000 for the six months ending March 31, 2000 compared to a loss of (\$0.07) per share or (\$1,054,000) for the six months ending March 31, 1999. The gain includes \$344,000 in recovered future income taxes as previously reported in the first quarter fiscal 2000 results. Sales for the six months of fiscal 2000 ending March 31 were \$548,000 or 100% higher when compared to the \$275,000 in sales for the same six months of fiscal 1999 that also included content services. Expenses were only 38% of those incurred in the same six months of fiscal 1999 showing a reduction of \$787,000 in expenditures. Expenses for the period covering the combined first and second quarters of fiscal 2000 were \$484,000 compared to \$1,271,000 for the same 1999 period. Gross profit for this six-month period increased 223% or \$267,000 to a total of \$483,000 when compared to the corresponding period in 1999.

Results for the second quarter of fiscal 2000 ending March 31, compared to the first quarter of fiscal 2000 ending December 31, 1999 show continued improvement in results on a pre-tax basis. Overall results show a \$0.02 gain during the first quarter that was mainly attributable to recovered future income taxes. The net income gain on a post-tax basis for the second quarter 2000 was \$0.00 per share or \$71,000 profit compared to a gain of \$0.02 per share or \$272,000 for previous quarter ending December 31, 1999. The net income gain on a pre-tax basis for the second quarter was \$0.00 per share or \$71,000 profit compared to a loss of (\$0.00) per share or (\$72,000) for the previous quarter

ending December 31, 1999. Sales for the second quarter of fiscal 2000 ending March 31 were \$347,000 or 73% higher when compared to the total for the previous quarter ending December 31, 1999, or \$201,000. Gross profit in the second quarter 2000 increased 101% or \$162,000 compared to the corresponding previous quarter. Expenses were \$251,000 for the second quarter compared to \$232,000 incurred in the previous quarter.

Although accounts payables and accrued liabilities show \$991,000 in total, \$668,000 of this total amount is comprised of accrued salaries dating back to 1997 for five company founders who are long term patient escrow shareholders on a mission. Also the financial statements and balance sheet for the second quarter 2000 do not include a \$450,000 private placement raised in February 2000 with these funds being held in trust awaiting approval from the Canadian Venture Exchange. As of this date, the Issuer's management has been informed that approval and release of these funds was finally granted on May 23, 2000 and these funds formerly held in trust will be included in the next issue of financial statements for third quarter results 2000.

The Issuer currently operates on ongoing sales revenues and cash flow and management is assessing the need to secure additional capital financing to ramp up marketing efforts. The Issuer plans to secure this additional funding at the appropriate time when market conditions permit to be used for ongoing operations and working capital, diversification in new markets, marketing and sales exposure, increased sales, reduction of technology risks, and introduction of new products that are currently in development.

The Second Quarter Fiscal 2000 Report with management discussions will be made available on the Issuer's Web site at <http://www.totallyhip.com>.

**Item 6. Reliance on Section 85(2) of the B.C. Act and 118(2) of the Alberta Act**

The Issuer is not relying on Section 85(2) of the B.C. Act or 118(2) of the Alberta Act.

**Item 7. Omitted Information**

There is no omitted information.

**Item 8.        Senior Officers**

Randall McCallum, President - 685-6525.

**Item 9.        Statement of Senior Officer**

The foregoing accurately discloses the material change referred to herein.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 30<sup>th</sup> day of May, 2000.

“Dave Dicaire”  
(Senior Officer)