PROSPECTUS DATED OCTOBER 9, 1998

THIS PROSPECTUS CONSTITUTES A PUBLIC OFFERING OF THESE SECURITIES ONLY IN THOSE JURISDICTIONS WHERE THEY MAY BE LAWFULLY OFFERED FOR SALE AND THEREIN ONLY BY PERSONS PERMITTED TO SELL SUCH SECURITIES. NO SECURITIES COMMISSION OR SIMILAR AUTHORITY IN CANADA HAS ANY WAY PASSED UPON THE MERITS OF THE SECURITIES OFFERED HEREUNDER AND ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE.

NEW ISSUE

MERCURY SCHEDULING SYSTEMS INC.

#400, 601 West Cordova Street
Vancouver, B.C. V6B 1G1
(604) 683-8668

$3,745,000
3,745,000 Units to be issued without additional consideration upon the exercise of 3,745,000 Special Warrants

This Prospectus relates to the distribution of 3,745,000 units (the "Units") of Mercury Scheduling Systems Inc. (the "Corporation") which will be issued, without additional consideration, subject to adjustment, upon the exercise or deemed exercise of 3,745,000 Special Warrants (the "Special Warrants") previously distributed by the Corporation pursuant to prospectus exemptions. Each Unit represents one common share of the Corporation (a "Common Share") and one-half of one non-transferable share purchase warrant (a "Share Purchase Warrant"). One whole Share Purchase Warrant will entitle the holder to purchase, subject to adjustment, one Common Share at a price of $1.25 for one year from the date of issue of the Share Purchase Warrants (the "Warrant Shares"). The Special Warrants, the Common Shares, the Share Purchase Warrants and the Warrant Shares are hereinafter collectively referred to as the "Securities".

This Prospectus is being filed for the purpose of qualifying for distribution to the holders of the Special Warrants (the "Warrant Holders"), 3,745,000 Common shares of the Corporation and 1,872,500 Share Purchase Warrants of the Corporation, to be issued upon exercise or deemed exercise of the 3,745,000 Special Warrants. The Special Warrants were issued to investors pursuant to a private placement (the "Special Warrant Offering") that closed on June 18, 1998 (the "Closing Date") at a price of $1.00 per Special Warrant. The gross proceeds of the issue and sale of the Special Warrants was $3,745,000. This Prospectus is also being filed for the purpose of qualifying for distribution to the agents of the Corporation (the "Agents") 374,500 Agent Warrants of the Corporation to be issued upon exercise or deemed exercise of the 374,500 Special Compensation Warrants issued to the Agents in connection with the offering of the Special Warrants.

The outstanding Common Shares of the Corporation are listed on the Vancouver Stock Exchange. The closing price of the Common Shares on the Vancouver Stock Exchange on the Closing Date was $1.38 and on October 8, 1998 was $0.83.

	Price to the Special Warrant Holder (1)	Agents' Commission(2)	Net Proceeds to the Corporation
Per Special Warrant	**$1.00**	**$0.08**	**$0.92**
Total	**$3,745,000**	**$299,600**	**$3,445,400**

1. The price of the Special Warrants was established by agreement between the Corporation and the Agents.

2. The cash commission payable to the Agents of the Corporation was 8%. In addition, on the Closing Date the Agents were granted 374,500 Special Compensation Warrants entitling them to acquire, without any additional consideration, 374,500 Agent Warrants. The Special Compensation Warrants will be exercisable at any time after issuance and any unexercised portion thereof will be deemed to be exercised at the same time all unexercised Special Warrants are deemed to be exercised. The Agent Warrants will entitle the holders thereof to acquire in the aggregate, subject to adjustment, 374,500 of Common Shares of the Corporation which is equal to 10% of the number of Special Warrants issued under this Offering, for a period of two years from the date of issuance of the Agent Warrants, at an exercise price of $1.25 per Common Share in the first year and at an exercise price of $1.45 per Common Share thereafter.

3. Expenses estimated at $100,000 relating to this transaction, including the preparation of this Prospectus, will be paid from the proceeds of the Special Warrant financing.

INVESTMENTS IN SMALL BUSINESSES INVOLVE A HIGH DEGREE OF RISK AND INVESTORS SHOULD NOT INVEST ANY FUNDS IN THIS OFFERING UNLESS THEY CAN AFFORD TO LOSE THEIR ENTIRE INVESTMENT. REFER TO "RISK FACTORS".

Upon completion of this Offering, 80.42% of the then outstanding Common Shares in the capital of the Corporation will be held by the public as compared to 19.58% that will then be owned by promoters, insiders, holders of performance shares and agents as a group.

AGENTS

Canadian Western Capital Limited
3300 Park Place
Vancouver, British Columbia
V6C 2X8

Groome Capital Inc.
Bureau 1611
1, Place Ville Marie
Montreal, Quebec

H3B 2B6

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374,500 Common Shares of the Corporation which is equal to 10% of the number of the Special Warrants previously issued, , for a period of two years from the date of issuance of the Agent Warrants, at an exercise price of $1.25 per Common Share in the first year and at an exercise price of $1.45 per Common Share thereafter.

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	Year Ended April 30, 1998 (audited)	Year Ended April 30, 1997 (audited)	Year Ended April 30, 1996 (audited)	3 Months ended July 31, 1998 (unaudited)	3 Months ended July 31, 1997 (unaudited)
Revenues (including investment tax credits)	**$1,221,885**	**$1,280,441**	**$1,550,354**	**$452,220**	**$326,601**
Cost of Products and Services	**$434,210**	**$385,307**	**$329,007**	**$173,072**	**$97,747**
Research and Development	**$1,484,836**	**$563,730**	**$573,807**	**$391,461**	**$345,717**
General and Administrative	**$1,290,255**	**$962,797**	**$569,785**	**$330,066**	**$249,068**
Sales and Marketing	**$956,071**	**$491,124**	**$145,907**	**$301,842**	**$130,533**
Net Loss	**$3,709,438**	**$1,389,672**	**$180,949**	**$777,600**	**$598,036**
Working Capital (Deficit)	**($241,700)**	**($455,078)**	**$282,462**	**$2,304,369**	**($630,559)**
Capital Assets	**$384,640**	**$344,036**	**$147,289**	**$404,406**	**$343,311**
Capital Lease Obligation	**$135,094**	**$145,772**	**$34,522**	**$121,762**	**133,293**

	Year Ended April 30, 1998 (audited)	Year Ended April 30, 1997 (audited)	Year Ended April 30, 1996 (audited)	3 Months ended July 31, 1998 (unaudited)	3 Months ended July 31, 1997 (unaudited)
Deferred Development Costs	$479,685	$982,378	$442,541	$479,685	$932,102
Long Term Debt	$136,782	$112,445	-	$81,001	$129,905
Shareholder's equity (Deficit)	$406,910	$664,048	$860,011	$3,043,826	$66,012
Number of Shares (2)	16,349,514	11,424,514	9,574,514	17,505,514	11,424,514

Management Discussion and Analysis

General

On January 31, 1996, the Corporation entered into ten Share Purchase Agreements to acquire all the issued and outstanding share capital of Mercury. See "Business of the Corporation - Acquisition of Mercury". Mercury has developed and marketed airline crew scheduling software since 1983 and owns 100% of all the outstanding shares of Preferential. Preferential does not carry on any active business and all of its assets and liabilities have been transferred to Mercury. The financial statements for the years ended April 30, 1998 and 1997 and the three months ended July 31, 1998 reflect the consolidated accounts of the Corporation and its subsidiaries Mercury and Preferential.

Three Month Period Ended July 31, 1998 as Compared to July 31, 1997

During the three month period ended July 31, 1998, the Corporation's revenue was $452,220. Of this revenue, $321,912 related to ongoing license and customization fees, $84,054 was related to support and training fees, $32,485 related to government grants and $13,769 was interest revenue. The revenue for the three month period ended July 31, 1998 represented a 38.4% increase as compared to the three month period ended July 31, 1997. The increase is primarily attributable to new sales of the Corporation's Nova, Nova-Lite and Cygnus products. Furthermore, the Corporation received $32,485 in government grants during the three months ended July 31, 1998 as compared to nil for the three months ended July 31, 1997.

Total revenue consisted of products and services of $405,966, government grants of $32,485 and interest of $13,769. During the three month period ended July 31, 1998, the product and services revenue as a percentage of total product and services from European customers was 67.1% ($272,304), Canadian customers was 16.2% ($65,581), United States customers was 8.3% ($33,785) and customers from the rest of the world was 8.4% ($34,296).

Cost of products and services were $173,072 (1997 - $97,747), an increase of 77.1%. The increase was due to increased salaries and benefits incurred in connection with the Corporation's Nova, Nova-Lite and Cygnus installations and software maintenance activities.

Research and development expenses were $391,461 (1997 - $345,717), an increase of 13.2%. The increase was due to increase salaries and benefits as a result of additional staffing.

General and administration expenses were $330,066 (1997 - $249,068), an increase of 32.5%. The increase was due to higher salaries, rent and office supplies. Salaries and benefits were higher due to the addition of new management. Rent increased as a result of expansion of the Corporation's premises during 1998. Office supplies increased due to increased staffing levels in all departments, resulting in increased costs.

Sales and marketing expenses were $301,842 (1997 - $130,533), an increase of 131.2%. The increase was due to an increase in salaries and an increase in travel and promotion. The increase in salaries was due to the addition of new staff including the Vice President, Sales and Marketing. The increase in travel and promotion was due to an increase in marketing activities and product demonstrations.

Liquidity and Capital Resources - Three Months Ended July 31, 1998

The operating loss for the three months ended July 31, 1998 was $777,600 (1997 - $598,036). The Corporation relied on proceeds from an equity issue and the exercise of outstanding share purchase warrants and employee stock options to fund the operating losses.

As at July 31, 1998, the Corporation's working capital was $2,304,369. The increase in working capital was due to the completion of a $3,745,000 special warrant financing in June 1998. The Corporation's cash position at July 31, 1998 was $2,451,991 as compared to bank indebtedness of $522,609 as at July 31, 1997.

As at July 31, 1998, the Corporation's long term debt consisted of an $81,001 interest free loan from the Federal Department of Foreign Affairs and International Trade.

Year Ended April 30,1998 as Compared to April 30,1997

During the fiscal year 1998, the Corporation's revenue was $1,221,885. Of this revenue, approximately $1,088,000 related to on-going license and customization fees, $134,000 related to support and training fees and $78,600 related to government grants. The revenue for fiscal 1998 represented a 4.6% decrease as compared to 1997 revenue of $1,280,441. The decrease was attributable to a marginal 1.8% decrease in products and services revenue and a reduction in the recovery of investment tax credits. Investment tax credits are granted to companies whose activities achieve a specific scientific or technological advance. Privately owned Canadian companies receive a cash refund if they are awarded an investment tax credit whereas investment tax credits awarded to pubic companies are offset against taxes payable. The Corporation was private for six months during the prior year and therefore eligible for a cash refund of an investment tax credit on its research and development cost. No recovery of investment tax credits were recorded in fiscal 1998.

Total revenue consisted of products and services of $1,143,285 and government grants of $78,600. During the fiscal year, the products and services revenue as a percentage of total product and services revenue from European customers was 59% ($674,568), Canadian customers was 18% ($205,287), United States customers was 11% ($124,758) and customers from the rest of the world was 12% ($138,672).

As at April 30,1998, unearned income was $192,802 (1997 - $72,097). The $120,705 increase related to a payment received from a customer for the Nova product that was not fully installed by the Corporation prior to year end. Licence fees are only recognized when a contractual agreement is in place, the software product is delivered and installed, collection is assured and no significant obligations exist. The remaining balance of $72,097 of unearned income related to an advance payment made by a customer for the Magellan 1.1 product. This payment will not be recognized as revenue until all significant obligations have been completed.

Costs of products and services were $434,210 (1997 - $385,307), an increase of 12.7%. The increase was due to increased salaries and benefits incurred in connection with the Corporation's Nova and Nova-Lite installations and software maintenance activities.

Research and development expenses were $1,484,836 (1997-$563,730), an increase of 163.4%. The substantial increase in research and development expenses related to costs incurred by the Corporation in connection with modifications to Magellan. The Corporation's management determined that during the 1998 fiscal year, the Company had attained the major development milestones relating to Magellan and that Magellan would be available for general release to customers. Accordingly, all research and development costs incurred on Magellan subsequent to this determination were expensed. During the fiscal year ended April 30, 1998, the Corporation did not capitalize any development costs. During the 1997 fiscal year, the Corporation capitalized approximately $644,000 of development costs relating to Magellan and Nova. The material expenditures that were capitalized related to the salaries and benefits.

In accordance with the Corporation's significant accounting policy, the Corporation capitalizes software development when it can be demonstrated that the product is technically and commercially feasible, the Corporation intends to sell or use the product, the Corporation has adequate resources to complete development of the product and future benefits can be regarded as certain. When the major development milestones have been completed and the product is ready for commercial release, the Corporation ceases capitalization and all future costs associated with the product are expensed.

Research and development expenses consisted primarily of salaries and benefits. During 1998, the Corporation's research and development efforts were devoted primarily to the continued enhancement of Magellan, Nova and Nova-Lite.

General and administrative expenses in 1998 were $1,290,255 (1997 - $962,797). The 34% increase was due to higher salaries, rent and investor relations expenditures. Salaries and benefits were higher due to the addition of new management. Rent increased as a result of the expansion of the Corporation's premises during 1998, and investor relations expenses increased due to the fact that the Corporation was only public for 6 months of the previous year.

Sales and marketing expenses were $956,071 (1997 - $491,124). The 94.7% increase was due to an increase in salaries as new sales individuals were hired, including the Vice President of Sales and Marketing. Furthermore, there had been a considerable increase in marketing activities which have included product demonstrations, attendance at specialized airline operation conferences and the production of marketing material. Considerable effort had been placed on servicing existing and new customers to ensure a high level of customer satisfaction.

Amortization costs were $687,329 (1997 - $230,737) an increase of 197.9%. The primary reason for the increase in amortization was because the expected useful life of the Nova product was reduced from an estimated three years to two years . Management revised the estimated useful life of the Nova product due to rapid technological obsolescence experienced by software products such as Nova.

Liquidity and Capital Resources - April 30,1998

The operating loss for 1998 was $3,709,438 (1997 - $1,389,672). The Corporation relied on share equity issues and the exercise of outstanding share purchase warrants and employee stock options to fund the current year's operating loss. The Corporation completed a financing in October 1997 and a financing in February 1998 that resulted in total gross proceeds of $2,500,000 prior to commissions and offering costs . The exercise of share purchase warrants and employee stock options resulted in additional net proceeds of $1,069,600. The number of common shares issued during the year increased the Corporation's outstanding share capital from 11,424,514 to 16,349,514.

During the year, the Corporation’s cash position increased from a deficit of $302,419 at April 30,1997 to $420,219 at April 30,1998. The increase was primarily due to the proceeds received from the exercise of share purchase warrants, the exercise of employee stock options and the issuance of special warrants.

As at April 30,1998, the Corporation had a working capital deficiency of $241,700. This working capital deficiency was rectified subsequent to year end with the completion of a $3,745,000 Special Warrant financing. Proceeds from this financing will be used for sales and marketing, research and development, working capital and debt repayment. Each Special Warrant was priced at a $1.00 per Special Warrant and entitled the holder to receive one common share and one half share purchase warrant. Each whole share purchase warrant will entitle the holder to purchase one common share at $1.25 for one year from the date of issue of the share purchase warrants.

As at April 30,1998, the Corporation's long term debt consisted of $155,962 in business investment loans with a Canadian chartered bank and $62,801 in interest free loans from the Federal Department of Foreign Affairs and International Trade. Subsequent to year end, the business investment loans were repaid from proceeds of the Special Warrant financing. The interest free loans are repayable based on 4% of the incremental increase in export revenues.

As at April 30, 1998, the Corporation was not in compliance with certain financial covenants relating to the line of credit as a result of which the Corporation and the lender agreed that no further funds would be drawn on the line of credit until completion of the Special Warrant financing. Subsequent to year end, the financial covenants were met as a result of the $3,745,000 Special Warrant financing, although the Corporation has not reactivated the line of credit as of the date of this Prospectus.

The Corporation's ability to continue as a going concern is dependent upon the generation of new sales. The release of Magellan 1.1 and the expansion of the product suite to include Regulus and Cygnus, combined with an aggressive sales and marketing campaign, will assist in the generation of additional revenue. The Corporation further anticipates the distribution agreements with Speedwing and Maersk Data AS will contribute revenues. See "Business of the Corporation" - "The Corporation's Products" and "Marketing Strategy".

Year Ended April 30, 1997 Compared to Year Ended April 30,1996

During the fiscal year 1997, the Corporation’s revenue was $1,280,441. Of this revenue, $1,034,000 related to on-going licence and customization fees, $130,000 related to support and training fees and $116,000 related to investment tax credits. The revenue for fiscal 1997 represent a 17.4% decrease as compared to fiscal 1996 revenue of $1,550,354. This decrease was primarily due to a $111,000 sale of a one time perpetual licence recorded in fiscal 1996 and a $152,000 reduction in investment tax credits. The reduction in investment tax credits is due to the fact once a company becomes public, investment tax credits are no longer refundable in cash.

During the fiscal year 1997, total revenue consisted of products and services of $1,164,191 and recovery of investment tax credits of $116,250. Products and services revenue as a percentage of total products and services revenue from European customers was 67% ($774,362), Canadian customers was 16% ($189,220), United States customers was 9% ($107,169) and customers from the rest of the world was 8% ($93,440).

Research and development costs expensed during fiscal 1997 totalled $563,730 (1996 - $573,807), a marginal 1.8% decline.

Development costs deferred as at April 30, 1997 totalled $982,378 (1996 - $442,451), an increase of 122%. The Corporation capitalized approximately $644,000 of development costs in 1997 and $241,000 in 1996. The majority of the capitalized costs related to salaries and benefits and related to both the Magellan and Nova development projects. The Nova development project was completed in fiscal 1997 and the product was then available for commercial release. Accordingly, all research and development costs subsequently incurred on Nova were expensed. The development costs associated with Magellan were capitalized during 1997 as the Corporation had not completed the major technological milestones relating to Magellan in 1997. It was determined by management of the Corporation that deferral of Magellan's development costs was appropriate as there was a reasonable expectation of commercial feasibility, the Corporation had adequate resources to complete the development of Magellan, and future benefits were certain. The major development milestones relating to Magellan were determined by management to be complete at the beginning of fiscal 1998.

Costs of products and services were $385,307 (1996 - 329,007), an increase of 17.1%. The increase was attributable to wage increases for certain employees combined with increase in travel and telephone expenses.

General and administrative costs totalled $962,797 representing an increase of 69% over the fiscal 1996 total of $569,785. The increase was due primarily to the fact the Corporation incurred additional costs associated with being a public company including investor relations costs, regulatory fees and an increase in staffing.

Sales and marketing costs increased by 236.6% from $145,907 in fiscal 1996 to $491,124 in fiscal 1997, reflecting the expansion of the Corporation's marketing activities. Three additional sales and marketing personnel were hired during fiscal 1997 reflecting the Corporation's expanding marketing campaign.

Capital asset balance as at April 30, 1997 was $344,036 (1996 - $147,289) . The increase was because the Corporation began acquiring its computer and office equipment whereas in 1996 the Corporation rented the equipment.

Amortization costs were $230,737 (1996 - $60,514), an increase of 281.3%. The increase was attributable to a larger capital asset base and the commencement of amortization of the Nova deferred development expense.

Year Ended April 30, 1996 as Compared to April 30,1995

During fiscal year 1996, the Corporation's revenue was $1,550,354. Of this revenue, $885,000 related to on-going licence , support, training, and customization fees, $111,000 related to the sale of a one time perpetual licence, $286,000 related to KLM development revenues and $268,000 related to investment tax credits. Revenue for fiscal 1996 represented a 39% increase from fiscal 1995 revenue of $1,115,293. The increase in revenue was primarily due to the sale of a one time perpetual licence fee to American Airlines, increase in revenue from KLM and a reassessment of a prior years investment tax credit claim.

For the fiscal year 1996, products and services revenue as a percentage of total products and services revenue from European customers was 52% ($665,732), Canadian customers was 13% ($172,663), United States customers was 24% ($301,459) and customers from the rest of the world was 11% ($142,132).

Costs of products and services was $329,007, a decrease of 10.68% over fiscal 1995's costs of $368,358. The decrease is due to lower salaries and benefits.

General and administrative costs totalled $569,785 for fiscal 1996, representing an increase of 19.8% over fiscal 1995's costs of $475,523. The increase in general and administrative costs were primarily due to additional consulting fees, salaries and additional interest charges .

Research and development costs expensed during fiscal 1996 totalled $573,807, a decrease of 10.3% from fiscal 1995's costs of $639,508. The decrease was due to an allocation of resources to the Nova project. Costs relating to Nova were deferred during the year.

Development costs deferred as at April 30, 1996 totalled $442,541 (1995 - $216,044), an increase of 104.8%. The deferred costs related to the Nova development projects. Nova development was completed in fiscal 1997 and deferred costs relating to this project will be amortized over the 2 years. The majority of research and development costs deferred were comprised of salaries and benefits.

Sales and marketing costs were $145,907 (1995 - $122,032), an increase of 19.6%. The $23,875 increase was due to higher salaries and increased travel.

Amortization of $60,514 was consistent with the prior year's balance of $67,256. The cost relates to amortization of capital assets.

Year 2000 Compatibility

The Corporation has initiated a review, implementation and testing process in response to the Year 2000 issue. The review stage, which is currently ongoing, involves identifying both internal Year 2000 issues as well as identifying the Corporation's vulnerability to the state of readiness for the Year 2000 issues of other parties. Based on the Corporation's level of dependence on information technology, the complexity of its systems and the extent of its interaction with third parties, the Corporation believes that it will be able to implement and fully test within the required time frame and make any necessary changes. Furthermore, the Corporation does not anticipate any material impact on the Corporation's results of operations, liquidity or capital resources arising from this issue.

Business Objectives

The primary objectives of the Corporation, utilizing the funds previously available to the Corporation from the previous issue and the funds from the sale of the 3,745,000 Special Warrants on June 18, 1998, are :

1. To complete the quality assurance testing of Magellan 1.1 and to commence the first installation of Magellan 1.1 by November 1998;

2. To conduct a marketing campaign required to enhance the market awareness of the Corporation and its products;

3. To embark on an acquisition search with the goal of acquiring one or more software companies specializing in aviation management or human resource management for the airline industry.

Milestones

The Corporation has completed the code for the latest version of Magellan, known as Magellan 1.1. This version includes a long term planning, training and crew account module. Prior to commencing the installation of Magellan 1.1, the Corporation must first complete a quality assurance review and product testing. The Corporation plans to commence the first installation of Magellan 1.1 following product testing in November 1998. The completion of quality assurance testing and the first installation of Magellan 1.1 is estimated to cost approximately $190,000 which will be financed from the funds available to the Corporation from the previous sale and issue of the Special Warrants. As at September 30,1998, the Corporation had expended $360,000 of the proceeds from the Special Warrant financing on the development of Magellan 1.1. The Corporation has allocated an additional $300,000 from the proceeds of the Special Warrant financing for further enhancements to Magellan 1.1 in the future. See "Business of the Corporation - The Corporation's Products".

The Corporation has spent approximately $1,888,000 in development costs for Magellan to September 30, 1998.

Earlier this year, the Corporation commenced implementation of its marketing strategy relating to the release of Magellan. See "Business of the Corporation - Marketing Strategy". This includes increased advertising, product demonstrations and mail outs. The estimated cost of conducting the Corporation's marketing campaign over the next 12 months is estimated to be $850,000 which will be financed from the proceeds available to the Corporation from the previous sale and issue of the Special Warrants.

The airline software industry consists of many small niche-focused companies and is very fragmented. To take advantage of this situation, the Corporation has embarked on an acquisition search. On July 6, 1998, the Corporation entered into an arm's length letter of intent with Airline Software Inc. ("ASI") to acquire the assets of ASI relating to its airline operation software, See "Business of the Corporation - Acquisitions and Dispositions".

Acquisitions and Dispositions

The only material acquisitions or dispositions made by the Corporation to date relating to its current business are with respect to the acquisition of all of the issued and outstanding shares of Mercury. See "Business of the Corporation - Acquisition of Mercury".

On July 6, 1998, the Corporation entered into an arm's length letter of intent with Airline Software Inc. ("ASI") of Pomona, New York to acquire the assets of ASI relating to its airline operation software, subject to due diligence and approval of the Vancouver Stock Exchange, counsel to both the Corporation and ASI and the Board of Directors of the Corporation. As a result of the due diligence undertaken by the Corporation, the Corporation has decided to not proceed with this acquisition.

The Corporation's working capital may be used in part for future acquisitions. The Corporation has determined that there may be opportunities to acquire companies whose business operations and products are compatible or complementary to those of the Corporation and which will provide opportunities for new or expanded markets for the Corporation's products.

The airline software industry includes many private, small niche-focused companies, which are undercapitalized. The Corporation believes that there is an opportunity to consolidate the industry and achieve operating and product synergies. The Corporation has identified three goals in completing an acquisition:

1. to acquire immediate market share,

2. to retain "best of breed" products and transition out remaining products, and

3. to achieve a net reduction in overhead for the combined companies from rationalization of products and consolidation of research and development.

The Corporation is not able to estimate the costs of any particular acquisition. There is no assurance that the working capital established from the proceeds of this Offering will be sufficient to enable the Corporation to complete an acquisition.

The Corporation entered into an Acquisition Search Agreement dated January 19, 1998 with Pacific Coast Capital and Hokenstad & Co. regarding the potential identification and acquisition of suitable target companies which develop or license complementary products to the airline industry. The agreement was initially for a term of four months from January 19, 1998 and continued thereafter until terminated by either party on 10 days' prior written notice. The agreement was terminated by the Corporation in August, 1998. The proposed acquisition of ASI referred to above was a result of the efforts of Pacific Coast Capital and Hokenstad & Co. pursuant to the Acquisition Search Agreement.

Management

The following persons comprise members of the management of the Corporation:

, 33 is President, Chief Executive Officer and a director of the Corporation. Mr. Forster has more than 10 years' experience in senior airline management and the aviation services industry. He has a Bachelor of Science, Aeronautical Engineering from California Polytechnic University, San Luis Obispo, and an Associates of Science, Aeronautics, A & P Licence from Sacramento City College, Sacramento. He began his career in 1987 with American Airlines as Director of Planning and Engineering of Wing West Airlines/American Eagle. From October 1992 to March 1993, he was Project Manager MIS of American Airlines/American Eagle and from March 1993 to January 1994, he was Director of Maintenance and Engineering. In January 1994 he was appointed General Manager and Chief Operations Executive of Eagle

Aviation Services Inc., an American Airlines subsidiary. More recently from February 1995 to January 1996, Mr. Forster was a founder of and acted as president and CEO of Sierra Expressway Airlines, a scheduled commuter regional airline based in Oakland, California. From April 1996 to October 1997, he was a founder of and acted as president and CEO of Aerex Aviation, L.L.C., an on demand charter air service based in Pittsburgh.

, 30, is Vice President Finance and Chief Financial Officer of the Corporation. Mr. Cardey is a Chartered Accountant with six years experience in finance Mr. Cardey was Chief Financial Officer at Maxwell Mercantile Inc. from 1994 to December 1997, a company which administrates oil and gas partnerships, and was an audit supervisor at the accounting firm of Peat Marwick Thorne from 1990 to 1994. Mr. Cardey holds a Bachelor of Commerce degree.

, 36, is Vice President Sales and Marketing of the Corporation. Mr. Whitmarsh has a B.Sc. Hon. Engineering from the Department of Civil Engineering at the University of Leeds, England and a Diploma, Business Management from University of Westminster, London. From February 1995 to November 1996, Mr. Whitmarsh was Vice President of Sales and Marketing of British Aerospace Inc. in Washington, D.C., responsible for sales and marketing, technical analysis and public relations of the British Aerospace sales office in the United States, the United Kingdom and Australia. Most recently he was a director of M.I.B.S.R.L. from December 1996 to December 1997, one of Italy's leading aviation and aerospace consulting companies where he specialized in providing sales and marketing expertise, strategic planning and financing for both the military and civil aerospace industries. From March 1994 to January 1995, Mr. Whitmarsh was Director, Business Planning, for Air Wisconsin Airlines Corporation and prior to that from April 1989 to February 1994, he was Director, Sales, for British Aerospace Commercial Aircraft Ltd.

, 44, is Director of Product Development of the Corporation. Mr. Macdonald joined the Corporation in October, 1995 after having been employed at MacDonald Dettwiler from 1985 to October, 1995, where he was responsible for the development of the Radarsat Satellite Mission Planning and Control System, an artificial intelligence radar tracking system. Mr. Macdonald holds a Masters of Science degree in both Mathematics and Computer Science.

, 41, is the Secretary of the Corporation and Administration and Executive Assistant of the Corporation. Ms. Wall joined the Corporation in January 1990 and has served as office manager since that time.

, 44, is a director of the Corporation. Mr. Konyi has 15 years of experience in finance and investment and during the past five years has been President of Maxwell Mercantile Inc. from 1993 to present and during the past six years has been President and Chairperson of Maxwell Resources Inc. from 1990 to present. Mr. Konyi is co-founder of Integrated Financial Concepts Inc., a financial planning company, and served as that Company's President from 1986 to 1990. Mr. Konyi is a director of Norwood Resources Ltd. (1998 - present), an oil and gas company, and a director of Conac Software Corporation (1998 - present), a construction management software company. Mr. Konyi was President and a director of Maxwell Energy Corp. (1990 to 1995), an oil and gas company, a director of Traderef Software Corp. (1993 to 1994), a customs tariff software company, and a director of Silent Witness

Enterprises Ltd. (1993 to 1995), a closed circuit television monitoring device company, all reporting issuers in British Columbia.

, 40, is a director of the Corporation. Mr. Lowe is a Barrister and Solicitor and a partner of the firm of Richards Buell Sutton. Mr. Lowe has been director of Jewett-Cameron Trading Company Ltd. from 1995 to present, a lumber distribution company listed on the Toronto Stock Exchange and NASDAQ, and a director of Conac Software Corporation (1998 - present), a construction management software company, and was a director and the President of Traderef Software Corp. in 1994, a customs tariff software company, both reporting issuers in British Columbia. Mr. Lowe holds a Bachelor of Arts degree and a Bachelor of Law degree.

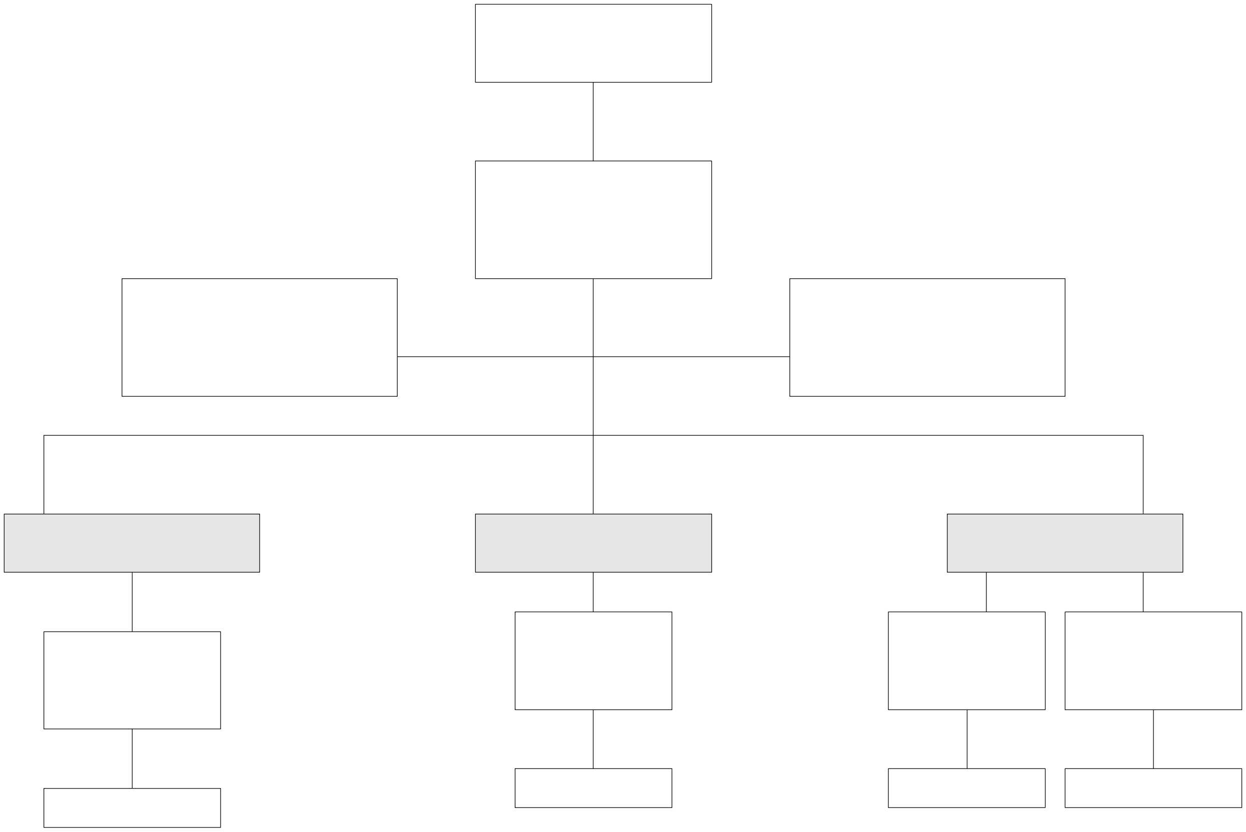
Michael Forster, Graham Whitmarsh, Peter Macdonald, David Sum and Lorraine Wall are full time employees of the Corporation. Darryl Cardey is an independent contractor and will be devoting all of his time to the Corporation. Theodore H. Konyi and Jeffrey J. Lowe shall be devoting such amount of their time as is required to carry out their duties as directors. See "Executive Compensation". All members of management have executed a confidentiality agreement with the Corporation. See "Business of the Corporation - Proprietary Protection". In addition, the Corporation's Employment Agreement with Graham Whitmarsh provides that in the event Mr. Whitmarsh terminates his employment, he will not establish employment with a direct competitor for a period of one year.

All of the companies mentioned above with which the members of the management of the Corporation were previously involved are still in business except for Sierra Expressway Airlines and Aerex Aviation L.L.C., both companies with which Mr. Forster was involved.

Organizational Structure

The corporate structure of the Corporation is as follows:

Mercury Scheduling Systems Inc. Organizational Chart



Of the employees of the Corporation described above, all are full time, except one of the Application Specialists in the Research and Development Department who is part-time. None of the Corporation's employees is represented by a labour union, nor are they subject to a collective bargaining agreement. The Corporation has never experienced a work stoppage, and it believes that its employee relations are excellent.

The Corporation believes that its continued success will depend in part on its ability to attract and retain highly skilled technical, marketing and management personnel. To date, the Corporation has been able to attract and retain sufficiently qualified personnel to carry out its business objectives.

<u>Industry Background</u>

Airline crew scheduling is a crucial aspect of an airline's operation. The process of scheduling airline crews has a number of components varying from long range manpower planning, to monthly rosters, to operating on any given day. The problem of crew scheduling is very complex regardless of airline size as an individual's needs, fatigue and operational qualifications must be considered.

The introduction of powerful personal computers and workstations has opened up an opportunity for airlines to apply more sophisticated techniques to the area of crew scheduling, being one area where airlines are searching to be more cost efficient.

Airlines seeking crew scheduling software systems are generally looking for systems that achieve a high degree of integration, so that continuity as well as the impact of changes are maintained throughout their management information systems. Systems must also be able to adapt to the constantly evolving airline environment, to take into account new aircraft, new destinations, new industrial rules, and changing operational considerations. Airlines are also generally seeking software systems that provide the opportunity to evaluate alternatives in a timely manner.

The airline industry can be segmented into three tiers, depending on the number of crew employed by an airline.

Tier I, or mega carriers, employ in excess of 8,000 crew. There are approximately 40 mega carriers throughout the world. These carriers tend to have unique scheduling requirements and are generally prepared to spend significant time, money, and take the substantial risk of building a customized solution, utilizing either in-house expertise or outside contractors.

Tier II, or medium-sized carriers, employ between 250 and 8,000 crew. There are approximately 750 medium-sized carriers throughout the world, including cargo carriers. These carriers have complex crew scheduling problems and require a product which provides the associated support. They are generally prepared to use software which has not been developed specifically for their airline provided it can be configured to meet their specific needs and operational environment.

Tier III, or small carriers, employ under 250 crew. It is difficult to precisely define the size of this market, but the Corporation estimates there are approximately 1,000 small carriers throughout the world. These carriers have small numbers of air planes and crew and limited budgets. Scheduling is generally done manually, often by one or two employees, as cost effective scheduling software has not been readily available to them. The scheduling software programs presently available in the market are generally too expensive, too sophisticated in functionality and too complex to install, maintain, and use for small carriers.

The Corporation's Products

The Corporation has six airline crew scheduling software products which it currently licenses to 28 airlines ranging in size and location from WestJet Airlines to KLM Royal Dutch Airlines of the Netherlands. A seventh product, Magellan 1.1, has recently been code completed and will undergo quality assurance testing this fall.

In 1983, the Corporation developed an automated preferential crew scheduling system for Wardair known as "BlockGen". BlockGen is a DOS-based automated trip assignment program for creating monthly rosters for airline crews. BlockGen is being phased out and replaced with the Corporation's Nova and Nova-Lite products.

In 1984, the Corporation developed its second product, known as "PairGen". PairGen is a DOS-based automated trip generation program that combines all flight sectors into flyable combinations. PairGen is also being phased out and replaced with the Corporation's Nova and Nova-Lite products.

In early 1997, the Corporation completed a Windows 95 based crew planning system known as "Nova". Nova is built upon the complex scheduling algorithms previously developed by the Corporation, some of which were incorporated into BlockGen and PairGen.

Nova is multi-user, based on a relational database, and interfaces to external systems. Nova is intended for airlines of all sizes and has been successfully installed at several airlines, including British Airways and Maersk Air.

In January, 1998, the Corporation developed a crew planning system for smaller airlines known as "Nova-Lite". Nova-Lite is based on Nova but is single-user and has simplified functionality. Nova-Lite replaces the Corporation's previous product known as "Northstar".

The Corporation has been appointed a non-exclusive worldwide distributor to market and licence a trip optimization system known as "Cygnus". Cygnus is designed to optimize the crew scheduling plan, while satisfying both mandatory and discretionary government, industrial, corporate and schedule restraints.

Cygnus was developed by Parallel Integrated Applications Systems Inc. ("Parallel") of Virginia. Pursuant to the Distribution Agreement dated February 20, 1998 between the Corporation and Parallel, the Corporation shall earn a royalty for each licence of Cygnus granted by the Corporation. The initial term of the Distribution Agreement expires on January 31, 2001, subject to renewal each year thereafter unless terminated by either party upon three months prior written notice.

The Corporation has been appointed a non-exclusive worldwide distributor to market and licence a crew training management system known as "Regulus". Regulus is designed to provide airlines with an efficient, accurate and easy to use computerized system to manage crew training.

Regulus was developed by ServerLogic Corporation ("Server Logic") of Bellevue, Washington. Pursuant to the Distribution Agreement dated February 4, 1998 between the Corporation and ServerLogic, the Corporation shall earn a royalty for each licence of Regulus granted by the Corporation. The initial term of the agreement expires on January 31, 2001, subject to renewal each year thereafter unless terminated by either party upon three months prior written notice.

Over the last three years, the Corporation has focused its efforts on designing "Magellan", a next-generation product for airline crew scheduling. Magellan has been developed as a fundamentally more comprehensive product than the Corporation's other products in a number of ways:

C . Magellan is multi-user and multi-tasking and uses these features to track each crew member through time, from the planning stages to historical records. Magellan has the capability of dealing with crew control on the day being operated, hence, it is a "real-time" "day of operations" system.

C . Magellan uses new concepts in configurability and adaptability of the software system to conform to each airline's operational environment. These new concepts include proprietary blackboard architecture utilizing a commercial software tool pioneered by the Michigan Institute of Technology. The Corporation's systems must consider the unique aspects of a customer's environment or culture in order to be appropriate.

C . Magellan will include a new module to incorporate a system for industry scheduling rules. Traditionally, scheduling rules have been programmed or coded into the scheduling system requiring the programmer to be familiar with every nuance of the rules. The rules have not only increased in number, they have become more complicated, resulting in conflicting interpretations. Implications of new rules proposed during management/union negotiations were not considered as the time and cost of programming was prohibitive. The new rule system used in Magellan enables an experienced end-user to input new rules directly into the scheduling software using English language sentences and a graphic interface.

C . Magellan is Windows NT based, making the system easier to learn and more intuitive to use.

<u>Future Product Development</u>

It is intended that new product development will be centered upon the decision support technology developed for Magellan. With the code completion of Magellan 1.1 in August 1998, the Corporation's development team will focus their efforts on the following products.

Polaris will be developed as an aircraft management decision support system, applying Magellan's decision support technology to the management of aircraft on a "real-time" "day operations" basis.

Optimizing the use of aircraft is crucial to the success of an airline. Polaris is intended to provide the necessary information to enable airlines to make critical decisions concerning the use of an aircraft. These decisions might include deployment of an aircraft when the schedule is disrupted and scheduling repairs. Polaris will operate on a Windows 95/NT platform and will be highly configurable, adapting to each airline's operations. It is intended that Polaris will be able to be integrated with the Corporation's other products and with other airline operations software.

Super Nova will be developed as the next generation of airline crew scheduling systems, applying Magellan's decision support technology to crew scheduling. It is anticipated that the development of Super Nova will lead to the next generation of Nova and Nova-Lite products. Super Nova will be configurable to different airline operations and is intended to be able to be integrated with other crew control systems now available on the market.

Nova On-Line will be developed as a communication system, intended to facilitate communications between the next generation planning and management systems and the employees that these systems manage. Nova On-Line is intended to provide an interface between the crew and the crew scheduling system. Members of airline crew will be able to enter their availability, preferences and bids for forthcoming work and vacation through the Internet, telephone or strategically placed terminals.

<u>Customers of the Corporation</u>

The Corporation currently has 3 customers in the Tier I (mega) carrier market with BlockGen, PairGen, and/or Nova being integrated into existing airline software at airlines such as American Airlines and British Airways. In 1994, the Corporation developed a customized Unix/Oracle “day of operations” system solution for KLM Royal Dutch Airlines ("KLM") known as PLATO (PLAnning TOgether). The PLATO system is owned jointly by the Corporation and KLM. The PLATO system was successfully completed and installed in early 1996 and is used only by KLM. The Corporation no longer receives any revenue from KLM with respect to the PLATO system.

Tier II (medium-sized) carriers have been, and will continue to be, the target market of the Corporation. The Corporation currently has 11 customers in this category, including Aloha Airlines and Canada 3000. The Corporation is seeking to achieve broader acceptance with these carriers by increasing its profile and improving and expanding its product line.

The Corporation has 14 customers in the Tier III (small) carrier market. Nova-Lite was specifically developed by the Corporation for this market.

The following is a list of current customers of the Corporation[(1)]:

Aerolineas	British World	Gemini Air Cargo	SAS Commuter
Aloha Airlines	Brymon Air	Inter Canadian	Skyservice
American Airlines	Canada 3000	KLM[(2)]	Sky West
Ansett Australia	Canadian Regional	Knighthawk	Sterling European
Ansett New Zealand	Central Mountain Air	Legend Airlines	WestJet
Bahamas Air	Corporate Express	Maersk Air	
BAR	Fischer Air	Ontario Regional	
British Airways	GB Airways		

(1) Many of these airlines use other software products in addition to the Corporation's products.

(2) KLM uses the PLATO system developed jointly with the Corporation.

Marketing Strategy

The marketing activities over the past five years, all of which have been carried out by the Corporation's personnel, have been a combination of product demonstrations to introduce the product as well as attendances at specialized conferences that have a focus on airline operations and scheduling in particular. Considerable effort has been placed on servicing existing and new customers to ensure a high level of satisfaction among end users as many new opportunities come through referrals from existing customers and others in the airline industry who are aware of the Corporation.

With the addition of Magellan, which provides the Corporation with a"real-time" "day of operations" product, and the acquisition of the distribution rights to Cygnus (new planning optimizer) and Regulus, (crew training module), the Corporation will offer a broader range of applications. The Corporation's goal is to become known as a complete operations software solutions provider to the airline industry.

The marketing strategy to achieve this goal includes direct contact with the airlines via mail, advertising, and telephone to inform them of the Corporation's expanded portfolio of products. The Corporation also intends to pursue opportunities to speak at industry related conferences to promote greater awareness of the Corporation and its products and credibility.

To market the Corporation's products on an individual basis, the Corporation intends to employ different approaches for North America as compared to other parts of the world.

In North America, all products will be marketed and sold directly through the sales team based out of the Corporation's head office in Vancouver, British Columbia. This will enable the Corporation to directly control approximately 50% of its total market. The head office of the Corporation will also provide systems integration and product support.

Elsewhere in the world, the Corporation will endeavour to enter into arrangements with established software distributors to market its products. As at the date hereof, the Corporation has entered into two agreements to distribute its products other than in North America and is currently seeking additional distributors.

The Corporation has granted to Maersk Data A/S the non-exclusive (with certain exceptions) marketing, sales and customer support responsibilities for Magellan, Nova and Nova-Lite in continental Europe and the United Kingdom. Maersk Data A/S ("Maersk Data") is based in Copenhagen, Denmark and is a technology supplier providing client server, mainframe and network based solutions to select market segments. Maersk Data is part of the A.P. Moller Group which is involved in container vessels, shipbuilding, aviation and information technology.

Maersk Data has advised the Corporation that it intends to target smaller Tier I (mega) and larger Tier II (medium-sized) airlines who have outgrown their existing planning/scheduling systems. As part of its longer term marketing strategy, Maersk Data intends to promote Nova-Lite to Tier II (medium-sized) and Tier III (small) airlines with a view to establishing a relationship with these medium and smaller sized airlines with the expectation that as they grow, they will require the Corporation's more complex products.

The agreement with Maersk Data was effective as of January 30, 1998 and shall continue until October 2, 2002 and from year to year thereafter unless terminated by either party giving not less than three months' prior written notice.

The Corporation has also granted to Speedwing, the information technology sales, support and marketing division of British Airways, based in London, England, the non-exclusive marketing, sales and customer support responsibilities for Magellan, Nova and Nova-Lite in the Middle East, Africa, Asia, South America and Australia.

Speedwing has advised the Corporation that it intends to target Tier I and Tier II airlines with whom it has existing relationships, by promoting the Corporation's products through on-going active sales campaigns.

The agreement with Speedwing was effective March 9, 1998 and shall continue until December 31, 2000 and from year to year thereafter unless terminated by either party giving not less than three months' prior written notice. During the initial term, Speedwing may terminate the agreement at the anniversary thereof on not less than three months notice.

The Corporation intends to pursue the following marketing strategies with respect to its products:

. The Corporation intends to promote Magellan as a new, leading edge product which serves as a "real-time" decision support tool for Tier I (mega) and Tier II (medium-sized) carriers. The Corporation will target both senior management and crew schedulers of these carriers, using direct mail, industry trade shows, and the Corporation's brochure. The Corporation previewed Magellan 1.0 at a key industry conference in Vancouver, British Columbia in late April 1998 to delegates of airlines from around the world. The Corporation intends to support these activities by industry speaking opportunities and media coverage. Initially, the Corporation plans to price Magellan to facilitate market penetration. Once the Corporation believes Magellan is sufficiently established in the marketplace, the Corporation plans to increase the price on a value-based structure.

. The Corporation seeks to position Nova as an excellent product for Tier II (medium) carriers and Nova-Lite for Tier III (small) carriers to achieve broad distribution into as many of these carriers as possible. As these carriers expand, it is hoped they will then purchase the Corporation's other products. Nova-Lite will be tele-marketed and where possible, initial demonstrations will be through the Internet. The Corporation's objective is to minimize expenses associated with marketing Nova-Lite until potential customers have been pre-qualified. These two products enable the Corporation to offer a product/price point for both Tier II and Tier III carriers. They will be competitively priced at market levels for planning tools.

. These two products will not be marketed individually but will be promoted with the Corporation's own products. Sales of these products may be made to customers who do not require planning and tracking tools at that time but who may require them in the future. The Corporation will seek to capitalize on its established relationships with these customers to sell its other products in the future. The pricing of Cygnus and Regulus will be market based and opportunistic.

The pricing of the Corporation's products and services are negotiated individually with each customer reflecting their needs.

In general, market acceptance is determined by making the software available to airlines on a trial basis. As with most software, obsolescence is always a factor and accordingly the Corporation continues to update and enhance its products.

There are no material market controls such as governmental regulations or guidelines.

Sales Strategy

In the medium sized airline market, the sales process can take a number of months. The software selection process is detailed and comprehensive, as the chosen solution can be used for a long period of time by the airline, and in an important role. It also involves the approval of a number of departments, as the director of operations, the schedulers, and the computer department all must satisfy their particular concerns.

The sales process therefore requires a sales presentation with a number of parties within each airline and in-depth discussions and demonstrations to validate the applicability of the software.

If the software can be seen as a fit for the particular airline, the pricing of the license and the negotiations to reach a contract, usually focus on the support needs of the airline and the capability and commitment of the vendor. This is often best demonstrated by discussions with the vendor's existing clients, and this may include site visits to those airlines.

Once a vendor has an existing client base and a reputation of service and knowledge, airlines around the world are generally pleased to be kept abreast of new directions that will assist them in this complex area of airline operations. Therefore, the Corporation feels that the sales process is initiated through updates on progress and new directions either one on one, or at the specialized aircrew scheduling seminars held annually, around the world.

In addition to the distribution agreements with Maersk Data A/S and Speedwing mentioned above, the Corporation intends to pursue additional distribution agreements with other international aviation software distributors.

Service and Support

An aspect of the Corporation's business strategy is to provide support, training, and production services to customers. The Corporation makes available support services, including on-site and hot-line or e-mail support, in-house and on-site training in the use of the Corporation's products. All software is shipped with user guides, and on-line documentation is available to enable users to gain greater knowledge of system functionality. The Corporation believes that its focus on customer service has led to a high degree of customer satisfaction and has provided it with important information about the evolving needs of its customers.

The Corporation's customer service organization provides the following services:

> Technical support personnel provide telephone assistance to customers and distributors.

> . The Corporation offers a variety of training options to its customers. Customer training is generally provided at the customer's facilities although the user has the option of undergoing training at the Corporation's facilities.

The Corporation supports its customers from the Corporation's Vancouver head office in British Columbia. As of September 30, 1998, the Corporation employed a total of 6 persons in its customer support division.

Proprietary Protection

The Corporation has developed trade secrets and proprietary information with respect to its software products. The Corporation relies on a combination of contract, copyright and trade secret law to establish and protect its proprietary rights in its technology. The Corporation has not obtained patent protection for any of its products, nor has it registered any trademarks or copyrights.

The Corporation has chosen not to obtain patent protection for its products since filing for such protection would require disclosure of its source code for its products. The source code of the Corporation's products is protected both as a trade secret and as an unpublished copyrighted work, and is not made available to third parties. Computer source code is generally unpublished (i.e. copies are not distributed to third parties) and is considered a "work" for which copyright protection is available in both Canada and the United States. Copyright notices are given in all manuals for its software products and on the title screen for its software. Although the Corporation would obtain certain technical benefits (which relate mainly to notice and presumption of subsistence of copyright) by registration of the source code for its products, registration is not a prerequisite to acquiring copyright for the Corporation's source codes. The licensees of the Corporation's products are not provided with the source code for the product, they are only provided with the object code required to operate the product. Therefore, the Corporation is able to protect the source code that it has developed from examination and copying by licensees. The Corporation maintains a duplicate copy of all software source-code developed.

Although the Corporation sends its source code to a secure location each week, has a security system in place on its premises, and enters into license agreements with customers that limit access to and use of its software, documentation and other proprietary information and has obtained confidentiality agreements from its customers and most of its employees, there can be no assurance that the steps taken by the Corporation in this regard will be adequate to deter misappropriation of its technology. The Corporation believes that, due to the rapid pace of innovation within the software industry, factors such as expertise and creative skills of its personnel are more important to establishing and maintaining a leadership position within the industry than are the various legal protections to its technology. (See "Risk Factors").

Trademark registrations have not been applied for the product names as the Corporation does not consider the names to be a critical component of the Corporation's marketing strategy, although the Corporation is considering applying for registration of Magellan as a trademark.

In general, the Corporation's licence agreements with its customers provide that the customer obtains a non-exclusive, non-transferable limited licence to use the software for the customer's crew members. The agreements state that the software remains the exclusive property of the Corporation and that the Corporation reserves the right to licence or sell the software to any other party. There are confidentiality provisions whereby the customer covenants not to copy the software or make any part of it available to any third party. The customer is obligated to indemnify the Corporation against any damage caused by the customer's breach of confidentiality and other provisions of the agreement. The Corporation has agreed to indemnify its customers for any costs or liabilities arising from a patent infringement claim, and in some cases from the disclosure or use of confidential information. Further, the customer agrees that it shall comply with all reasonable requests to assist the Corporation in protecting its proprietary interests in the software. The main exception to these general provisions, is the Corporation's development agreement with KLM for a custom rostering system, the ownership of which is shared by the Corporation and KLM. This system is currently only utilized by KLM, and is distinct from the Corporation's products that it licences to all of its other customers. One licence agreement, which the airline customer required be in its own format, does provide that the customer may have access to the source code under certain default or financial conditions.

All of the Corporation's key employees have signed a confidentiality agreement which provides that they maintain in strictest confidence, all confidential information of the Corporation, including source codes and all information created or produced by employees. All new employees are required to sign such an agreement on being hired.

The Corporation owns the rights to all of its products except for Cygnus and Regulus for which the Corporation has been granted distribution rights from third parties.

<u>Operations</u>

The Corporation develops, licenses, markets and supports its own products and services other than Cygnus and Regulus, which are both licensed from other corporations.

The Corporation operates from 6,508 square feet of leased office space located at Suite 400, 601 West Cordova Street, Vancouver, British Columbia, V6B 1G1. The Corporation's lease of the premises is pursuant to that lease dated for reference July 8, 1993 between The Station Leaseholds Ltd. and Mercury. The lease has a term of 10 years from September 1993, with no right of renewal, with annual basic rent of $55,318 until 1998, and for the following five years at a rate of $61,826 per year. The lease is a net lease and the Corporation is responsible to pay any additional costs or charges relating to the leased premises.

The Corporation's management and employees have the specialized skill and knowledge requirements necessary for the Corporation's products, including with respect to airline operations, scheduling techniques and software development.

There are no proposed material changes to the Corporation's premises or personnel required to enable the Corporation to meet its stated objectives.

Competition

There are a small number of software companies that develop and licence products for this marketplace, and there is always a risk of new competitors emerging in the future.

In the Tier 1 (mega-carrier) market, there are two major competitors: International Computers Limited ("ICL") and Sabre Decision Technologies ("SDT"). The Corporation, along with the other vendors that license products, are able to license specific scheduling modules into this market. ICL and SDT are major corporations substantially larger than the Corporation and have traditionally been involved in development and service contracts for Tier 1 carriers. ICL is also a major hardware vendor and thus its agreements with an airline may include both hardware and operating systems. SDT has an extensive range of software products for airlines, including accounting software and operations software with respect to fuel management, crew scheduling and baggage handling. Generally, contracts with ICL and SDT are negotiated and priced on a customer by customer basis.

The Tier 2 (medium-sized carrier) market has four primary vendors with a range of scheduling modules product line: SBS International Inc., David R. Bornemann Associates, Inc., Resource Management, and Airline Information Management Systems ("AIMS"). SBS International Inc. has traditionally had the major share of the market, having been in business since the early 1970's. The David R. Bornemann Associates, Inc. products are basically licensed in the United States. There are other companies that have one or two programs for crew scheduling, including American Telephone & Telegraph ("AT&T"), Airware Solutions Inc., AD OPT Technologies Inc. and Carmen. The Corporation has competed with all of these vendors with its existing products and believes it will be well positioned with Magellan.

To the Corporation's knowledge, the Corporation's competitors generally contract with an airline to build a software program for a specific need. In some cases, the competitors have then attempted to market these custom-made programs, however, the Corporation understands that they have met with limited acceptance.

The Tier 3 (small carrier) market is still dominated by the manual crew scheduling process. The Corporation believes that the accountability, legality checking, printouts, and processes of scheduling inherent in the Corporation's product, Nova-Lite, will make it an attractive alternative to a manual scheduling system for these airlines.

A number of companies that compete in the airline crew scheduling markets have significantly greater financial, marketing, service and support, and technological resources than the Corporation. No assurance can be given that the Corporation will be able to successfully develop or commercialize products for the airline industry or, if any such products are commercialized, that the Corporation will be able to compete successfully in this market. (See "Description of Business" - "Risk Factors - Competition").

In general, management of the Corporation is, based on discussions with existing and potential customers, of the opinion that the pricing and performance of the Corporation's products and services are competitive.

Administration

The Corporation's administration costs not attributable to the operations and excluding sales and marketing expenses ("Administration Support Costs") for the fiscal year ended April 30, 1998 were approximately $449,000, and for the fiscal year ended April 30, 1997 were approximately $308,000.

Management estimates that the aggregate Administration Support Costs over the next twelve months will be $478,000, or approximately, $39,800 per month as follows:

Activity	**Estimated Amount Over the Next 12 Months**
Salary and benefits	$ 69,000
Rental and operating costs	165,000
Professional fees	100,000
Investor Relations	120,000
Transfer Agent and regulatory fees	24,000
Total:	$478,000

The above amounts may vary; however, the Corporation does not anticipate any material variations at this time.

Acquisition of Mercury

Promax Software Inc. ("Promax"), owned in part by Kirkton Holdings Ltd. which is controlled by Theodore H. Konyi, a director of the Corporation, acquired a majority of the shares of Mercury Scheduling Inc. as of July 29, 1994, and subsequently transferred some of those shares, directly or indirectly, to certain officers, directors, and shareholders of the Corporation. Mercury Scheduling Systems Inc. acquired all of the issued and outstanding shares of Mercury Scheduling Inc. as of January 31, 1996 from, among others, Promax, 384518 B.C. Ltd., a Corporation controlled by Jeffrey J. Lowe, a director of the Corporation, and Brian Becker, the former President of the Corporation.

Pursuant to two Share Purchase Agreements dated July 29, 1994, Promax Software Inc. ("Promax"), acquired, from 25 vendors, 267,188 or 81.43% of the Class "A" Common shares, all of the 160,000 Class "C" Preferred shares and all of the 532,500 Class "D" Preferred shares of Mercury. The remaining 60,936 or 18.57% of the Class "A" Common shares of Mercury continued to be held directly or indirectly by Brian Becker, the former President and former director of the Corporation, and three Mercury employees, who acquired 45,311 of them as a reward for their continuing dedication to Mercury. The aggregate purchase price for the Mercury shares acquired by Promax was $1,025,313, and subsequently the vendors agreed to accept a reduced total of $844,407 in full payment. Promax is a Corporation owned by Dean Williams, who is not a shareholder, officer or director of the Corporation and by Kirkton Holdings Ltd. ("Kirkton"), which is controlled by Theodore H. Konyi, a director of the Corporation and owned by his wife and children.

Pursuant to one of the said Share Purchase Agreements dated July 29, 1994, between Promax and the three principal shareholders of Mercury, the said three shareholders covenanted not to directly or indirectly compete in Canada or the United States with any business carried on by Mercury, for a period of three years, expiring July 29, 1997.

Promax, as of July 29, 1994, sold 38,409 Class "A", 64,000 Class "C" and 213,000 Class "D" Mercury shares, at its cost of $268,255.82, to 384518 B.C. Ltd., a Corporation controlled by Jeffrey J. Lowe, a director of the Corporation, which was paid for by way of preferred shares of 384518 B.C. Ltd. issued to Kirkton. Promax, also as of July 29, 1994, sold 120,509 Class "A" Mercury shares, at its cost of $122,340.75, to Brian Becker, the former President and former director of the Corporation, which was paid for by way of a promissory note for $122,340.75 in favour of Kirkton, secured by a hypothecation of the said shares. Subsequently, as of January 30, 1996, pursuant to three separate Share Purchase Agreements, Promax sold an aggregate of 50,658 Class "A" Mercury shares, at its cost of $51,427.75, to three Mercury employees/shareholders, being John Chittick, Steve Cook and David Ellis. The said 50,658 Class "A" Mercury shares were paid for by way of three promissory notes totalling $51,428 in favour of Kirkton and secured by hypothecation agreements of the said shares.

Pursuant to 10 Share Purchase Agreements dated as of January 31, 1996, the Corporation acquired all of the issued and outstanding shares of Mercury from Promax, 384518 B.C. Ltd., Brian Becker, the three said Mercury employees, and retirement savings plans of Brian Becker and two of the said employees. The purchase price for the Mercury shares was $1.015 for each

Class "A" Common share, $0.75 for each Class "C" Preferred share and $0.851 for each Class "D" Preferred share, which was the same price per share paid by Promax in its initial acquisition of Mercury. The aggregate purchase price was $906,269 and was paid by the issuance of 3,625,075 common shares of the Corporation at a price of $0.25 per share. As part of this transaction, Promax sold its Mercury shares, specifically 57,612 Class "A" shares, 96,000 Class "C" shares and 319,500 Class "D" shares, to the Corporation for $402,382 payable by way of 600,000 common shares of the Corporation issued to Gabe Holiday and 1,009,529 common shares of the Corporation issued to Kirkton. Gabe Holiday is the father-in-law of Theodore H. Konyi, a director of the Corporation, and the common shares of the Corporation issued to him were in consideration of settlement of a loan to Kirkton for $85,000 and payment of $65,000. 384518 B.C. Ltd. sold its Mercury shares for $268,256 payable by way of 1,073,023 common shares of the Corporation and Brian Becker sold his Mercury shares owned directly for $146,072 payable by way of 584,288 common shares of the Corporation.

An audited statement of costs confirmed the cost of shares of Mercury acquired directly and indirectly from Promax for the period from July 29, 1994 to January 31, 1996 for a total cost of $844,407. The Corporation issued a total of 3,625,075 common shares as a consideration for the acquisition of all of the Mercury shares, which consisted of 3,377,627 common shares issued with respect to the Mercury shares that had been acquired by Promax, and 247,448 common shares with respect to Mercury shares that were held directly or indirectly by Brian Becker and three Mercury employees.

As stated above, Brian Becker and the three said Mercury employees exchanged their Mercury shares for common shares of the Corporation, certain of which had been previously hypothecated to Kirkton. In order to facilitate this exchange and maintain security in favour of Kirkton for the aforesaid promissory notes, Brian Becker hypothecated 489,363 common shares of the Corporation to Kirkton, and the three said Mercury employees hypothecated 205,712 common shares of the Corporation in favour of Kirkton.

USE OF PROCEEDS

The net proceeds to the Corporation from the sale of the Special Warrants was $3,445,400. As at September 30, 1998, the Corporation had expended approximately $1,580,400 of the net proceeds. The allocation of net proceeds expended and the Corporation's intended use of the balance of the net proceeds, together with the existing working capital balance as at the date of this Prospectus, is as follows:

Net Proceeds received on Closing		$3,445,400
Less: Amounts expended as at the date of this Prospectus:		
Offering Costs	$ 120,000	
Marketing and Promotion (1)	$ 285,000	
Research and Development (2)	$ 360,000	
Repayment of loans (3)	$ 185,000	
Working Capital to Fund On-Going Operations	$ 630,400	
Total Expended	$1,580,400	($1,580,400)

Balance of net proceeds on hand as at September 30, 1998		$1,865,000
Approximate working capital as at September 30, 1998		$1,865,000
Expenditures to be undertaken[4]:		
Offering Costs	$ 0	
Marketing and Promotion [1]	$ 565,000	
Research and Development [2]	$ 490,000	
Repayment of Loan	$ 15,000	
Working Capital	$ 795,000	
Total	$1,865,000	

(1) See "Business of the Corporation - Marketing Strategy".

(2) See "Business of the Corporation - Future Product Development".

(3) See "Share Capital and Indebtedness".

(4) Other than for remuneration to management of the Corporation in the ordinary course, none of the funds made available to the Corporation upon completion of the Special Warrant Offering, as set out above, has been or will be paid to insiders or holders of performance shares.

(5) As at September 30, 1998, the Corporation had cash on hand of approximately $1,865,000.

Principal Purposes

The board of directors of the Corporation is of the opinion that the funds that are available to the Corporation from the prior sale and issue of the Special Warrants will be sufficient to provide the Corporation with a reasonable opportunity of achieving its business objectives set out in "Business of the Corporation - Business Objectives".

The Corporation will spend the funds available to it from the prior sale and issue of the Special Warrant to further the Corporation's business objectives set out in "Business of the Corporation - Business Objectives". There may be circumstances where, for sound business reasons, a reallocation of funds may be necessary in order for the Corporation to achieve its business objectives.

Conflicts of Interest

The Corporation is not a related party or connected party of any agent engaged in the offering of Special Warrants or the distribution of Units qualified by this Prospectus.

DIRECTORS, OFFICERS AND PROMOTERS

Name, Address and Occupation

The members of the Board of Directors and the officers of the Corporation are identical to those of Mercury. The names and municipality of residence of each of the directors and officers of the Corporation, the principal occupations of each, and their respective ownership of securities of the Corporation are set out below. See "Business of the Corporation - Management" for more information on the members of the management of the Corporation.

Name	**Principal Occupation**	**Securities Ownership(1)**	**% of Common Shares to be Held on Completion of Offering(2)**
Michael Forster(2)(3) Vancouver, B.C. and San Luis Obispo, California CEO and President	President, CEO Mercury Scheduling Systems Inc. and Mercury Scheduling Inc.	20,000 Common Shares direct 25,000 share purchase warrants direct	0.09%
Jeffrey J. Lowe(2)(3) Burnaby, B.C. Director	Lawyer, Richards Buell Sutton	805,000 Common Shares direct (800,000 performance shares) 781,523 Common Shares indirect 440,000 share purchase warrants indirect	3.78% 3.67%
Theodore H. Konyi(2)(3) Delta, B.C. Director and Promoter	President, Maxwell Mercantile Inc. and Maxwell Resources Inc.	1,200,000 Common Shares direct (performance shares) 617,609 Common Shares indirect 90,000 Special Warrants indirect	5.64% 2.90% 0.42%
Darryl Cardey, C.A. Vancouver, B.C. Vice President Finance and Chief Financial Officer	Chief Financial Officer, Mercury Scheduling Systems Inc. and Mercury Scheduling Inc.	15,000 Common Shares direct 63,000 Common Shares indirect 100,000 share purchase warrants	0.07% 0.30%

Name	Principal Occupation	Securities Ownership[1]	% of Common Shares to be Held on Completion of Offering[2]
Graham Whitmarsh Vancouver, B.C. Vice President, Sales and Marketing	Vice President, Sales and Marketing, Mercury Scheduling Systems Inc.	50,000 Common Shares direct 25,000 share purchase warrants direct	0.24%
Lorraine K. Wall Surrey, B.C. Secretary	Administration and Executive Assistant, Mercury Scheduling Systems Inc.	Nil	--

(1) For options granted by the Corporation to, and held by, the individual, see "Options and Other Rights to Purchase Securities". For options granted privately to or by the individual, if any, on performance shares, see"Performance Shares".

(2) Includes the number of Common Shares issuable upon exercise or deemed exercise of the Special Warrants but excludes any Common Shares issuable upon exercise of Share Purchase Warrants.

(3) Denotes a member of the Audit Committee.

Conflicts

Certain of the directors, officers and shareholders of the Corporation are also directors, officers and shareholders of other companies and conflicts of interest may arise between their duties as directors of the Corporation and as directors of other companies. See "Business of the Corporation - Management". Moreover, directors and officers of the Corporation may be presented from time to time, with situations or opportunities which give rise to apparent conflicts of interest which cannot be resolved by arm's length negotiations, but only through exercise by the officers and directors of such judgment as is consistent with their fiduciary duties to the Corporation arising under corporate law, especially insofar as taking advantage, directly or indirectly, of information or opportunities acquired in their capacities as directors or officers of the Corporation. The resolution of such conflicts is governed by applicable corporate laws which require that directors act honestly, in good faith and with a view to the best interests of the corporation and, in the case of the , British Columbia, the Corporation's governing statute, also require that directors declare any matter in which a director may have a conflict of interest. Any transactions with officers and directors will be on terms consistent with industry standards and sound business practice in accordance with the fiduciary duties of those persons to the Corporation, and, depending on the magnitude of the transactions and the absence of any disinterested board members, may be submitted to the shareholders for their approval.

Other Reporting Issuers

Theodore H. Konyi, a director of the Corporation, is a director of Norwood Resources Ltd. (1998 to present) and Conac Software Corporation (1998 to present) and President and a director of Maxwell Energy Corp. (1990 to 1995), a director of Traderef Software Corp. (1993 to 1994) and a director of Silent Witness Enterprises Ltd. (1993 to 1995), all reporting issuers in British Columbia. Jeffrey J. Lowe is a director of Jewett-Cameron Trading Company Ltd. (1995 to present) and Conac Software Corporation (1998 to present) and was a director and the President of Traderef Software Corp. (1994), all reporting issuers in British Columbia. No other director, officer or promoter of the Corporation is, or within the five years prior to the date of this Prospectus has been, a director, officer or promoter of any other reporting issuer.

Corporate Cease Trade Orders or Bankruptcies

No director, officer or promoter of the Corporation is, or within the five years prior to the date of this Prospectus, has been a director, officer or promoter of any other issuer that, while that person was acting in that capacity was a subject of a cease trade or similar order or an order that denied the issuer access to any statutory exemptions for a period of more than 30 days, or was declared bankrupt or made an involuntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver-manager or trustee appointed to hold the assets of that person.

Penalties or Sanctions

No director, officer or promoter of the Corporation has, within the ten years prior to the date of this Prospectus, been the subject of any penalties or sanctions imposed by a court or securities regulatory authority relating to trading in securities, promotion or management of a publicly traded issuer, or theft or fraud.

Individual Bankruptcies

No director, officer or promoter of the Corporation has, within the five years prior to the date of this Prospectus, been declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver-manager or a trustee appointed to hold the assets of that individual.

Promoters

By virtue of having taking the initiative in founding and organizing the affairs of the Corporation. Theodore H. Konyi is a "Promoter" of the Corporation as that term is defined in the Act. To the date hereof, the Promoter has received from the Corporation only the compensation referred to under the heading "Remuneration of Directors, Insiders and Senior Officers".

Ownership of Securities

As at the date hereof, the directors, officers and promoters of the Corporation, as a group, beneficially own, directly or indirectly, 3,552,132 Common Shares, being 20.25% of the issued and outstanding Common Shares. On completion of this Offering, the directors, officers, promoters and insiders including Kirkton Holdings Ltd. and Michael Forster, as a group, will beneficially own, directly or indirectly, 3,642,132 shares, being 17.11% of the issued and outstanding Common Shares, including the Common Shares issuable upon exercise of the Special Warrants but excluding any Common Shares issuable upon exercise of outstanding share purchase warrants.

Indebtedness of Directors and Officers and Management

As of September 30, 1998, no director, officer or member of Management is or has been indebted to the Corporation.

EXECUTIVE COMPENSATION

Except as described below, the Corporation does not have any arrangements pursuant to which directors are remunerated by the Corporation or its subsidiaries for their services in their capacities as directors, other than options to purchase shares of the Corporation which are granted to the Corporation's directors from time to time and the reimbursement of direct expenses. The Corporation does not have any pension plans.

The Corporation has a plan for all of its employees by which it contributes a certain percentage of that employee's remuneration, to a maximum of $2,000 per year, to the employee's registered retirement savings plan.

There are currently three executive officers (the "Executive Officers") of the Corporation.

The aggregate compensation paid to the Executive Officers and their respective associates and affiliates, during the most recently completed financial year ended April 30, 1998, and the financial years ended April 30, 1997 and 1996, and the five months ending September 30, 1998 (the "Stub Period") was as follows:

(1) For the years ended April 30.

(2) Brian Becker ceased to be the Chief Operating Officer, President and a director on December 10, 1997. Mr. Becker is entitled to continue to receive $10,000 per month until and including August, 1998. Mr. Becker holds 500,000 performance shares held in escrow subject to an option to purchase granted in favour of Mr. Lowe. See "Performance Shares".

(3) Darryl Cardey receives $8,000 a month, or $96,000 per annum, on an independent contractor basis. Mr. Cardey assists the Corporation on financial and accounting matters.

(4) Jeffrey J. Lowe was Chief Executive Officer from July, 1997 until Michael Forster was appointed as CEO on October 12, 1997. Mr. Lowe received $5,000 per month as CEO on an independent contractor basis. Prior to Mr. Lowe being appointed CEO, he received $2,000 per month as a consulting fee to assist the Corporation in negotiations with prospective licensees and to provide guidance with respect to overall management and

direction of the Corporation. Mr. Lowe holds 800,000 performance shares held in escrow and has an option to purchase 500,000 performance shares from Mr. Becker. Mr. Lowe has granted an option to purchase 720,000 performance shares to two senior officers. See "Performance Shares".

(5) Options have been granted to the Executive Officers and others pursuant to the Corporation's Stock Option Plan. See "Options and Other Rights to Purchase Securities - Stock Option Plan".

(6) Michael Forster has been appointed CEO, effective October 21, 1997. See "Business of the Corporation - Management". Mr. Forster receives an annual salary of $150,000 (US) which is paid in Canadian dollars based on the prevailing conversion rate at each month end. The salary amounts reflected in the table are in Canadian dollars. Mr. Forster has an option to purchase 600,000 performance shares held in escrow. See "Performance Shares".

(7) Graham Whitmarsh has been appointed Vice President, Sales and Marketing effective December 1, 1997. See "Business of the Corporation Management. Mr. Whitmarsh receives an annual salary of $150,000. Mr. Whitmarsh also has an option to purchase 450,000 performance shares held in escrow. See "Performance Shares".

Pursuant to an Employment Agreement dated October 21, 1997 between Mercury and Michael Forster, Mr. Forster is employed as Chief Executive Officer of the Corporation and has also been appointed President. The agreement is for two years and provides that Mr. Forster shall receive an annual salary of $150,000(US), plus reimbursement of reasonable travel expenses to commute to and from California until June 30, 1998. The agreement also provides that Mr. Forster will be granted an incentive stock option to purchase 200,000 shares, which the Corporation granted to Mr. Forster on October 22, 1997 at a price of $1.07 per share for two years.

Pursuant to an Employment Agreement dated November 10, 1997 between Mercury and Graham Whitmarsh, Mr. Whitmarsh is employed as Vice President, Sales and Marketing of the Corporation. The agreement is for two years and provides that Mr. Whitmarsh shall receive an annual salary of $150,000. The agreement also provided that Mr. Whitmarsh will be granted an incentive stock option to purchase 200,000 shares, which the Corporation granted to Mr. Whitmarsh on December 2, 1997 at a price of $1.26 per share for two years. Mr. Whitmarsh was also to have been granted options to purchase up to 450,000 performance shares.

Darryl Cardey, Chief Financial Officer of the Corporation, receives $8,000 a month, or $96,000 per annum, on an independent contractor basis. Mr. Cardey assists the Corporation on financial and accounting matters.

Kirkton Holdings Ltd., a corporation controlled by Theodore H. Konyi, a director of the Corporation, receives the sum of $2,000 per month as a consulting fee. Kirkton Holdings Ltd. provides consulting services and assistance to the Corporation, including advice with respect to dissemination of corporate information to the public, and coordinating all required advertising and public relations. In July, 1998, Kirkton Holdings Ltd. received an additional $36,000 for additional services rendered to the Corporation, including corporate finance advice, merger and acquisition research and business development.

Proposed Compensation

During the twelve month period following completion of the Offering, the Corporation anticipates that it will pay the Executive Officers compensation as follows:

Name	Salary	Options[(1)]	Other Annual Compensation
Darryl Cardey	$96,000	Nil	Nil
Michael Forster	$150,000 (US)	Nil	Nil
Graham Whitmarsh	$150,000	Nil	Nil

(1) Options to purchase shares may be granted to the Executive Officers from time to time over the next twelve month period pursuant to the Corporation's Stock Option Plan, however, there are no definite plans to do so at this time.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Promax Software Inc. ("Promax"), owned in part by Kirkton Holdings Ltd. which is controlled by Theodore H. Konyi, a director of the Corporation, acquired a majority of the shares of Mercury Scheduling Inc. as of July 29, 1994, and subsequently transferred some of those shares, directly or indirectly, to certain officers, directors, and shareholders of the Corporation. Mercury Scheduling Systems Inc. acquired all of the issued and outstanding shares of Mercury Scheduling Inc. as of January 31, 1996 from, among others, Promax, 384518 B.C. Ltd., a Corporation controlled by Jeffrey J. Lowe, a director of the Corporation, and Brian Becker, the former President of the Corporation. See "Business of the Corporation -Acquisition of Mercury".

The Corporation was indebted to Promax Software Inc. and to 384518 B.C. Ltd., which indebtedness was repaid in 1996. Except as described above or otherwise disclosed herein, no insider of the Corporation or any associate or affiliate of such insider has been materially interested in any transaction of the Corporation, nor is any such person interested in any proposed transaction which has materially affected or would materially affect the Corporation. As at July 31, 1997, the Corporation was indebted to Kirkton Holdings Ltd., which is controlled by Theodore H. Konyi, a director of the Corporation, in the amount of $365,000, which indebtedness was paid from the funds available from a prior sale and issue of special warrants prior to November 30, 1997. The indebtedness was unsecured, was interest bearing at the rate of 12% per annum and had no stated terms of repayment.

SHARE CAPITAL AND INDEBTEDNESS

Share Capital

Existing and proposed share capital of the Corporation is as set out in the table below.

		Number of Issued Shares[1]	Price Per Share	Total Consideration[2]
(a)	Sales of Common Shares prior to September 30, 1998	3,625,076[3] 3,799,438 2,500,000[4] 1,500,000 210,000 250,000 3,000,000 126,000 1,495,000 10,000 1,000,000 10,000	N/A $0.40 $0.01 $0.80 $0.60 $0.80 $0.50 $0.60 $0.50 $0.76 $1.00 $0.60	$ 291,621[3] 1,463,882 25,000 1,053,709 126,000 200,000 1,387,878 75,600 747,500 7,600 994,822 6,000
(b)	Issued as at the Most Recent Month End - September 30, 1998	17,525,514	N/A	$6,379,612
(c)	Offering	3,745,000[5]	$1.00	$3,445,400
(d)	To be issued following exercise or deemed exercise of the Special Warrants	21,270,514[6]	N/A	$9,825,012

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Derek Douglas 280 1285 West Pender Street Vancouver, B.C.	10,000	$0.50 (Year 1) $0.60 (Year 2)	October 28, 1999	$1.43	$0.83
NS Telecom (Quebec) Inc. #2350 - 1177 West Hastings Street Vancouver, B.C. V6E 2K3	115,000	$0.50 (Year 1) $0.60 (Year 2)	October 28, 1999	$1.43	$0.83

Name and Address	Warrants to Purchase the following number of Shares	Exercise Price	Expiry Date	Market Value on March 10, 1998	Market Value on September 30, 1998
Michael Forster 806-1160 Burrard Street Vancouver, B.C. V6Z 2E8	25,000	$1.00 (Year 1) $1.15 (Year 2)	March 10, 2000	$1.15	$0.83
Dr. Karim Kadah Moenchengladbach Germany	50,000	$1.00 (Year 1) $1.15 (Year 2)	March 10, 2000	$1.15	$0.83
Graham Whitmarsh #806 - 1160 Burrard Street Vancouver, B.C. V6Z 2E8	25,000	$1.00 (Year 1) $1.15 (Year 2)	March 10, 2000	$1.15	$0.83
Medi-Ray Group Inc. P.O. Box HM 9511 Hamilton, Bermuda	400,000	$1.00 (Year 1) $1.15 (Year 2)	March 10, 2000	$1.15	$0.83

Number of Special Compensation Warrant Holders	No. of Agent Warrants Issuable Upon Exercise of Special Compensation Warrants	No. of Common Shares Issuable Upon Exercise of Agent Warrants	Exercise Price of Agent Warrants	Expiry Date of Special Compensation Warrants
2	374,500	374,500	$1.25 (Year 1) $1.45 (Year 2)	June 18, 1999(1)

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CONSOLIDATED FINANCIAL STATEMENTS
July 31, 1998

September 23, 1998

REVIEW ENGAGEMENT REPORT

To the Directors of

Mercury Scheduling Systems Inc.

June 2, 1998

CERTIFICATE OF THE CORPORATION

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the Securities Acts of British Columbia, Alberta, Ontario and the Northwest Territories and the regulations thereto.

DATED: October 9, 1998.

"Michael Forster"
MICHAEL FORSTER
President and Chief Executive Officer

"Darryl Cardey"
DARRYL CARDEY
Vice-President Finance and
Chief Financial Officer

On behalf of the Board of Directors

"Jeffrey J. Lowe"
JEFFREY J. LOWE
Director

"Theodore H. Konyi"
THEODORE H. KONYI
Director

Promoter

"Theodore H. Konyi"
THEODORE H. KONYI

CERTIFICATE OF THE AGENTS

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus, as required by the Securities Acts of British Columbia, Alberta, Ontario and the Northwest Territories and the regulations thereto.

DATED: October 9, 1998

CANADIAN WESTERN CAPITAL LIMITED

Per:

"Eric Eisbrenner"

ERIC EISBRENNER
Vice-President, Corporate Finance

GROOME CAPITAL INC.

Per:

"Richard T. Groome"

RICHARD T. GROOME
President

The following includes the names of every person having an interest, either directly or indirectly, to the extent of not less than 5% in the capital of **GROOME CAPITAL INC.:**

Richard T. Groome

Donald J. Page

453294 Ontario Inc.

The following includes the names of every person having an interest, either directly or indirectly, to the extent of not less than 5% in the capital of **CANADIAN WESTERN CAPITAL LIMITED:**

Canadian Western Bank

Arnie Miles-Pickup