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 regulatory authority in Canada has expressed an opinion about these securities and it is an offence to claim otherwise.

These securities have not been and will not be registered under the United States Securities Act of 1933, as amended. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States. These securities are being issued to holders of Special Warrants of Phonetime Inc. in connection with the exercise or deemed exercise of such Special Warrants. See "Plan of Distribution".

New Issue **October 23, 2000**

PHONETIME INC.

$4,000,000

8,800,000 Common Shares
Issuable Upon the Exercise of Special Warrants

8,800,000 Common Shares of Phonetime Inc. (the "Company") will be issued without payment of further consideration upon the exercise or deemed exercise by the holders of 8,000,000 previously issued special warrants of the Company (the "Special Warrants") on the basis of one and one-tenth (1.1) common shares of the Company (a "Common Share") in respect of each Special Warrant so exercised or deemed exercised. This prospectus is being filed to qualify the 8,800,000 Common Shares to be issued upon exercise or deemed exercise of the Special Warrants.

The Special Warrants were sold to investors on March 21, 2000, pursuant to an agency agreement dated March 20, 2000 (the "Agency Agreement") among First Delta Securities Inc. (the "Agent") and the Company at a price of $0.50 for each Special Warrant. The Special Warrants were issued under a warrant indenture (the "Warrant Indenture") made as of March 20, 2000 between the Company and Montreal Trust Company of Canada (the "Trustee"), as trustee. The Special Warrants may be exercised by the holders thereof at any time after March 21, 2000 (the "Closing Date") until 5:00 p.m. (Toronto time) on the date which is the earlier of (i) September 20, 2001, and (ii) the fifth business day after the date of issuance of the last receipt by the Ontario Securities Commission and the Alberta Securities Commission for a (final) prospectus qualifying the issuance and distribution of the common shares to be issued upon the exercise of the Special Warrants (the "Expiry Date"). Any Special Warrant not exercised by the holder thereof prior to the Expiry Date shall be deemed to be exercised, without any further action on the part of such holder, on the Expiry Date. Pursuant to the terms of the Warrant Indenture, the number of Common Shares underlying each Special Warrant was increased from one (1) common Share to one and one-tenth (1.1) Common Shares due to the fact that receipts for this prospectus were not issued by the Ontario Securities Commission and the Alberta Securities Commission prior to July 18, 2000. See "Plan of Distribution". The distribution of securities pursuant to this prospectus will not result in any further proceeds being realized by the Company.

The outstanding Common Shares are listed on the Canadian Venture Exchange ("CDNX"). Prior to October 2, 2000, the outstanding Common Shares were quoted on the Canadian Dealing Network Inc. ("CDN"). On March 20, 2000, the last trading day prior to the closing of the issue and sale of the Special Warrants, the closing price of the Common Shares on the CDN was $.75. On October 23, 2000, the closing price of the Common Shares on the CDNX was $.15. See "Price Range and Trading Volume".

The offering price of the Special Warrants was determined by negotiation between the Company and the Agent.

Investment in the Common Shares may be regarded as speculative due to certain risks, including risks related to the business in which the Company is engaged. See "Risk Factors".

Price: $0.50 per Special Warrant, and

Issuance of 1.1 Common Shares per Special Warrant Exercised

	Price to Public	Agent's Commission(1)	Net Proceeds (2)
Per Special Warrant	$0.50	$0.045	$0.455
Total Offering	$4,000,000	$360,000	$3,640,000

(1) The commission payable to the Agent is equal to 9% of the offering price of the Special Warrants. No additional commission will be payable to the Agent in connection with the qualification for distribution of the Common Shares to be issued upon exercise of the Special Warrants.

(2) The expenses of this offering, estimated to aggregate $275,000, will be paid from the net proceeds of the sale of the Special Warrants.

The issue price of a Special Warrant exceeds the net tangible book value per Common Share as at May 31, 2000, after giving effect to the offering, by $0.446, on a fully-diluted basis representing a dilution factor of 98%. See "Dilution".

Definitive certificates evidencing the Common Shares will be available for delivery upon the exercise or deemed exercise of the Special Warrants.

Certain legal matters relating to the securities offered hereby will be passed upon on behalf of the Company by Goldman, Spring, Schwartz & Kichler, and on behalf of the Agent by Meighen Demers.

In this prospectus, all dollar amounts are Canadian dollars unless otherwise specified.

TABLE OF CONTENTS

GOSSARY OF TERMS

The following is a glossary of terms which are used in this prospectus to describe the Company's business and the industry in which the Company operates.

Back Office. Management and support tasks that can be performed for a customer away from their headquarters such as running a company's phone systems, telecom networks, and/or computer systems.

Bandwidth. Amount of data that can pass through a connection (such as a modem) in a given amount of time.

24/7 call centre. A place where calls are answered and calls are made 24 hours a day, seven days per week. A call centre will typically have a number of service representatives, dealing with customer services issues. Business is conducted by phone in an organized manner using a computerized database and an automatic call distribution system.

Carrier. A company which provides communications circuits.

CLEC. Competitive Local Exchange Carrier. A carrier that provides connections for local voice and data services in competition with the ILECs. CLECs resulted from the deregulation of the competitive telecommunications environment.

CRTC. Canadian Radio-television and Telecommunications Commission. An independent federal government authority responsible for the regulation of telecommunications and broadcasting in Canada.

Data Services. Digital enhanced data services such as frame relay, private line and internet access allow for the connection of equipment such as a PC to a digital phone line to enable digital communications.

Dial around 10-10. A method used by callers to purposely by-pass a local or long distance carrier service to an alternative carrier.

e-commerce/Electronic commerce. An internet presence to provide customers with information on services, as well as to purchase products directly. Unique medium for providing interactive promotional programs.

Flat-rate calling. Method of pricing local calls and/or long distance calls for a fixed amount of money. The customer can place an unlimited number of calls.

Front End. The client part of a client/server application that requests services across a network from a server.

Home Subscription. Services provided by alternative switch-based resellers allowing customers to choose an alternate telephone service provider.

ILEC. Incumbent Local Exchange Carrier. Regional, vertically-integrated carriers of local and long distance telecommunications services which, prior to the liberalization of competition in the Canadian telecommunications industry, had a monopoly for local and long distance telecommunications services in Canada.

Intelligence. The voice or data information impressed or modulated on a transmission carrier.

International Outbound Long Distance. Service that allows customers to place international long distance calls.

Internet. The internet is a network of networks that enables end-users to transmit and receive audio and visual communications across a variety of interconnections.

IP. Internet Protocol. Main protocol (i.e., set of rules that formulates the foundations of communication) that controls data flow from one point to another. It is the low-level common denominator of the internet.

ISDN. Integrated Services Digital Network. Phone line service based on technology which offers bandwidth. ISDN uses multiple channels for data and voice.

IXC. Interexchange Carrier. A telephone company that is allowed to provide long-distance service between different service areas.

LEC. Local Exchange Carrier. A local carrier that provides various telecommunication products and services.

Network. A connection of facilities or devices that support telephone call processing.

PC. Personal Computer. A computer for one person's use or for a local office network.

Personal 800. A switched 800 number that terminates on a customer's own phone number. There is a monthly charge for the service and a charge for each minute utilized. Allows callers to call long distance at no charge to the caller.

Phone Card. A prepaid amount of long distance that can be used to place phone calls worldwide from a touchtone telephone. A phone card is generally the size of a credit card sized piece of plastic or paper. The card typically includes instructions and the access number for using the system. Each card is programmed with a unique PIN number. The phone card is typically paid for in advance and can be issued in specified time increments, at favourable per minute rates. Phone cards generally have an expiration date. As phone calls are made the value of the card decreases, based on usage.

PIN. Personal Identification Number. Security codes that callers use to access their accounts. A code to complete a call and protect user from fraud.

Reseller. A company which purchases blocks of long distance switched voice and data minutes for resale to its customers and which does not operate a transmission facility.

Stentor. Stentor Canadian Network Management, an organization formed by the major provincial and regional Canadian telephone companies.

Switch. A mechanical, electrical or electronic device which opens or closes circuits, completes or breaks an electrical path or selects paths or circuits. A sophisticated computer accepts instructions from a caller in the form of a telephone number and tells the switch where to route the call.

Switch-based Reseller. A reseller that leases facilities from national carriers or large private line networks, resells services under its own name and provides sales, customer service, billing and technical support. The reseller owns or leases its switching equipment.

Switchless Reseller. A non-facilities based long-distance provider, which does not own or operate its own switch. A switchless reseller is, essentially, a marketing and sales company which sells private branded phone cards which operate on a "third party" switch.

T1. A digital telecommunications trunk line that can carry 24 simultaneous voice conversations.

Telco. Telephone company.

Telecommunications Act. Telecommunications Act (Canada).

Transmission Facility. Any wire, cable, radio, optical or other electromagnetic system, or any similar technical system, for the transmission of intelligence between network termination points.

Voice Channel. A circuit able to carry one telephone conversation or its equivalent (i.e. the typical analog telephone channel coming into a home or office). It is the standard subunit in which telecommunication capacity is counted.

VoIP. Voice over Internet Protocol. The common acronym used for describing the way a voice signal is transmitted over the internet by converting an analog voice signal into a digital signal so that it can be transmitted using lower cost data circuits.

1+. A service, also known as "equal access", which enables a consumer to select a long distance carrier. Initial call is carried on a Telco's network and then switched to another Telco of choice. This service does not require the consumer to dial any additional digits.

Except where the context otherwise requires, as used in this prospectus, the term "Company" refers collectively to Phonetime Inc. and its subsidiaries.

PROSPECTUS SUMMARY

The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. Capitalized terms appearing herein and not otherwise defined have the respective meanings ascribed thereto in this prospectus.

THE COMPANY

Phonetime Inc. (the "Company") was incorporated as Newbrun Development Corporation on April 5, 1984 pursuant to the laws of Ontario. The Company's registered and principal office is located at 3035 Wharton Way, Mississauga, Ontario, L4X 2B4.

The Company currently operates two business segments through its wholly owned subsidiaries. The principal business segment is operated through Phonetime International Inc. ("Phonetime"), which is a provider of prepaid long distance phone cards and other telecommunications services. The other segment is operated through Provincial Products Inc. ("Provincial"), which is a distributor of cameras, primarily for children.

Phonetime's phone cards provide customers with a single point of access to prepaid telecommunications services at a fixed rate charge per minute regardless of the time of day or, in the case of domestic calls, the distance of the call. Phonetime's services currently include domestic calling and international outbound long distance calling to more than 150 countries. Phonetime's phone cards may also be recharged using a major credit card, allowing the user to add minutes as needed. Phonetime's phone cards can be used from any touch tone phone in North America and many countries world wide.

Phonetime's primary marketing and distribution focus is to target consumers through major national and regional retailers and convenience stores across Canada. Phonetime believes its success to date is attributable to management's ability to increase retailers' awareness of the profit potential of offering prepaid telecommunications services.

Phonetime has recently established its web-site, www.Phonetime.com. Among other things, the web-site will enable a customer to effect an online recharge of a phone card in order to increase the number of minutes available on the phone card by using a major credit card.

Provincial markets and distributes cameras throughout Canada, the United States and in other international markets. Its product lines include 35 mm children's cameras and low-cost digital cameras.

In late 1996, Provincial introduced a family of cameras especially designed for children known as Creature Cameras. The Creature Camera is an inexpensive, reloadable 35 mm camera especially designed for use by children of ages 4 to 12 years. The camera features colourful molded characters and has a wrist strap with a matching character toggle. Provincial carries over 25 models of Creature Cameras with a variety of packaging options for retailers to choose from for different price points.

See "The Company" and "Business of the Company".

The Offering

Issuer: Phonetime Inc.

Offering: 8,800,000 Common Shares issuable upon the exercise or deemed exercise of 8,000,000 previously issued Special Warrants. See "Plan of Distribution".

Special Warrants: 8,000,000 Special Warrants were issued by the Company at a price of $0.50 per Special Warrant. Each Special Warrant, upon exercise or deemed exercise, will entitle the holder thereof to receive one and one-tenth (1.1) Common Shares without payment of further consideration. The Special Warrants were issued under a warrant indenture (the "Warrant Indenture") made as of March 20, 2000 between the Company and Montreal Trust Company of Canada, as trustee. The Special Warrants may be exercised by the holders thereof at any time until 5:00 p.m. (Toronto time) on the date (the "Expiry Date") which is the earlier of (i) September 20, 2001, and (ii) the fifth business day after the date of issuance of the last receipt by the Ontario Securities Commission and the Alberta Securities Commission for a (final) prospectus qualifying the issuance and distribution of the Common Shares to be issued upon the exercise of the Special Warrants. Any Special Warrant not exercised by the holder thereof prior to the Expiry Date shall be deemed to be exercised, without any further action on the part of such holder, on the Expiry Date. Pursuant to the terms of the Warrant Indenture, the number of common Shares underlying each Special Warrant was increased from one (1) Common Share to one and one-tenth (1.1) Common Shares due to the fact that receipts for this prospectus were not issued by the Ontario Securities Commission and the Alberta Securities Commission prior to July 18, 2000. See "Plan of Distribution".

Use of Proceeds: The Company will not receive any cash proceeds from the issuance of the Common Shares upon exercise or deemed exercise of the Special Warrants. The net proceeds received by the Company as a result of the sale of Special Warrants were $3,640,000, after deduction of the Agent's commission of $360,000. The expenses of this offering, estimated to aggregate $275,000, will be paid from the net proceeds of the sale of Special Warrants. As at August 31, 2000 the Company has applied approximately $2,600,000 of the net proceeds to (i) the repayment of bank loans, (ii) capital expenditures relating to network facilities and (iii) working capital. The Company plans to use approximately $400,000 of the remaining net proceeds for network expansion, and to utilize the balance for working capital, including potential acquisitions and to fund operating losses. See "Use of Proceeds".

Risk Factors: An investment in the Common Shares may be viewed as speculative and involves risks due to various factors, including the following:

- the inability to sustain positive net cash flow;

- the Company's need for additional financing;

- intense competition;

- rapid technological change in the telecommunications industry; and
- service problems and feature deficiencies in the Company’s new switch.

See “Risk Factors”.

PHONETIME INC.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The information set out below is selected information which should be read in conjunction with "Management's Discussion and Analysis of Operating Results and Financial Condition" and the consolidated financial statements contained in the prospectus.

	For the Three Months Ended May 31		For the Year Ended		
Operating Results	2000 (unaudited)	1999 (unaudited)	February 29, 2000 (audited)	February 28, 1999 (audited)	February 28, 1998 (audited)
Revenue	$ 3,307,907	$ 2,704,892	$ 13,733,654	$ 5,859,005	$ 1,311,773
Expenses	$ 4,641,124	$ 3,101,595	$ 15,057,083	$ 5,515,746	$ 1,665,397
(Loss) Earnings from Continuing Operations	$ (1,333,217)	$ (396,703)	$ (1,323,429)	$ 343,259	$ (353,624)
Basic (Loss) Earnings per Share from Continuing Operations	$ (0.041)	$ (0.013)	$ (0.042)	$ 0.011	$ (0.013)
Net (Loss) Income	$ (1,333,217)	$ (533,430)	$ (1,693,147)	$ 82,726	$ (621,904)
Basic Net (Loss) Earnings per Share	$ (0.041)	$ (0.017)	$ (0.054)	$ 0.003	$ (0.024)

	As at		
Balance Sheet Data	May 31, 2000 (unaudited)	February 29, 2000 (audited)	February 28, 1999 (audited)
Total Assets	$ 7,313,089	$ 4,999,267	$ 4,370,199
Total Liabilities	$ 6,757,101	$ 6,678,583	$ 4,584,385
Shareholders' (Deficit) Equity	$ 555,988	$ (1,679,316)	$ (214,186)

THE COMPANY

Phonetime Inc. (the "Company") was incorporated as Newbrun Development Corporation ("Newbrun") on April 5, 1984 pursuant to the laws of Ontario. The Company's registered and principal office is located at 3035 Wharton Way, Mississauga, Ontario, L4X 2B4.

From its incorporation until 1997 Newbrun carried on business, principally, as a natural resource company. On May 23, 1984, Newbrun became a reporting issuer for purposes of the *Securities Act* (Ontario). In August 1997, Newbrun changed its name to Beverly Glen Capital Corp. and acquired all of the issued and outstanding shares of Phonetime International Inc. and Provincial Products Inc. In October 1999, the Company changed its name to Phonetime Inc.

BUSINESS OF THE COMPANY

The Company currently operates two business segments through its wholly owned subsidiaries. The principal business segment is operated through Phonetime International Inc. ("Phonetime"), which is a provider of prepaid long distance phone cards and other telecommunications services. The other segment is operated through Provincial Products Inc. ("Provincial"), which is a distributor of cameras, primarily for children. Each of Phonetime and Provincial is a corporation governed by the *Business Corporations Act* (Ontario).

Industry Overview

(a) The Phonetime Segment

Prior to 1990, telecommunications markets in Canada were divided into geographic regions, with one ILEC having a monopoly for local and long distance telecommunications services in each such region. ILEC monopolies covering the local and long distance markets were first affected by a 1990 CRTC decision to allow limited resale of long distance services in Canada, and later by a 1992 CRTC decision to allow unlimited resale and facilities-based competition in the long distance market. In October 1998, the CRTC removed Teleglobe Canada Inc.'s ("Teleglobe") monopoly over international long distance telecommunication services to and from Canada, thereby permitting both switch-based carriers and resellers to compete with Teleglobe for the provision of basic international telecommunications services.

The changing market for telecommunications services created an opportunity for the growth of alternative long distance and telecommunications services providers, including prepaid phone card sales. Based on its experience and understanding of the industry, management believes that the retail prepaid phone card industry in Canada has grown significantly in recent years, although the Company is not aware of any statistics relating to this industry in Canada. Management believes that this growth is largely attributable to the affordable pricing, convenience and enhanced features of prepaid phone cards which have attracted price sensitive customers, business travelers, international callers and other users of long distance services. Although prepaid phone cards are relatively new in Canada, prepaid phone cards have been a widely used and accepted way of making telephone calls in Europe and Asia since the 1970's and in the U.S. since the 1990s.

There are several types of companies selling prepaid phone cards, including the switch based reseller, which operates its own switch and/or call centre for customer service, and the switchless reseller which markets and sells its own brands of phone cards and operates on another company's switch. A switchless reseller may also utilize another company's call centre facilities. Phonetime is a switch based company with its own switch and call centre.

(b) The Provincial Segment

Historically, the camera manufacturing industry has designed its product primarily for the adult consumer. To attract the younger consumer, manufacturers generally used their existing adult sized cameras and added stickers, appliqués or coloured plastic featuring children's characters and designs to the camera's exterior. In 1996, Provincial introduced to the Canadian market a smaller sized camera with multi-coloured three dimensional molded bodies in various animal figures. Provincial commenced distribution in the United States in 1998, and subsequently entered other international markets such as Europe and South America. Management believes that camera retailers have begun to recognize the potential of this new market segment and have dedicated retail space and advertising to develop it.

History

Phonetime is an Ontario corporation which was founded in 1994 to carry on the business of selling and marketing prepaid long distance phone calling cards. Initially, Phonetime rented a PC-based switch from a third party and focused primarily on the sale of phone cards to large corporate customers for promotional distribution. In 1996, Phonetime acquired its first switch platform and expanded its markets and product lines to include retail and wholesale distribution of phone cards and telecommunication services. In November 1999, Phonetime acquired a Cisco System VCO/4K switch (see "The Business – The Phonetime Segment") to facilitate the expansion of its voice and data network capacity and, consequently, its range of product offerings.

Provincial is an Ontario corporation which was founded in 1971 as Provincial Photo Limited. In 1990, it was acquired by the Company's principal shareholders. At that time its product line consisted mainly of photographic accessories. Following its acquisition, the new owners expanded Provincial's product lines to include video and computer/office products. Recognizing the rapid convergence of the photo, video and computer trades into the emerging digital imaging industry, Provincial expanded its activities into this new market. In 1994, Provincial's name was changed to Provincial Products Inc. to reflect its new diverse product mix. In January 2000, Provincial sold its photo and video accessory assets to focus on its camera business.

The Business

(a) The Phonetime Segment

Management believes that Phonetime provides convenient, easy to use, cost effective telecommunication products and services to individuals and businesses. Phonetime's phone cards provide customers with a single point of access to prepaid telecommunications services at a fixed rate charge per minute regardless of the time of day or, in the case of domestic calls, the distance of the call. Management believes that Phonetime cards can provide a user with savings compared with conventional, more expensive methods of making a long distance call. Phonetime's services currently include domestic calling and international outbound long distance calling to more than 150 countries. Phonetime's phone cards may also be recharged using a major credit card, allowing the user to add minutes as needed. Phonetime's phone cards can be used from any touch tone phone in North America and many countries world wide.

Phonetime's phone cards operate over standard telephone company lines, and no special pay phones or card readers are required. A user may simply pick up the phone and dial a local or 800 number listed on the back of the phone card. A friendly voice prompts the caller to enter the preferred language and the PIN code printed on the phone card. The PIN code is unique to each Phonetime phone card.

After the caller's PIN code and destination phone number is entered, the switch informs the caller as to the time remaining on the caller's phone card. The call is then connected to the dialed destination. The value of the card decrements as the conversation continues. The minutes available to the user will vary based on both the access number dialed and the destination number called. Each call is calculated dynamically by the switch. On subsequent calls the user will again be informed by the switch of the time remaining. When the card is decremented to the last minute of time, a voice prompt will inform the customer that the card is about to expire. At this point, the phone card no longer has any time value remaining and the user may choose to either discard or recharge the phone card and add more time for continued use.

Phonetime's primary marketing and distribution focus is to target consumers through major national and regional retailers and convenience stores across Canada. Phonetime believes its success to date is attributable to management's ability to increase retailers' awareness of the profit potential of offering prepaid telecommunications services.

Phonetime has also developed other sources of revenue, including providing wholesale services to other telecommunication companies and switchless resellers and marketing premium incentive cards for promotional and corporate programs. Wholesale services provided to other telecommunication companies and switchless resellers include network and operator services. Promotional and corporate programs enable customers to provide customized phone cards to increase product sales or as a corporate promotion.

Phonetime is a switch-based reseller operating its own switch, an expanding private long distance network and a 24/7 call centre. Management believes that the switch will enable Phonetime to reduce its costs while providing the flexibility to customize and add features to its product offerings. Phonetime has also developed an in-house data reporting and tracking system that controls fraud, monitors card usage and allows Phonetime to provide certain card user and usage information to its customers.

In order to achieve and meet its corporate strategy (see "Corporate Strategy – The Phonetime Segment"), Phonetime is expanding its private and long distance network operating on a recently acquired Cisco System VCO/4K programmable switch. This switch enables scalable, cost effective network expansion that will support the deployment of wireline and wireless services as well as enhanced telecommunications services over voice and data networks. According to Cisco Systems, the VCO/4K switch is the basis for a variety of applications on the market today, such as prepaid calling, voice fax/messaging, intelligent 800-number routing, voice activated dialing, personal assistant services and Web-initiated conferencing.

The Cisco switch has enabled Phonetime to grow from its existing switches with 1,152 voice channels to a total of 5,280 voice channels. Phonetime processed over 100 million minutes of time in its most recently completed fiscal year. The Cisco switch will provide Phonetime the capacity to process an additional 400 million minutes of time.

To finance the purchase and installation of its networking hardware and software, Phonetime entered into capital leases in November 1999 with each of Hewlett Packard (Canada) Ltd. and Sunrise Leasing Corporation. The Hewlett Packard facility was made available in three tranches of $309,000.00, $173,885.00 and $135,115.00 , respectively. Monthly payments of $16,825.00, inclusive of interest and taxes, are being made on the first two tranches. Payments on the third tranche will only commence upon the installation of additional software by the network integrator, Simplified Teleys Inc. The Sunrise Leasing facility is in the amount of U.S.$477,100.00 and requires thirty-three monthly payments of U.S.$14,647.66 each. This facility is currently being renegotiated by Phonetime as a result of continuing problems with the Cisco switch. "See Management Discussion and Analysis – Recent Developments".

Phonetime recently completed Phase 1 of the building of its private long distance network consisting of VoIP and private leased lines. This involved the installation of private leased line facilities in Toronto, Montreal, Ottawa, Vancouver and New York, and the establishment of VoIP facilities to carry 20% of Phonetime's international telephone traffic. Phonetime's VoIP facilities are supplied by ITXE Corp. using technology from VocalTec Communications Ltd., Lucent Technologies Inc. and Cisco Systems, Inc.. Private line capacity has been leased from both Sprint Canada Inc. and AT&T Canada Inc.

The plans for Phase 2 of Phonetime's network expansion include installing private leased line facilities in Calgary, Edmonton, Winnipeg and Hamilton.

Phonetime's 24/7 call centre is committed to providing quality services to its existing retail and wholesale customer base. Phonetime operates its own multilingual call centre 24 hours a day, 7 days a week through Phonetime's customer service department located at its head office. Phonetime's customer service representatives are trained to respond to customer calls, including billing and recharging inquiries. Phonetime has developed its own fraud control software and web-based customer service software to provide faster and more thorough customer care.

Phonetime has recently established its web-site, www.Phonetime.com. Among other things, the web-site will enable a customer to effect an online recharge of a phone card in order to increase the number of minutes available on the phone card by using a major credit card. With respect to recharge sales, Phonetime plans to (i) continue to offer volume discounts, whereby, for example, customers receive "free minutes" when recharging for the maximum time permitted and (ii) utilize on-line advertising, in which, for example, the customer is prompted to recharge the phone card.

(b) The Provincial Segment

Provincial markets and distributes cameras throughout Canada, the United States and in other international markets. Its product lines include 35 mm children's cameras and low-cost digital cameras.

In late 1996, Provincial introduced a family of cameras especially designed for children known as Creature Cameras. The Creature Camera is an inexpensive, reloadable 35 mm camera especially designed for use by children of ages 4 to 12 years. The camera features colourful molded characters and has a wrist strap with a matching character toggle. These cameras created a new market niche in the imaging business. Provincial carries over 25 models of Creature Cameras with a variety of packaging options for retailers to choose from for different price points.

Packaging options include matching photo albums, photo film and batteries. Provincial licenses children's characters for the Creature Cameras which include *Franklin the Turtle*, from Nelvana Marketing Inc., *Shamu the Whale*, from Anheuser-Busch, Incorporated, and *Elmo – Sesame Street*, from Children's Television Workshop. The Creature Cameras have opened up many international distribution channels for Provincial. Provincial intends to expand its camera line and has introduced low cost digital cameras.

Provincial distributes its cameras through such major retailers such as Wal-Mart, Black's Photo, Loblaws and Costco.

With a view to focusing its attention on the expansion of its camera business, Provincial sold its photo and video accessory assets to an arm's-length third party on January 31, 2000, for consideration in the amount of $551,738.00. The sold assets consisted primarily of inventory and related goodwill.

Corporate Strategy

(a) The Phonetime Segment

The key components of Phonetime's corporate strategy are as follows:

- expand offerings of telecommunication services;
- expand through acquisitions; and
- develop Phonetime's web-site, www.Phonetime.com.

Expand Offerings of Telecommunication Services

Phonetime intends to continue to expand its telecommunication service offerings with a view to focus on services which offer higher margins and a regular and stable revenue stream. These offerings include the following:

Dial-Around 10-10 Service. This service allows a caller to purposely bypass a local or long distance carrier service to an alternative carrier. Phonetime plans to develop dial-around 10-10 services to focus on specific multi-cultural markets, and to market these services through partnerships with ethnic news publications and radio and television stations. The 10-10 services have low administrative costs for Phonetime, as the customer's existing long distance phone service provider collects customer payments and remits them to Phonetime.

Home Subscription. This service allows a customer to select an alternate long distance telephone service provider. Management believes that home subscription services offer Phonetime significant market growth potential and margin opportunity. Phonetime intends to market home subscription in the same manner as the dial around 10-10 services, and users of the 10-10 services will be encouraged to convert their services to Phonetime's home subscription service.

1+ Service. 1+ Service enables a customer to use Phonetime as the customer's preferred long distance carrier. Phonetime intends to introduce this service on a resale basis from a major ILEC or CLEC. Using the 1+ Service, the customer's initial call is placed through the ILEC's or CLEC's network and is then transferred to Phonetime's network. Phonetime utilizes its own network to connect to the destination number and directly bills the customer for the call.

International 800 Service. Phonetime intends to expand its international inbound and outbound service, which allows customers to place international long distance calls at no charge to the caller. Phonetime's technology facilitates the combination of inexpensive inbound North American 800 Service with inexpensive outbound long distance service into a single integrated product. For example, Phonetime could offer a European airline a North American 800 call that is answered at the airline's European call centre at a relatively lower cost than that charged by the airline's local European phone company.

Local Distance. Phonetime has developed a new service called Local Distance, whereby a customer is given a local number that is programmed to call a specific number anywhere in the world. Phonetime's technology enables a consumer to access a long distance telephone number using local telephone service. For example, a business customer located in Toronto can be provided a local Toronto number that is answered at its Los Angeles office.

Personal 800 Service. Personal 800 Service, which offers 800 numbers with call routing, is a growing service that has only recently been offered in Canada. Phonetime plans to offer consumers and small businesses a low-cost personal 800 number, on a pre-paid basis, that can be directed to connect to a home, business or cell phone.

Prepaid Local Service. Prepaid Local Service allows the customer to buy a fixed time frame of local home or business dial tone. This service is targeted at casual users, such as vacationers and transients, who require local service for a limited period of time and to consumers who cannot afford the security deposit required by telephone companies for basic telephone service.

Flat Rate Calling. As Phonetime continues its private network expansion, it intends to offer flat rate calling programs whereby a customer may be offered the ability to make unlimited inbound and outbound calls at a fixed monthly rate using Phonetime's private network.

Expand Through Acquisitions

Phonetime's strategy for future growth includes the acquisition of rival phone card companies. In particular, Phonetime intends to focus its strategy on the acquisition of "switchless resellers", which have an established retail market and a skilled sales force.

Management believes that there are a number of acquisition candidates in the market. In the past five years a large number of small independent companies have emerged as "switchless resellers" in the phone card and 1+ long distance industry. Management believes that this is a result of the very few, if any, barriers to entry into the phone card marketplace. A switchless reseller only needs to negotiate a long distance resale agreement with a third party switch provider and arrange for a card printer to print phone cards to enable the reseller to begin selling phone cards. Phonetime's strategy is to find well connected agents and resellers who have the sales acumen and contacts to provide Phonetime with high quality performance as sales and marketing representatives.

Develop Phonetime's Web-Site, www.Phonetime.com

At the core of Phonetime's marketing strategy for its telecommunication services is Phonetime's website: www.Phonetime.com. The Company's goal is to create a paperless electronic phone company, where customers can make online selections from Phonetime's products and services for the ones that best suite their telecommunications needs. Phonetime anticipates that its online offerings may include the following:

- access to product and service offerings;
- access to customer service representatives;
- business and residential subscription services, using web-based payment and customer records presentation technology;
- ability to recharge pre-paid services; and
- volume resale of prepaid minutes.

(b) The Provincial Segment

The key components of Provincial's corporate strategy are as follows:

- develop and expand product lines;
- expand sales and marketing efforts.

Develop and Expand Product Lines

Provincial will continue to explore new opportunities for expanding its offerings of licensed Creature Cameras. Provincial expects to introduce the new *Shamu the Whale* licensed camera from Seaworld-Anheuser Busch Entertainment Corporation by November, 2000.

Provincial recently introduced its new digital camera product. The digital camera will be marketed through advertisements in trade publications and displays at North American trade shows to the toy, photographic and electronics/computer markets. Provincial's strategy for the digital camera is to create a new market with companies offering sales promotions and incentives to their customers and employees. Provincial has recently commenced an active search for a licensed name for its digital camera product.

Expand Sales and Marketing Efforts

Provincial intends to continue selling Creature Cameras directly to existing retailers and to expand its network of independent sales agents to increase its market penetration in the United States and internationally.

Provincial's products are currently available for sale on-line by internet companies, such as *e*Toys, Inc. Provincial plans to create its own e-commerce site to offer all of its products on-line and use its own warehouse facility for fulfillment of orders.

In an effort to increase sales and product line visibility, Provincial plans to include its Creature Cameras and digital cameras in direct mail catalogues, including the Sears, Roebuck and Co. Wish Book.

Sales and Marketing

(a) The Phonetime Segment

Phonetime's marketing activities to date have been limited to the sales efforts of its own sales force as well as independent agents, and to on-site product literature. Phonetime intends to retain the services of a marketing and advertising agency to assist in the development of a focused and comprehensive marketing strategy for the future.

Phonetime markets its telecommunications products and services to the following four market segments:

- retail;
- wholesale;
- major accounts; and
- premium incentives.

Retail. Phonetime's largest market segment is the retail market, where it distributes pre-paid phone cards through independently owned convenience stores, lottery centres, newsstands and similar local owner-operator establishments throughout Canada. Phonetime has developed four national brands of phone cards: *Millennium, Bravo, Nuvo* and *Eureka.* In addition, Phonetime has developed a number of strong regional programs such as its *Whistlertime* cards (sold in Whistler B.C.) and multi-cultural cards for foreign markets such as the Philippines, Russia and Ukraine. Phonetime uses its own direct sales forces and a network of independent agents to market its services to its retail customers.

Wholesale. Phonetime's wholesale market consists of small long distance providers, switchless resellers, ILECs and CLECs. Phonetime uses its own senior staff to market its services to its wholesale customers.

The wholesale segment of the telecommunications services market determines its supplier of services based on quality, reliability, territorial coverage, delivery and price. Phonetime intends to focus on the delivery of high levels of network reliability, route diversity, rapid installation and excellent customer service to its wholesale customers. Phonetime intends to provide services to the wholesale segment at prices below those of the ILECs, which will help to establish strong relationships with its wholesale customers, and to continue to develop electronic processes to support and facilitate the ordering, provisioning and operating process.

Phonetime currently provides pre-paid phone card services for five Canadian telecommunications companies through its provision of network facilities and connections and customer service assistance. Phonetime intends to launch competitive dedicated and switched access to its wholesale customers for connection to end users.

Major Accounts. Phonetime sells private label and co-branded long distance phone cards to major national retail accounts such as Blockbuster Canada, Business Depot/Staples, Future Shop and Western Grocers. Typically, these sales comprise larger dollar volumes per order than Phonetime's other market segments and involve distribution to multiple locations nation-wide. Management believes that the major accounts provide Phonetime with a high-profile association, as the co-branded name is marketed and advertised throughout Canada. Phonetime uses its own senior staff to market its services to its major account customers.

Premium Incentives. Phonetime sells its prepaid phone cards to companies which distribute the cards as awards and incentives to customers and employees. The cards are customized to the customer's promotional needs. Phonetime's senior staff deals directly with its premium incentive customers.

(b) The Provincial Segment

Provincial markets its camera products through direct sales, as well as through independent sales agents, to major retailers and retail chains in Canada, the United States and international markets. Some of Provincial's higher profile customers include W.H. Smith, Black's Photo and Wal-Mart. Provincial's marketing activities in connection with its camera products include attendance at industry trade shows in Canada and the United States as well as print media advertising.

Competition

(a) The Phonetime Segment

The telecommunications services industry is intensely competitive, rapidly evolving and subject to constant technological change. As a service and product provider in the long distance telecommunications industry, Phonetime competes with several dominant providers, including companies such as Bell Canada, B.C. Telus, AT & T Canada and Sprint Canada, all of which are substantially larger and have greater financial, technical, engineering, personnel and marketing resources, longer operating histories, greater name recognition, and larger customer bases than Phonetime. Telecommunications companies may compete for customers based on price, with the dominant providers conducting extensive advertising campaigns to capture market share. Competitors with greater financial resources may also be able to provide more attractive incentive packages to retailers to encourage them to carry products that compete with Phonetime. In addition, competitors with greater resources than Phonetime may be better situated to negotiate favorable contracts with retailers. Since there are few, if any, substantial barriers to entry, Phonetime expects that new competitors are likely to enter the telecommunications market and attempt to market telecommunications offerings similar to Phonetime's offerings which would result in greater competition for Phonetime.

Phonetime faces intense competition for its existing and intended offerings from:

1. ILECs;
2. CLECs;
3. Retail Phone Card Providers; and
4. Wholesale Phone Card Providers

1. **ILECs.** The ILECs, which are vertically-integrated telephone companies, represent Phonetime's competition throughout Canada. The ILECs include such companies as Bell Canada, BC-Telus Communications Inc., SaskTel and Aliant Inc. The ILECs have greater resources than Phonetime and have long-standing relationships with their customers. However, management believes that the prepaid phone card business is generally viewed by ILECs as a high-cost, low-revenue segment and is not a primary focus of their operations. Management believes that the ILECs represent some of Phonetime's largest customer opportunities in the prepaid phone card business. Recently, two large Canadian ILECs have subcontracted their prepaid phone card services to Phonetime.

2. **CLECs**. The CLECs, which are competitive local exchange carriers that resulted from the deregulation of the telecommunications industry, also represent competition to Phonetime. The larger CLECs, such as AT&T Canada Inc., CallNet and Videotron Laurentian Ltee., have greater resources and are better financed than Phonetime. As is the case with ILECs, in management's view CLECs generally consider the prepaid phone card business to be a high-cost, low-revenue segment and not a primary focus of their operations. Consequently, a number of CLECs such as AT & T Canada, Call Net and Videotron Laurentian Ltee., have outsourced their prepaid phone card services to Phonetime. Phonetime has received approval from the CRTC to proceed with its application to become a CLEC.

3. **Retail Phone Card Providers**. Currently, there are a few companies which compete with Phonetime in the national retail market. There are additional competitors for the multi-cultural or regional retail consumer. Some of these competitors own their own switching technology based on a PC platform which management considers to be somewhat less reliable than Phonetime's Telco based Cisco switch. The balance of Phonetime's retail competitors are "switchless resellers".

4. **Wholesale Phone Card Providers**. At the wholesale level, Phonetime currently has only one main competitor which is privately owned. Both companies have attracted major accounts, Telcos and switchless resellers to their platform and each operates its own 24/7 call centre. Phonetime has four business segments, while its competitor focuses more of its efforts on wholesale sales. Management believes that Phonetime's Cisco switch and private network facilities will provide it with a competitive advantage in the wholesale business.

Generally, Phonetime believes that it has certain competitive advantages in the telecommunications business. Phonetime attempts to differentiate itself from its competitors by offering unique communications services through an advanced telecommunications technology and private network. Phonetime believes that its principal competitive advantages are its (i) well-established presence among major national and regional retailers, (ii) advanced telecommunications and network infrastructure, including the Phonetime switch and proprietary web based software, and (iii) management team, which has extensive marketing and merchandising expertise. Phonetime believes that the principal competitive factors affecting the market for telecommunications services are price, quality of service, reliability of service, and rapid introduction of new products and services. Management believes that by rapidly deploying its recently acquired technology, it can create a more efficient infrastructure capable of competing effectively with larger, better capitalized competitors.

Phonetime offers long distance calling rates which are typically lower than those offered by the ILECs and CLECs for inter-city and international calling. Management believes that this provides consumers with lower cost-per-minute charges than consumers have been accustomed to paying. The expansion of Phonetime's private network is intended to allow for the introduction of even lower costs or more flexible products and services.

(b) The Provincial Segment

Provincial faces competition from several companies that distribute cameras for children. These include Mattel Inc., Kalimar Corporation, Jazz Corporation and Concord Camera Limited. Some of these manufacturers have greater resources and are better financed than Provincial, and have long-standing customer relationships. However, most of these competitors simply use their adult sized cameras and utilize stickers or colored plastic with distinctive packaging that is oriented to the children's market. There are competitive products in the marketplace that have been molded into child-appropriate sizes and configurations, such as the Warner Brothers *Looney Tunes* cameras and the Mattel *Barbie* cameras. Management believes that its competitive advantage lies in its extensive family of children's cameras with its large variety of molds and packaging configurations.

Provincial also faces competition from a wide range of manufacturers and distributors of alternative toy and camera products. Many of these competitors have greater resources and are better financed than Provincial and have long-standing customer relationships.

Government Regulation

CRTC and Legislation

Companies which own or operate transmission facilities in Canada that are used to offer telecommunications services to the public for compensation are classified as "telecommunications common carriers" under the *Telecommunications Act* (Canada) and are subject to the regulatory authority of the CRTC. The Company's telecommunications operating subsidiary, Phonetime, is not a telecommunications common carrier for the purposes of the Telecommunications Act (Canada), as it does not own or operate a "transmission facility" as defined in such Act.

As a reseller of telecommunications services, Phonetime is not directly regulated by the CRTC. However, the CRTC may indirectly affect Phonetime through its ability to compel a regulated supplier or service provider to Phonetime to terminate its service to Phonetime. This might occur if Phonetime were to prevent the regulated supplier from complying with tariff provisions. CRTC decisions are subject to review and variance under the Telecommunications Act (Canada), and leave to appeal decisions of the CRTC to the Federal Court of Appeal may be brought within thirty (30) days of any CRTC decision. In the alternative, a decision of the CRTC may be challenged by petition to the Federal Cabinet within 90 days of the CRTC's decision.

The CRTC has the discretionary power to forbear from exercising certain of its regulatory powers over Canadian carriers where it finds that a telecommunications service or class of services is, or will be, subject to competition sufficient to protect the interests of users. Some Canadian carriers, such as the incumbent local exchange carriers, are classified by the CRTC as "dominant" in the provision of certain services because of their market power and control over the supply of local services and certain long distance services. Carriers classified as "non-dominant" by the CRTC are subject to less regulation than dominant carriers and include switch-based long distance providers, and competitive local access providers. The CRTC has refrained from regulating most of the services offered by non-dominant carriers, including long distance, private line, dedicated access services, wireless services and local switched services. In addition, the CRTC has refrained from regulating certain services offered by the incumbent carriers, most notably, data, long distance, internet access and interexchange private line services on certain routes. The CRTC also has the power to exempt any class of Canadian carrier from the application of the *Telecommunications Act* (Canada) if the CRTC is satisfied that such an exemption is consistent with Canadian telecommunications policy objectives. To the Company's knowledge, the CRTC has not, to date, used that power.

Regulation of Local Switched Services

Long distance competition has been in place in Canada since 1990 for long distance resellers and since 1992 for switch-based carriers. Since 1994, ILECs have been required to provide "equal access" to long distance carriers and resellers which eliminated the need for customers of competitive long distance providers to dial additional digits when placing long distance calls.

The CRTC has refrained from regulating (including tariff approval and rate selling provisions) most long distance services and interexchange private line services provided by the ILECs and all such services offered by their competitors, apart from access to their respective networks. The ILECs' basic (undiscounted) long distance rates remain subject to rate regulation as well as their rates in areas that do not yet have equal access. The incumbent local exchange carriers also remain subject to rate regulation while competitive long distance service providers are not.

In October 1998, Teleglobe's monopoly of overseas telecommunications services to and from Canada ended, thereby permitting both switch-based carriers and resellers to compete with Teleglobe for the provision of basic international telecommunications services. In response, the CRTC instituted a licensing regime for service providers such as Phonetime, which provide basic international telecommunications services in Canada. Phonetime's Class A licence in respect of such services was issued by the CRTC on April 30, 1999 and is effective for a period of five years.

Unbundled Rates to Provide "1+" Equal Access

In April 1997, the CRTC issued a decision which unbundled the rates that long distance providers pay to the incumbent local exchange carriers for various "1+" equal access or local switching of long distance calls. Under the decision, long distance providers are required to pay the incumbent local exchange carriers a separate rate of $0.007 per minute for local end office connection and an additional rate of approximately $0.004 to $0.007 per minute for connection at the toll switch, also referred to as "access tandem connection". Competitive local exchange carriers also charge these rates to long distance providers for traffic originating and terminating on their local networks. When Phonetime buys its local switched services from larger CLEC providers, such as AT&T Canada or Sprint Canada, the contribution cost is included in the per minute price it pays for its switched services.

Intellectual Property

The Company owns a Canadian trademark on the name *Phonetime.* Trademark applications are pending on the names *Millennium and Bravo.* Each of these applications relates to the use of these names with respect to phone cards and other telecommunications services.

The Company also owns a Canadian and U.S. trademark on the name *Creature Camera*.

The Company owns the following Web Site URLs: *Phonetime.com, Phonetime.ca, Pproducts.com*, and *Creaturacamera.com*.

Human Resources

As at August 31, 2000, the Company had 45 employees and contract personnel, of which 5 are management personnel, 8 are sales and marketing staff, 21 are customer service staff, 3 are technical staff and 8 are administrative personnel. Management believes that the Company's future success will depend on its continued ability to attract and retain dedicated and qualified staff. None of the Company's staff is currently represented by a collective bargaining agreement. The Company believes it enjoys good relationships with its staff.

Properties

The Company leases its principal offices located at 3035 Wharton Way, Mississauga, Ontario. The property is jointly owned by Rodney Franklin, the Chairman of the Company and Wayne Silver, the President of the Company. The lease expires on February 28, 2004. During the fiscal year ended February 29, 2000, the Company paid $135,000 in relation to that property.

The Company leases additional space from a third party at 151 Front Street, Toronto, Ontario, where the Phonetime switch is located. The lease expires on October 30, 2002.

Legal Proceedings

From time to time, the Company may be party to various legal proceedings arising in the ordinary course of its business. Except as set forth below, the Company is not party to any material legal proceedings.

On June 23, 2000, the Phonetime commenced legal proceedings against Bell Canada, Saskatchewan Telecommunications and four other telecommunications companies, all of whom were members of an unincorporated association of telecommunications companies known as Stentor Canadian Network Management ("Stentor"), claiming, inter alia, damages of up to $20 million for breach of contract, breach of fiduciary duty and misrepresentation, relating to Stentor's agreement to purchase pre-paid calling card services from Phonetime. The Company believes that Phonetime's claims are meritorious and intends to vigorously pursue this action to trial.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION

Selected Consolidated Financial Information

	For the Three Months Ended May 31		For the Year Ended		
	2000 (unaudited)	1999 (unaudited)	February 29, 2000 (audited)	February 28, 1999 (audited)	February 28, 1998 (audited)
Operating Results					
Revenue	$ 3,307,907	$ 2,704,892	$ 13,733,654	$ 5,859,005	$ 1,311,773
Expenses	$ 4,641,124	$ 3,101,595	$ 15,057,083	$ 5,515,746	$ 1,665,397
(Loss) Earnings from Continuing Operations	$ (1,333,217)	$ (396,703)	$ (1,323,429)	$ 343,259	$ (353,624)
Basic (Loss) Earnings per Share from Continuing Operations	$ (0.041)	$ (0.013)	$ (0.042)	$ 0.011	$ (0.013)
Net (Loss) Income	$ (1,333,217)	$ (533,430)	$ (1,693,147)	$ 82,726	$ (621,904)
Basic Net (Loss) Earnings per Share	$ (0.041)	$ (0.017)	$ (0.054)	$ 0.003	$ (0.024)

	As at		
Balance Sheet Data	May 31, 2000 (unaudited)	February 29, 2000 (audited)	February 28, 1999 (audited)
Total Assets	$ 7,313,089	$ 4,999,267	$ 4,370,199
Total Liabilities	$ 6,757,101	$ 6,678,583	$ 4,584,385
Shareholders’ (Deficit) Equity	$ 555,988	$ (1,679,316)	$ (214,186)

Management’s Discussion and Analysis of Financial Conditions and Results of Operations

The following discussion should be read in conjunction with the Company’s Financial Statements and the related Notes thereto included elsewhere in this Prospectus.

Recent Developments

Overview

The Company has experienced significant change and advancement during the fiscal year ended February 29, 2000. The Company currently operates two business segments through its wholly owned subsidiaries. The principal business segment is operated through Phonetime, which is a provider of prepaid long distance phone cards and telecommunications services. The other segment is operated through Provincial, which is a distributor of cameras, primarily for children.

The most significant change resulted from the business activities of Phonetime. The Company’s focus is to continue to expand and develop its telecommunications services offered by Phonetime in both the retail and wholesale segments. Another significant change occurred in January, 2000, when Provincial sold its photo and video accessory assets to focus its efforts on the high margin and lower inventory requirements of its camera business.

Phonetime's revenue results mainly from (i) Phonetime and co-branded phone card sales through retailers; (ii) recharges of existing phone cards; (iii) cards sold for promotional marketing campaigns; and (iv) certain services provided to wholesale customers. Revenue is recognized as its products and services are used by the customer, rather than upon sale. Therefore, deferred revenue accounts for products shipped to customers that Phonetime has invoiced, but which as of the date reported have not been used by customers. Upon customer usage, Phonetime recognizes revenue and reduces the deferred revenue account. At the time the revenue is recognized, the costs to which the revenue specifically relates are also recognized. Provincial's revenue is recognized when products are shipped to customers.

The Company's cost of sales and operating expenses which include selling, general and administrative expenses consists primarily of the cost of providing the long distance service and related telecommunications services, as well as the cost of purchasing and delivering the telephone cards for Phonetime and cameras for Provincial. The cost of providing long distance service represents obligations to carriers that provide minutes of long distance over their networks and the services associated with Phonetime's product. The Company expects its cost of sales as a percentage of sales revenue to decrease in the future due to the acquisition of the Cisco switch, which should result in a more efficient, improved and enhanced service offerings to customers of Phonetime, and due to a higher margin product offering by Provincial. The selling, general and administrative expenditures component of this expense consists primarily of commissions, advertising costs, salaries and other general expenses, including a write down for bad debt expense.

In November 1999, Phonetime acquired from Simplified Telesys Inc. a Cisco System VCO/4K programmable switch to expand its private and long distance network. Management initially expected that this switch would be fully operational by the end of December 1999, and that Phonetime would achieve increased revenue and reduced costs resulting from the expansion of product offerings and enhanced telecommunication services attributable to its new Telco grade switch. However, due to unanticipated performance deficiencies with the new switch, Phonetime has experienced ongoing customer service problems and lost business opportunities. Additionally, Phonetime has incurred unexpected costs, including expenses relating to the operation of duplicate switch systems, and the uncollectability of accounts receivable resulting from customer service problems attributable to the lack of switch capacity. The Company's financial results for the first quarter of fiscal 2001, which are set forth elsewhere in this prospectus, also reflect on-going service issues, as Phonetime was still experiencing performance deficiencies during that quarter in connection with its new switch. Management believes that most of these deficiencies have now been rectified and anticipates marginal improvements in the Company's financial results over the next few fiscal periods. See "Business of the Company – The Business – The Phonetime Segment".

The Company expects selling, general and administrative to increase in the future, as it adds the personnel and infrastructure necessary to meet its planned growth in sales of Phonetime, however the Company expects that these expenses as a percentage of revenue will decrease.

Amortization expense includes amortization of fixed assets and intangibles including computer hardware and software, office equipment and leasehold improvements, switching equipment and facilities, as well as goodwill.

(Loss) earnings from continuing operations reflect the major thrust of the businesses of the Company. (Loss) earnings from discontinued operations results from the sale of the photo and accessory assets of Provincial.

As a result of the sale of the photo and video accessory assets the Company expensed goodwill in the amount of $215,436.

First Quarter 2000 Compared to First Quarter 1999

Sales from continuing operations were $3.3 million in the first quarter of 2000 as compared to $2.7 million in 1999. Phonetime reported sales of $2.99 million in 2000 compared to $2.5 million for the same period in the previous year, while Provincial Products reported sales of $309,000 in 2000 compared to $167,000 in 1999. Provincial's sales for 1999 have been restated to separate the results of its photo and video accessory business sold on January 31, 2000. Phonetime's sales for 1999 have been restated primarily to reflect an error in the calculation of deferred revenue.

Cost of sales and operating expenses were $4.5 million in 2000 as compared to $3.0 million in the first quarter of 1999. This is the result of increased expenses caused by rapid expansion in a competitive marketplace which is further compounded by the on-going problems associated with the transition to becoming a switch-based reseller. Cost of sales have been restated primarily to reflect errors in inventories and accounts payable.

Interest expense rose to $41,623 in the first quarter of 2000 from $15,339 in 1999.

Depreciation and amortization rose to $142,557 in the first quarter of 2000 up from $52,639 for the same period in the previous year.

The Company incurred a net loss of $1.3 million for the quarter ended May 31, 2000 compared to a net loss of $533,430 for the first quarter of 1999. This is the result of building the infrastructure necessary to expand the business while at the same time running parallel networks due to the delay in fully implementing the new switch.

Results of Operations

Fiscal Year 2000 Compared to Fiscal Year 1999

Sales from continuing operations increased $7.8 million or 132% to $13.7 million in fiscal 2000 compared to revenue of $5.9 million in fiscal 1999. The increase in sales was attributable to the increase in Phonetime's sales, due to an increase in the number of retail storefronts in which Phonetime's product is distributed, greater brand awareness and consumer acceptance. Phonetime reported sales of $12.1 million in fiscal 2000 as compared to $3.9 million in 1999, while Provincial reported sales in fiscal 2000 of $1.6 million compared to sales of $2.0 million in 1999. Provincial's sales have been restated to separately report the sales of its photo and video accessory business sold in January, 2000. As a result, the Company's total sales have been reduced by $3.1 million in fiscal 2000 and $3.7 million in fiscal 1999.

Cost of sales and operating expenses from continuing operations increased $9.5 million or 183% to $14.7 million in fiscal 2000 compared to $5.2 million in fiscal 1999, due primarily to the increased business activities of Phonetime. The expenses reflect not only a greater use of Phonetime's services as a result of expansion of Phonetime's market awareness, but as well a decrease in the gross margin associated with the Phonetime segment due to a competitive business environment. Further to this, Phonetime has expensed costs associated with the set-up of its new Cisco switch. Other expenses include the addition of personnel, costs associated with the growth in Phonetime's business, increased rent associated with the new switch, and general operating expenses including a write down for bad debt expense. Expenses related to the sale of the photo and video accessory business of Provincial have been restated as discontinued operations.

Interest expense from continuing operations increased to $89,060 in fiscal 2000 from $76,449 in fiscal 1999, resulting mainly from Provincial's borrowing requirements being reduced.

Amortization expense from continuing operations increased in fiscal 2000 to $285,931 from $178,055 in fiscal 1999 resulting from the acquisition of equipment.

For the twelve months ended February 29, 2000, the Company incurred losses from continuing operations of approximately $1.3 million compared to earnings from continuing operations of $343,259 in 1999. The Company's expenses have increased significantly due to rapid expansion, lower margins and the on-going transition of the Company to a switch-based reseller.

Fiscal Year 1999 Compared to Fiscal Year 1998

Sales from continuing operations were $5.9 million in 1999 as compared to $1.3 million in 1998. Phonetime reported sales in 1999 of $3.9 million compared to $400,000 in 1998, while Provincial reported sales in 1999 of $2.0 million compared to $900,000 in 1998. Provincial's sales for 1999 have been restated to report the sales of its photo and video accessory business sold on January 31, 2000, separately. As a result, the Company's total sales have been reduced by $3.7 million in 1999 and $4.5 million in 1998, being the sales of the photo and video accessory business which the Company reported as discontinued operations.

Cost of sales and operating expenses from continuing operations for the Company were $5.2 million in 1999 as compared to $1.5 million in 1998. As a significant component of the costs relating to the photo and accessory business have been restated in 1999 as discontinued operations, the expenses result mainly from the increased business activities of Phonetime, including the cost of the telecommunications services, payroll and related selling expenses.

Interest expense from continuing operations increased in 1999 to $76,449 as compared to $38,719 in 1998 resulting from the restatement of the 1999 financial statements to record the sale of the assets as discontinued operations.

The amortization expense from continuing operations in 1999 was $178,055 as compared to $93,629 in 1998 resulting from the acquisition of equipment and a switchless reseller.

The improvement in the gross profit from the telecommunications business segment over the expenses of the Company and the restatement of the operations of the sale of the photo and accessory business as discontinued operations resulted in the net earnings from continuing operations for the year increasing to $343,259 for fiscal year ended February 28, 1999 compared to a loss of $353,624 in 1998.

Liquidity and Capital Resources

The Company has funded operations primarily from borrowings under its debt agreements, the issuance of equity and capital lease financings. The Company’s operating activities used net cash of $310,226 in fiscal 2000. The cash was used primarily for the Company’s continued efforts to expand the telecommunications business.

In November, 1999, Phonetime negotiated a financing package with Sunrise Leasing Corporation and Hewlett Packard (Canada) Ltd. to acquire a new switch. The Company’s capital lease obligations bear interest at an average rate of 9.3% per annum.

In addition, the Company received proceeds from the exercise of stock options under the stock option plan amounting to $202,012.

Subsequent to fiscal 2000, each of Phonetime and Provincial entered into a loan facility with a Canadian chartered bank. Each of these facilities is secured by general and specific security provided by the borrower. The Company has provided the bank with a Guarantee and Postponement of Claim in respect of these facilities in the amount of $1.455 million. In March, 2000, the Company issued 8 million Special Warrants for gross proceeds of $4 million. The Special Warrants are exercisable, for no additional consideration, for 8.8 million Common Shares. The proceeds of the Offering have been used, in part, to repay the bank indebtedness outstanding at February 29, 2000.

The Company’s operations will continue to require substantial capital to fund the development of its network and services in Canada, to fund Provincial’s business plan and for other general corporate purposes, including funding operating losses, acquisitions and working capital needs. The Company is currently incurring operating losses and negative cash flow from operations. The Company’s expenses have significantly increased as it expands and develops its business and continues to convert its operations to the new Cisco switch. The unanticipated problems of converting the switch have resulted in significant customer service problems. Management believes that the Company will continue to experience operating losses and negative cash flow from operations until such time as monthly revenues stabilize and begin to increase to levels sufficient to cover operating expenses. The Company may be forced to delay or abandon some or all of its expansion plans which may have a material adverse impact on the Company’s business, financial condition and results of operations.

CAPITALIZATION

The following table and notes set forth the capitalization of the Company as at the dates indicated below:

	Authorized	Outstanding as at May 31, 2000 (unaudited)	Outstanding as at July 31, 2000 (unaudited)	Outstanding as at July 31, 2000 After giving Effect to this Offering[1] (unaudited)
DEBT **Secured Debt**[2]				
Demand Operating Loan[3]		$401,004	$300,004	$300,004
Current Portion of Long-Term Debt[4]		$56,808	$56,808	$56,808
Long Term Debt[4]		$123,439	$113,972	$113,972
Capital Lease Obligations[5]		$1,758,965	$1,725,911	$1,725,911
TOTAL DEBT		$2,340,216	$2,196,695	$2,196,695
SHAREHOLDERS' EQUITY				
Common Shares [6]	Unlimited	$648,784	$648,784	$4,124,473
		(32,925,083 shrs)	(32,925,083 shrs)	(41,725,083 shrs)
Special Warrants	8,000,000	3,557,021	$3,475,689[7] (8,000,000 wts)	---
Deficit		$3,649,817	$4,600,237	$4,600,237
TOTAL SHAREHOLDERS' EQUITY		$555,988	$(475,764)	$(475,764)
TOTAL CAPITALIZATION		$2,896,204	$1,720,931	$1,720,931

Notes:

1. Assumes the exercise or deemed exercise of 8,000,000 Special Warrants for 8,800,000 Common Shares.
2. The Company's indebtedness is collateralized as described in notes 3 and 4 to the Company's financial statements.
3. The demand operating line of $1,125,000 of which $547,007 was drawn on August 31, 2000.
4. For particulars with respect to long-term debt, see note 4 to the Company's financial statements.
5. For particulars with respect to the Company's lease obligations, see note 8 to the Company's financial statements.
6. An aggregate of 8,800,000 Common Shares have been reserved for issuance upon the exercise of the Special Warrants. 3,790,000 Common Shares have been reserved for issuance upon the exercise of outstanding stock options and other rights to purchase Common Shares.
7. Represents the proceeds of this Offering, after deducting the Agent's Commission of $360,000 and the expenses of this Offering, estimated to aggregate $275,000.

DESCRIPTION OF SHARE CAPITAL

The authorized capital of the Company consists of an unlimited number of Common Shares and an unlimited number of Special Shares issuable in series. As at the date hereof, 32,925,087 Common Shares are issued and outstanding.

Holders of Common Shares are entitled to receive notice of and to vote on a basis of one vote per Common Share at all meetings of shareholders, to receive any dividend declared by the Company on the Common Shares and to receive the remaining property of the Company upon its dissolution, liquidation or winding up.

The Special Shares may be issued in one or more series. The directors may fix by resolution, from time to time, before the issue of any series of Special Shares, the designation, rights, privileges, restrictions, preferences and conditions attaching thereto. Holders of Special Shares have such rights to attend and vote at meetings of shareholders as may be determined by the board of directors.

The Special Shares of each series rank on a parity with the Special Shares of every other series and are entitled to a preference over the Common Shares and any other shares of the Company ranking junior to the Special Shares with respect to priority in the payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, and may also be given such other preferences over the Common Shares and any other shares ranking junior to the Special Shares as may be determined by the directors.

OPTIONS TO PURCHASE SECURITIES

The Company has adopted a share option plan (the "Plan"), which permits the Company to grant options from time to time to the directors, officers, employees and consultants of the Company to purchase Common Shares. The exercise price of an option granted under the Plan shall be determined by the board of directors of the Company in accordance with the provisions of the Plan.

As at the date hereof, the Company has outstanding options pursuant to the Plan to acquire an aggregate of 2,290,000 Common Shares.

The following table sets forth information with respect to outstanding options to purchase Common Shares of the Company pursuant to the Plan. The closing price of the Common Shares on the CDNX, as reported by such quotation system, on October 23, 2000 was $.15 per share.

Option Holder	Date of Issue	Number of Common Shares Subject to Option	Expiry Date	Exercise Price	Market Value of Common Shares on date of Option Grant
Executive Officers of the Company		Nil			
Directors who are not executive officers of the Company		Nil			
Non-Executive employees of the Company		Nil			
Executive Officers of the Subsidiaries (Number: 1)	June 2, 2000	400,000	June 2, 2005	$0.45	$0.30
Directors who are not executive officers of the Subsidiaries		Nil			
Non-Executive Employees of the Subsidiaries (Number: 46)	January 31, 2000	820,000	January 31, 2005	$0.23	$0.23
Consultants (Number: 7)	November 1, 1999 January 18, 2000 January 18, 2000 January 31, 2000 January 31, 2000 January 31, 2000 January 31, 2000	500,000 100,000 150,000 60,000 50,000 10,000 200,000	November 1, 2004 January 18, 2005 January 18, 2005 January 31, 2005 January 31, 2005 January 31, 2005 January 31, 2005	$0.12 $0.12 $0.36 $0.50 $1.00 $0.23 $0.23	$0.08 $0.12 $0.12 $0.23 $0.23 $0.23 $0.23

The Company also has outstanding since March 7, 1997 a warrant to purchase 1,500,000 Common Shares at an exercise price of $.20 per Common Share. The warrant is held by 1347265 Ontario Limited, a principal shareholder of the Company (see “Principal Shareholders”), and expires on March 5, 2003.

ESCROWED SHARES

In accordance with the policies of applicable securities regulatory authorities concerning the disposition of shares held by certain persons related to a company engaging in an initial public offering, R.F. Systems Inc., 1347265 Ontario Limited and Ian Hochberg, have entered into an agreement dated October 23, 2000 (the "Escrow Agreement") with the Company and Montreal Trust Company of Canada (the "Trustee") pursuant to which 11,924,198 of the Common Shares and warrants to purchase 1,350,000 Common Shares (collectively, the "Escrowed Shares") representing approximately 35.2% of the issued and outstanding Common Shares as of the date hereof, have been deposited with the Trustee in escrow. The Escrowed Shares will be released by the Trustee in equal tranches at six-month intervals over the 36-month period following the date of issuance of the last receipt by the Ontario Securities Commission and the Alberta Securities Commission for this prospectus.

In addition, Wayne Silver, the President and Chief Executive Officer of the Company, and his personal holding company, Wag Corporation ("Wag"), have provided an escrow undertaking in favour of the Ontario Securities Commission and the holders of shares of the Company with respect to 4,900,000 of the Common Shares which are owned by Wag (the "Wag Shares"). As the certificate evidencing these Common Shares has been lost and cannot be deposited into escrow, Mr. Silver and Wag have undertaken: (a) to treat the Wag Shares in all respects as if such shares were deposited into escrow pursuant and subject to the terms and provisions of the Escrow Agreement; (b) that in the event that the lost certificate is found or replaced prior to the termination of the Escrow Agreement, Mr. Silver and Wag shall forthwith deliver the certificate to the Trustee for deposit into escrow and do all things necessary to cause Wag to become a party to the Escrow Agreement for the duration of the term thereof; and (c) that Mr. Silver shall not be permitted to transfer a controlling interest in Wag unless the transferee of such interest shall enter into an undertaking on the same terms as aforesaid.

DIVIDEND POLICY

To date the Company has not paid dividends. At present, the Company's policy is to retain earnings, if any, to finance the development of its business. The payment of dividends in the future will depend, among other factors, on the Company's ability to generate earnings, its capital requirements and its operating and financial condition.

DILUTION

The following table sets forth the dilution of the Common Shares based upon the net tangible book value as shown in the balance sheet of the Company as at May 31, 2000, after giving effect to this Offering, on a fully diluted basis:

		Per Common Share
Offering Price per Common Share		$0.455
Net tangible book value per Common Share before giving effect to this Offering	$(0.099)	
Increase in net tangible book value per Common Share attributable to this Offering	$0.108	
Net tangible book value per Common Share after giving effect to this Offering		$0.009
Dilution to Subscribers		$0.446
Percentage of Dilution in Relation to Offering Price		98%

PRICE RANGE AND TRADING VOLUME

The Common Shares of the Company are listed and posted for trading on the CDNX. The following table summarizes the price range and share volume at which the Common Shares have traded on the CDNX, and prior to October 2, 2000 on the CDN as reported by such quotation system for the period indicated.

		High	Low	Close	Volume
2000	October(1)	$ .28	$ .15	$ .15	285,100
	September	$ .30	$ .21	$ .23	479,100
	August	$ .31	$ .24	$ .27	486,550
	July	$ .35	$ .27	$ .30	398,680
	June	$ .40	$ .25	$ .33	495,450
	May	$ .45	$ .25	$ .27	582,142
	April	$ .85	$ .35	$ .45	1,974,570
	March	$ 1.45	$ .25	$ .73	7,746,874
	February	$ .80	$ .22	$ .75	2,348,658
	January	$ .22	$ .22	$ .22	406,000
1999	December	$ .16	$ .12	$ .15	204,500
1999	September - November	$ .18	$ .07	$ .08	561,470
	June - August	$ .20	$ .10	$ .10	646,932
	March - May	$ .20	$ .05	$ .11	1,288,246
	December 1998 – February	$ .25	$ .05	$ .05	1,057,892
1998	September -November	$ .85	$ .08	$ .24	1,823,425
	June - August	$ 2.40	$ .26	$ .85	2,566,100
	March - May	$ 2.40	$ 1.80	$ 2.40	2,688,145

(1) Up to October 23, 2000.

On October 23, 2000, the closing price of the Common Shares on the CDNX, as reported by such quotation system, was $.15 per share.

PRIOR SALES

No Common Shares have been issued by the Company during the 12-month period preceding the date of this prospectus other than pursuant to the exercise of options previously granted under the Company's share option plan.

DIRECTORS AND OFFICERS

The names, municipalities of residence, positions and principal occupations of the directors and officers of the Company are as follows:

Name and Municipality of Residence	Position with the Company	Principal Occupation [1]
Rodney Franklin[2] Mississauga, Ontario	Chairman of the Board, Chief Financial Officer and Secretary of the Company	Same
Wayne Silver Thornhill, Ontario	President, Chief Executive Officer and director of the Company	Same
Ted Cordina Toronto, Ontario	Vice-President, Business Development of Phonetime International Inc.	Same
Ian Hochberg[2] Thornhill, Ontario	Director	Consultant
George Chajes[2] Toronto, Ontario	Director	Investment Banker

(1) The five-year employment history of each of the above individuals is provided below.
(2) Member of the audit committee.

RODNEY FRANKLIN

Rodney Franklin has been Chairman of the Company since 1997, and has over 40 years of experience in the radio communications and telecommunications industries. During his extensive career in product marketing and sales, he was the Canadian National Manager for Harris Corporation Communications Group (1975 to 1985). Before joining Harris Corporation, Rodney was General Manager of Multitone Electronics Ltd.(1967 to 1975) and was responsible for successfully establishing the pocket-paging industry in Canada for Multitone. In 1990, Mr. Franklin together with Mr. Silver purchased the Provincial business and in 1994 they founded the Phonetime business.

WAYNE SILVER, P.Elec.Eng

Wayne Silver has been President of the Company since 1997, and has been involved in the telecommunications industry for over 20 years in the areas of general management and marketing and the supply of telecommunications products and services. In 1990, Mr. Silver, together with Rodney Franklin, purchased the Provincial business and in 1994 they founded the Phonetime business.

TED CORDINA

Ted Cordina has been with the Company since May 2000. Since 1985, Mr. Cordina has been a services, design and marketing consultant to a number of North American telecommunication companies. Mr. Cordina also formed a telecommunication service company in 1996, Debit Card Systems Inc., which carried on business as a reseller and wholesale phone card service provider.

IAN HOCHBERG

Ian Hochberg has been a director of the Company since 1999. Since 1991, Mr. Hochberg has provided management consulting services to organizations in the telecommunications and information technology sectors. His clients have included software developers, firmware and computer peripheral product manufacturers, and telecommunications and broadcasting service providers. Mr. Hochberg has served as the Vice-Chairman of the Telecommunications Policy Committee of the Information Technology Association of Canada (ITAC). He is currently a member of the Board of Directors of the MIT/York Enterprise Forum and is a director of other companies in the information technology sector. Mr. Hochberg graduated with an MBA from York University in 1985.

GEORGE CHAJES

George Chajes joined the board of directors of the Company in June 2000. Since 1997, Mr. Chajes has been a Vice-President, Corporate Finance of First Delta Securities Inc., the Agent in respect of the Offering. From 1995 to 1997, Mr. Chajes served as a Director, Corporate Finance of another Canadian investment dealer which is a member of The Toronto Stock Exchange.

EXECUTIVE COMPENSATION

The following table sets forth all compensation paid by the Company during each of the last three completed fiscal years to the Company's Chief Executive Officer and all other executive officers of the Company who received compensation in excess of $100,000 during the fiscal year ended February 29, 2000 (collectively the "Named Executive Officers").

Summary Compensation Table

		Annual Compensation			**Long-Term Compensation**			
					Awards		**Payouts**	
Name And Principal Position	Year ended February 28/29	Salary ($)	Bonus ($)	Other Annual Compensation ($)	Securities Under Options/ SARS Granted ($)	Restricted Shares or Restricted Share Units ($)	LTIP Payouts ($)	All Other Compensation ($)
Wayne Silver, President and Chief Executive Officer	2000 1999 1998(1)	104,400 94,567 52,933	NIL NIL NIL	12,300(3) 11,579(3) 5,600(2)	NIL NIL NIL	NIL NIL NIL	NIL NIL NIL	NIL NIL NIL
Fred Panet, Vice-President Sales (4)	2000	113,075	NIL	NIL	NIL	NIL	NIL	NIL

(1) Mr. Silver was appointed President in August 1997.
(2) This amount represents a car allowance.
(3) This amount represents a car allowance and health and benefit plan premiums.
(4) Mr. Panet jointed Phonetime in March 1998 and was appointed its Vice-President, Sales in September 1999. Mr. Panet resigned as an officer of Phonetime in September 2000. With the resignation of Fred Panet as Vice-President, Sales of Phonetime, Rodney Franklin, Chairman of the Company has assumed direct responsibility for supervision and oversight of Phonetime's sales activities. Mr. Panet continues to work for Phonetime as a part-time consultant.

Option Grants to Named Executive Officers

The following table provides details of the options granted to the Named Executive Officers for the fiscal year ended February 29, 2000. The Company did not grant options to any Named Executive Officers during its previous two fiscal years.

Name and Principal Position	Securities Under Options Granted (#)	% of Total Options Granted to Employees in Financial Year	Exercise Price ($/Security)	Market Value of Securities Underlying Options on the Date of Grant ($/Security)	Expiration Date
Fred Panet, Vice-President Sales	200,000	19.6	.23	.23	January 31, 2005

(1) Mr. Panet resigned as an officer of Phonetime in September 2000.

Options Exercised and Aggregates Remaining

The following table provides details of the options exercised and the unexercised options of the Named Executive Officers for the fiscal year ended February 29, 2000.

Name and principal position	Securities acquired on exercise #	Aggregate value realized ($)	Unexercised options at February 29, 2000 (#) exercisable/ unexercisable	Value of unexercised in-the-money options at February 29, 2000 ($) exercisable/ unexercisable
Fred Panet Vice-President Sales	Nil	Nil	200,000/Nil	104,000/Nil

(1) Mr. Panet resigned as an officer of Phonetime in September 2000.

Compensation to Directors

Each officer and director of the Company is entitled to receive a fee of $100.00 for each meeting of the board of directors and of shareholders attended. During the fiscal year ended February 29, 2000, the Company paid no fees to its directors.

Directors' and Officers' Insurance

The Company maintains a directors' and officers' liability insurance policy covering the period from December 1, 1999 to December 1, 2000. The aggregate insurance coverage under the policy is limited to $5,000,000 and the aggregate annual premium is $8,328. No part of this premium will be paid by the directors or officers of the Company.

PRINCIPAL SHAREHOLDERS

The following table sets forth the shareholders of the Company who, to the knowledge of the Company, own beneficially or of record, directly or indirectly, more than 10% of the issued and outstanding Common Shares:

Name and Municipality of Residence	Number of Common Shares	Type of Ownership	Percentage of Common Shares prior to giving effect to the Offering	Percentage of Common Shares After Giving Effect to the Offering
Wayne Silver	5,360,650(1)	Direct and Indirect	16.28%	12.85%
Rodney Franklin	4,904,283(1)	Direct and Indirect	14.90%	11.75%
1347265 Ontario Limited	7,687,500(2)	Direct	23.35%	18.42%

(1) These represent Common Shares held directly as well as through personal holding corporations.
(2) Each of Nava Silver, the wife of Wayne Silver, and Linda Franklin, the wife of Rodney Franklin, owns 50% of the issued and outstanding shares of 1347265 Ontario Limited.

PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement, the Company agreed to issue and the Agent agreed, on a best efforts basis, to arrange for purchasers to purchase up to 8,000,000 Special Warrants at a price of $0.50 each, resulting in the sale on March 21, 2000 of 8,000,000 Special Warrants, to various purchasers resident in the Provinces of Ontario and Alberta and outside of Canada. Each Special Warrant entitles the holder thereof to acquire one and one-tenth (1.1) Common Share without payment of further consideration in addition to the issue price of such Special Warrants. The gross proceeds of the issue and sale of the Special Warrants were $4,000,000, and an aggregate commission of $360,000 was paid to the Agent in connection therewith. No additional fee will be paid to the Agent in connection with the issue of Common Shares upon the exercise of the Special Warrants. The net proceeds of $3,640,000 were paid to the Company on the closing of the issue and sale of the Special Warrants. Expenses estimated at $275,000 relating to this issue will be paid from the net proceeds of this offering.

The Special Warrants were issued under a Warrant Indenture (the "Warrant Indenture") made as of March 20, 2000 between the Company and the Trustee. The Special Warrants may be exercised by the holders thereof at any time after the Closing Date until 5:00 p.m. (Toronto time) on the date which is the earlier of (the "Expiry Date") (i) September 20, 2001, and (ii) the fifth business day after the date of issuance of the last receipt by the Ontario Securities Commission and the Alberta Securities Commission for a (final) prospectus qualifying the issuance and distribution of the Common Shares to be issued on the Expiry Date. Any Special Warrant not exercised by the holder thereof prior to the Expiry Date shall be deemed to be exercised, without any further action on the part of such holder, on the Expiry Date (other than tendering the Special Warrant certificate to the Trustee). Pursuant to the terms of the Warrant Indenture, the number of Common Shares underlying each Special Warrant was increased from one (1) Common Share to one and one-tenth (1.1) Common Shares due to the fact that receipts for this prospectus were not issued by the Ontario Securities Commission and the Alberta Securities Commission prior to the Qualification Deadline.

Definitive certificates evidencing the Common Shares will be available for delivery upon the exercise or deemed exercise of the Special Warrants.

The Special Warrants were issued pursuant to exemptions from registration and prospectus requirements of applicable securities legislation. The Common Shares to be issued upon exercise of the Special Warrants, after the issue of a receipt for the (final) prospectus, will be issued pursuant to this Prospectus and pursuant to exemptions from the registration requirements of applicable securities legislation.

USE OF PROCEEDS

The Company will not receive any cash proceeds from the issuance of the Common Shares upon exercise or deemed exercise of the Special Warrants. The estimated net proceeds from this Offering to the Company, is approximately $3,365,000 after deduction of the Agent's commission and the estimated expenses of this Offering.

As at August 31, 2000, the Company has applied $2,600,000 of the net proceeds of the Offering as follows:

Approximate Amount	Use
$820,000	To repay bank loans
$200,000	Capital expenditures relating to network facilities
$1,580,000	Working capital
$2,600,000	

The Company intends to use approximately $400,000 of the remaining net proceeds of the Offering for the development and expansion of Phonetime's private telecommunications network and to utilize the balance for working capital, including potential acquisitions and to fund operating losses. The Company has not to date entered into any definitive agreements to make any acquisitions.

RISK FACTORS

There are a number of risk factors associated with the securities offered hereunder including the following:

Cash Flow

The Company's expenses have increased significantly due to rapid growth and the ongoing customer service problems attributable to the implementation of the new Cisco switch. The Company expects its expenses and capital expenditures to continue to increase as it expands, develops and deploys its network and implements its business plan. No assurance can be given that the Company will achieve and sustain profitability or positive net cash flow. The Company's inability to achieve profitability or positive cash flow in the future may have a material adverse effect on the Company's business, operating results or financial condition ("Material Adverse Effect").

Ability to obtain Additional Capital

Deployment of Phonetime's operations, facilities, network and services will require significant capital expenditures.

The Company intends to use a portion of the net proceeds of this offering to fund its capital requirements. Upon completion of this offering, Phonetime will still require additional financing to fund these needs as envisioned by its corporate strategy. See "Corporate Strategy" and "Use of Proceeds".

Anticipated future capital expenditures of Phonetime are based on current estimates. Because the cost of deploying Phonetime's network and operating the business of Phonetime, as well as the ability of Phonetime to generate revenue, will depend on a variety of factors, actual costs and revenue may vary materially from expected amounts and such variations will affect Phonetime's future capital requirements.

If the cost of deployment of Phonetime's planned network exceeds its current estimates or if there is a significant increase in customer demand for Phonetime's services in its target markets, it will have increased funding needs, possibly to a significant degree. In addition, Phonetime will continue to evaluate additional revenue opportunities and strategic initiatives in each of its target markets. As attractive opportunities develop, Phonetime may make additional capital investments in its network or make strategic alliances or acquisitions. Phonetime expects that it will meet such additional funding needs by raising additional equity and/or debt capital, entering into joint ventures with strategic partners, borrowing under future credit facilities or a combination of such options. In addition, Phonetime continues to evaluate and seek attractive opportunities to raise additional equity capital in anticipation of future capital requirements. The Company can provide no assurance that it will be successful in raising sufficient additional debt or equity capital, or that such options, if available at all, will be available on a timely basis or on terms acceptable to it. Failure to raise sufficient funds may require Phonetime to delay or abandon some of its planned future expansion or expenditures, which could have a Material Adverse Effect and could cause the business of the Company to suffer or even fail.

Intense Competition

The telecommunications services industry is intensely competitive, rapidly evolving and subject to constant technological change. There are many companies selling prepaid calling cards, and Phonetime expects competition to increase in the future. Other providers currently offer one or more of each of the services offered by Phonetime. As a service provider in the long distance telecommunications industry, Phonetime competes with dominant providers which are substantially larger and have greater financial, technical, engineering, personnel and marketing resources, longer operating histories, greater name recognition, and larger customer bases than Phonetime. These advantages afford Phonetime's competitors pricing flexibility. Telecommunications services companies may compete for customers based on price, with the dominant providers conducting extensive advertising campaigns to capture market share. Competitors with greater financial resources may also be able to provide more attractive incentive packages to retailers to encourage them to carry products that compete with Phonetime's services. In addition, competitors with greater resources than Phonetime may be better situated to negotiate favorable contracts with retailers. Phonetime believes that existing competitors are likely to continue to expand their service offerings to appeal to retailers and their customers. Moreover, since there are few, if any, substantial barriers to entry, Phonetime expects that new competitors are likely to enter the telecommunications market and attempt to market telecommunications services similar to Phonetime's services which would result in greater competition.

Consequently, there can be no assurance that competition from existing or new competitors or a decrease in the rates charged for telecommunications services by the major long distance carriers or other competitors would not have a Material Adverse Effect on the Company.

Provincial is in a highly competitive industry. There is no guarantee that Provincial will secure favourable financial returns. In addition, other business entities already distribute the types of products Provincial is in the business of distributing. In the digital camera industry, Provincial faces competition from large multinational manufacturers and distributors in the camera market.

Rapid Technological Change; Dependence on New Services

The telecommunications services industry is characterized by rapid technological change, new product introduction and evolving industry standards. Phonetime's success will depend, in significant part, on its ability to make timely and cost-effective enhancements and additions to its technology and introduce new services that meet customer demands. Phonetime expects new products and services and enhancements to existing products and services to be developed and introduced to compete with its services. The proliferation of new telecommunication technology, including personal communication services and voice communication over the internet, may reduce demand for long distance services, including prepaid phone cards. There can be no assurance that Phonetime will be successful in developing and marketing new services or enhancements to services that respond to these or other technological changes or evolving industry standards. In addition, there can be no assurance that Phonetime will not experience difficulties that could delay or prevent the successful development, introduction and marketing of its existing services or that its new services or enhancements thereto, will adequately meet the requirements of the marketplace and achieve market acceptance. Delay in the introduction of new services or enhancements, the inability of Phonetime to develop such new services or enhancements or the failure of such services or enhancements to achieve market acceptance could have a Material Adverse Effect. See "Business -- Competition".

Dependence on Facilities and Platforms;
Damage, Failure and Downtime

Phonetime's network service operations are dependent upon its ability to protect the equipment and data at such facilities against damage that may be caused by fire, power loss, technical failures, unauthorized intrusion, natural disasters, sabotage and other similar events. Although Phonetime has taken precautions to protect itself and its customers from events that could interrupt delivery of its services, there can be no assurance that a fire, act of sabotage, technical failure, human error, natural disaster or a similar event would not cause the failure of a significant technical component, thereby resulting in an outage. Such an outage could have a Material Adverse Effect.

In November 1999, Phonetime acquired from Simplified Telesys Inc. a Cisco System VCO/4K programmable switch to expand its private and long distance network. Management initially expected that this switch would be fully operational by the end of December 1999, and that Phonetime would achieve increased revenue and reduced costs resulting from the expansion of product offerings and enhanced telecommunication services attributable to its new Telco grade switch. However, due to unanticipated performance deficiencies with the new switch, Phonetime has experienced ongoing customer service problems and lost business opportunities. Additionally, Phonetime has incurred unexpected costs including expenses relating to the operation of duplicate switch systems, and the uncollectability of accounts receivable resulting from customer service problems attributable to the lack of switch capacity. The Company’s financial results for the first quarter of fiscal 2001, which are set forth elsewhere in this Prospectus, also reflect on-going service issues, as Phonetime was still experiencing performance deficiencies during that quarter in connection with its new switch. The Company’s inability to fully resolve these problems and deficiencies in the near future would have a Material Adverse Effect.

Dependence Upon Software

Phonetime depends on a data reporting and tracking system that provides a series of database query and report capabilities that are used to control fraud and monitor system usage by card. Phonetime also depends on its software to provide services to its customers. The software utilized by Phonetime in providing its services may contain undetected errors. Although Phonetime engages in extensive testing of its software prior to introducing the software onto its network, there can be no assurance that errors will not be found in software after commencement of use of such software. Any such error may result in partial or total failure of Phonetime's network, requiring it to commit additional and unanticipated funds for further product development, including the retention of additional programming personnel. In addition, such failure may result in a loss of customers and a corresponding decrease in revenue which would have a Material Adverse Effect.

Risk of Loss From Returned Transactions; Fraud; Bad Debt; Theft of Services

Phonetime utilizes national credit card clearance systems for electronic credit card settlement. Phonetime generally bears the same credit risks normally assumed by other users of these systems arising from returned transactions caused by closed accounts, frozen accounts, unauthorized use, disputes, theft or fraud. Phonetime's relationships with providers of merchant card services such as VISA and MasterCard could be adversely affected by excessive uncollectibles or chargebacks, which are generally higher in the telephone industry than in other industries, particularly with respect to recharges because the transaction typically is not on a face to face basis in which a cardholder signature is captured. Termination of Phonetime's ability to offer recharge through merchant card services would have a Material Adverse Effect. To minimize its financial exposure, Phonetime limits the amount that customers can recharge within specified timeframes. From time to time, persons have obtained services without rendering payment to Phonetime by unlawfully utilizing its access numbers and PINs. Although to date Phonetime has not experienced material losses due to such unauthorized use of access numbers and customized PINs, no assurance can be given that future losses due to unauthorized use will not be material. Phonetime attempts to manage these credit, theft and fraud risks through its internal controls, monitoring and blocking systems. Phonetime also maintains reserves which it deems adequate for such risks. Past experience in estimating and establishing reserves and Phonetime's historical losses are not necessarily accurate indications of its future losses or the adequacy of the reserves established by Phonetime in the future. Although Phonetime believes that its risk management and bad debt reserve practices are adequate, there can be no assurance that Phonetime's risk management practices or reserves will be sufficient to protect Phonetime from unauthorized or returned transactions or thefts of services which could have a Material Adverse Effect.

Dependence Upon Telecommunications Providers; No Guaranteed Supply

Phonetime does not own transmission facilities and, accordingly, depends primarily on other long distance carriers for transmission of its long distance calls. The Company obtains its long distance telecommunications services from various ILECs and CLECs which obligates Phonetime to utilize a specified number of minutes to receive favorable pricing. Phonetime's failure to utilize the required minutes within the periods specified in its agreements with carriers would require Phonetime to pay underutilization charges to the carriers. While Phonetime anticipates that it will fulfill its minimum usage requirements, any material failure to meet such minimum usage requirements could have a Material Adverse Effect. In the future, Phonetime may determine that it is desirable to enter into additional agreements containing minimum usage requirements. Further, Phonetime is dependent upon local exchange carriers for call origination and termination. Phonetime's ability to maintain and expand its business depends, in part, on its ability to continue to obtain telecommunications services on favorable terms from long distance carriers and other such suppliers, as well as the cooperation of both interexchange and local exchange carriers in originating and terminating service for its customers in a timely manner. Phonetime has not experienced significant losses in the past because of interruptions of service at any of its carriers, but no assurance can be made in this regard with respect to the future. In addition, no assurance can be given that Phonetime will be able to obtain long distance services in the future at favorable prices, and a material increase in the price at which Phonetime obtains long distance service could have a Material Adverse Effect.

New Industry, Uncertainty of Market Acceptance

The prepaid phone card industry segment is an emerging business characterized by an increasing and substantial number of new market entrants who have introduced or are developing an array of new products and services. Each of these entrants is seeking to market, advertise and position its products and services as the preferred method for accessing long distance telephone services, including providing enhanced service features. As is typically the case in an emerging industry, demand and market acceptance for newly introduced products and services are subject to a high level of uncertainty. There can be no assurance that substantial markets will continue to develop for prepaid phone cards or that Phonetime will be able to meet its current marketing objectives, succeed in positioning its cards and services as a preferred method for accessing long distance telephone services or achieve significant market acceptance for its products. See "Business -- Industry Overview."

Dependence on Major Retailers

Currently, Phonetime's phone card is sold at selected retail locations throughout Canada. Phonetime's arrangements with retailers are generally pursuant to short-term arrangements. If the Company is unsuccessful in providing competitive pricing, meeting the requirements of its retailers, developing new products that are attractive to such retailers, or complying with the terms of its arrangements with such retailers, such retailers may fail to market aggressively Phonetime's services or may terminate their relationship with Phonetime, either of which could have a Material Adverse Effect. Substantially all of Phonetime's revenue to date has been derived from the sale of Phonetime's phone card to retailers. Certain of those retailers have, from time to time, accounted for a significant percentage of Phonetime's revenue. The inability of any such retailer to pay Phonetime for its phone cards shipped or the loss of any such retailer could have a Material Adverse Effect.

Seasonality; Factors Affecting Operating Results;
Potential Fluctuations in Period-to-Period Results

Phonetime's sales have been, and Phonetime expects that its sales will continue to be, somewhat seasonal, due to holiday purchases of the Phonetime card. In addition, Phonetime's operating results have varied significantly in the past and may vary significantly in the future. Factors that may cause Phonetime's operating results to vary include (i) changes in operating expenses, (ii) the timing of the introduction of services, (iii) market acceptance of new and enhanced versions of services, (iv) potential acquisitions, (v) changes in legislation and regulation which affect the competitive environment for services, and (vi) general economic factors. Moreover, for many of Phonetime's retailers, Phonetime's services represent a new merchandising category, with the attendant concerns regarding shelf space positioning, sales force education and effective marketing and, with respect to arrangements with certain retailers requiring customized services, there may be significant leadtime to provide such services following receipt of the customers' orders. As a result of these factors, the Company believes that period-to-period comparisons of its results of operations are not necessarily meaningful and should not be relied upon as an indication of future performance.

Provincial's sales have been and Provincial expects that its sales will continue to be seasonal, due to significant sales in the fourth quarter, representing the Christmas season.

Ability to Manage Growth and Implement New
Accounting System; Need to Hire Additional Employees

Although Phonetime has experienced substantial growth in revenue in the last year and intends to continue to grow rapidly, there can be no assurance that the growth experienced by Phonetime will continue or that Phonetime will be able to achieve the growth contemplated by its business strategy. Phonetime's ability to continue to grow may be affected by various factors, many of which are not within its control, including competition and federal and provincial regulation of the telecommunications industry. This growth has placed, and is expected to continue to place, significant demands on all aspects of Phonetime's business, including its administrative, technical and financial personnel and systems. Phonetime's future operating results will substantially depend on the ability of its officers and key employees to manage such anticipated growth, to attract and retain additional highly qualified management, technical and financial personnel, and to implement and/or improve its technical, administrative, financial control and reporting systems. Phonetime's financial controls and reporting systems will require enhancement and substantial investment in the future to accommodate its anticipated growth. There can be no assurance that Phonetime will not encounter difficulties in expanding its financial controls and reporting systems to meet its future needs. If Phonetime is unable to respond to and manage changing business conditions, then the quality of its services, its ability to retain key personnel and its results of operations could be materially adversely affected. Difficulties in managing continued growth could have a Material Adverse Effect.

Dependence on Key Management and Personnel

The Company's success is largely dependent upon its executive officers, the loss of one or more of whom could have a Material Adverse Effect. The Company believes that its continued success will depend to a significant extent upon the efforts and abilities of Rodney Franklin, Chairman of the Board and Wayne Silver, President. Although the Company believes that it would be able to locate suitable replacements for these executives if their services were lost, there can be no assurance it would be able to do so. Accordingly, the loss of services of any of these individuals could have a Material Adverse Effect.

Dependence Upon Strategic Relationships

A principal element of Provincial's business is its long-standing relationship with a manufacturer that supplies it with a majority of its current product lines. Provincial's success depends in part on the continued strength and stability of this relationship to ensure a timely and uninterrupted supply of products.

Provincial's inability to maintain this relationship could result in an interruption or cessation of the supply of its products which could have a Material Adverse Effect.

Regulation

Although Phonetime is not directly regulated by the CRTC, the telecommunications industry is undergoing substantial regulatory change and uncertainty. Future regulatory, judicial or legislative changes, could have a Material Adverse Effect. See "Regulation".

Substantial Discretion of Management Concerning Use of Proceeds

The Company has applied approximately $2,600,000 of the net proceeds of the Offering to (i) the repayment of bank loans, (ii) capital expenditures relating to network facilities and (iii) working capital. The Company has allocated approximately $400,000 of the remaining net proceeds for the expansion of Phonetime's private telecommunications network, with the balance to be used for working capital and general corporate purposes, including possible acquisitions. Accordingly, management will have substantial discretion in spending a large percentage of the proceeds to be received by the Company. See "Use of Proceeds."

The Company in the future may pursue acquisitions of complementary services, products, technologies or businesses, although the Company currently has no agreements or understandings with respect to any acquisition, and no portion of the net proceeds has been allocated to specific acquisitions. Future acquisitions may result in the potentially dilutive issuance of equity securities, the incurrence of additional debt, the writing off of software development costs, or the amortization of expenses related to goodwill and other intangible assets, any of which could have a Material Adverse Effect. Future acquisitions would involve numerous additional risks, including (i) difficulties in the assimilation of the operations, services, products and personnel of the acquired company, (ii) the diversion of management's attention from other business concerns, (iii) entry into markets in which the Company has limited or no prior experience, and (iv) the potential loss of key employees of the acquired company.

Absence of Public Market and Possible Volatility of Stock Price

There can be no assurance that an active market will be maintained upon consummation of the Offering. The market price of the Common Shares is likely to be volatile. The Company believes factors such as actual or anticipated quarterly fluctuations in financial results, changes in earnings estimates by securities analysts and announcements of material events by the Company, its retail customers or its competitors may cause the market price for the Common Shares to fluctuate, perhaps substantially. In addition, the stock market has recently experienced extreme price and volume fluctuations which have affected the market price for many companies in industries similar to the phone card industry and which have often been unrelated to the operating performance of these companies. These fluctuations, as well as general economic conditions, may have a Material Adverse Effect on the price of the Common Shares.

Shares Eligible for Future Sale

Future sales of substantial shares of Common Shares by existing shareholders could adversely affect the market price of the Common Shares. A decision by any such shareholder(s) to publicly sell a significant number of shares of the Common Shares will have the potential to cause a material decrease in the trading price of the Common Shares and may impair the future ability of the Company to raise capital at prices or on terms favorable to the Company.

Immediate and Substantial Dilution to New Investors

Purchasers of Common Shares in the Offering will experience immediate and substantial dilution of the net tangible book value per Common Share in the amount of $0.446 per share.

Variability of Operating Results

As a result of the timing of the significant expenses associated with the deployment of Phonetime's network, it is anticipated that the operating results of the Company could vary from period to period. Such variability could have a Material Adverse Effect.

Increase in Customer Attrition Rates

There can be no assurance that Phonetime's customers will continue to purchase telecommunications services or additional services from it or that customers will migrate to its network in accordance with its corporate strategy. Phonetime could lose customers as a result of national advertising campaigns, telemarketing programs, customer incentives or new technologies provided by major competitors as well as for other reasons outside of its control. Similarly, Provincial could lose customers as a result of a variety of factors outside of its control. Increases in the Company's customer attrition rates could have a Material Adverse Effect.

Limited Operating History

The Company has had a short operating history and cannot provide any assurance that it will effectively implement its corporate strategy. If as a result of unanticipated difficulties or for any other reason beyond the Company's control it is unable to successfully implement its corporate strategy, the Company's business is likely to suffer or even fail.

International Sales and Currency Exposure/Exchange Rate Risk

It is possible that a substantial portion of the Company's revenues in the future will be derived from customers outside of Canada. Sales to customers outside of Canada are subject to greater risks, including, difficulty in enforcing agreements, difficulty in effecting collection of accounts receivable through a foreign country's legal system the imposition of withholding taxes and other taxes on the Company's foreign income, imposition of taxes and tariffs, exchange controls and other restrictions on foreign trade. Sales of the Company's products outside Canada are made in United States dollars. In the event that a large portion of the Company's revenues are invoiced in United States dollars and a large portion of its expenses are incurred in Canadian dollars, increases in the value of the Canadian dollar relative to the United States dollar could adversely affect the Company's results of operations. To the extent that the Company is not able to or does not raise its prices to reflect an adverse change in exchange rates, the profitability of the Company's business in those markets would be adversely affected.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Rodney Franklin, the Chairman of the Company, and Wayne Silver, the President of the Company, jointly own the property leased by the Company at its head office facility in Mississauga, Ontario. During the fiscal year ended February 29, 2000, the Company paid $135,000 in rent in relation to that property.

MATERIAL CONTRACTS

Except for material contracts made in the ordinary course of business, the only material contracts entered into by the Company within the two years preceding the date of this prospectus are as follows:

(1) the Escrow Agreement referred to under “Escrowed Shares”;

(2) the Agency Agreement referred to under "Plan of Distribution"; and

(3) the Special Warrant Indenture referred to under "Plan of Distribution".

Copies of the foregoing agreements may be inspected at the registered office of the Company during normal business hours during the distribution of the securities offered hereunder and for a period of 30 days thereafter.

LEGAL MATTERS

Certain legal matters relating to this Offering will be passed upon on behalf of the Company by Goldman, Spring, Schwartz & Kichler, and on behalf of the Agent by Meighen Demers.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Company are Klasner, Solomon, Chartered Accountants, 260 Town Centre Blvd., Suite 201 Markham, Ontario L3R 8H8.

Montreal Trust Company of Canada is the registrar and transfer agent for the Common Shares at its principal office in the City of Toronto, 151 Front Street West, Toronto, Ontario, M5J 2N1.

CONTRACTUAL RIGHT OF ACTION FOR RESCISSION

In the event that a holder of a Special Warrant, who acquires a Common Share of the Company upon the exercise or deemed exercise of the Special Warrant as provided for in this prospectus, is or becomes entitled under applicable securities legislation to the remedy of rescission by reason of this prospectus or any amendment hereto containing a misrepresentation, such holder shall be entitled to rescission not only of the holder's exercise or deemed exercise of its Special Warrant, but also of the private placement transaction pursuant to which the Special Warrant was initially acquired and shall be entitled in connection with such rescission to a full refund of all consideration paid to the Company on the acquisition of the Special Warrant. In the event that such holder is a permitted assignee of the interest of the original Special Warrant subscriber, such holder shall be entitled to exercise the rights of rescission and refund granted hereunder as if such holder were the original subscriber. The foregoing is in addition to any other right or remedy available to a holder of a Special Warrant under applicable securities legislation in the Provinces of Canada or otherwise at law.

PURCHASER'S STATUTORY RIGHTS

Securities legislation in certain of the Provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the Provinces, the securities legislation further provides a purchaser with remedies of rescission or damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s

Province. The purchaser should refer to the applicable provisions of the securities legislation of the purchaser's Province for the particulars of these rights or consult with a legal adviser.

PHONETIME INC.

CONSOLIDATED FINANCIAL STATEMENTS AS AND

FOR THE THREE MONTHS ENDED MAY 31, 2000

(UNAUDITED)

CONSOLIDATED BALANCE SHEET
AS AT MAY 31, 2000
(UNAUDITED)

	May 31, 2000
ASSETS	**$**
CURRENT	
Cash and Cash equivalents	2,105,900
Accounts receivable	2,168,341
Inventories	351,020
Prepaid expenses	235,240
	4,860,501
CAPITAL ASSETS	2,191,123
Goodwill	261,465
	7,313,089
LIABILITIES	
CURRENT	
Bank indebtedness	410,004
Accounts payable and accrued liabilities	3,168,889
Current portion of long-term debt	56,808
Current portion of capital lease obligations	592,152
Deferred revenue	740,287
Income taxes payable	6,340
Customers deposits	226,364
	5,200,844
LONG TERM DEBT	123,439
CAPITAL LEASE OBLIGATIONS	1,166,813
FUTURE INCOME TAXES	9,098
DUE TO RELATED PARTIES	256,907
	6,757,101
DEFICIT LESS SHARE CAPITAL	
DEFICIT	(3,649,817)
SPECIAL WARRANTS	3,557,021
SHARE CAPITAL	648,784
	555,988
	7,313,089

Approved on behalf of the Board

"Rodney Franklin" **Director**

"Wayne Silver" **Director**

PHONETIME INC.
CONSOLIDATED STATEMENT OF LOSS AND DEFICIT
FOR THE THREE MONTHS ENDED MAY 31, 2000
(UNAUDITED)

	MAY 31, 2000 $	**MAY 31, 1999 $ (Restated)**
REVENUE	3,307,907	2,704,892
COST OF SALES AND EXPENSES		
Cost of sales, selling, general and administrative	4,456,944	3,030,385
Interest	41,623	15,339
Depreciation and amortization	142,557	52,639
	4,641,124	3,098,363
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(1,333,217)	(393,471)
PROVISION FOR INCOME TAXES	---	3,232
	---	3,232
LOSS FROM CONTINUING OPERATIONS	(1,333,217)	(396,703)
LOSS FROM DISCONTINUED OPERATIONS	---	(136,727)
NET LOSS FOR THE PERIOD	(1,333,217)	(533,430)
DEFICIT, BEGINNING OF PERIOD	(2,316,600)	(623,453)
DEFICIT, END OF PERIOD	(3,649,817)	(1,156,883)
Loss per share; Continuing operations	(0.041)	(0.013)
Reported	(0.041)	(0.017)

PHONETIME INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

For the three months period ended	**MAY 31, 2000 $**	**MAY 31, 1999 $ (Restated)**
Operating activities:		
Net loss from continuing operations	(1,333,217)	(396,703)
Non-cash items:		
Amortization	142,557	52,639
	(1,190,660)	(344,064)
Net change in non-cash working capital balances	594,627	176,380
Cash flows from operating activities	(596,033)	(167,684)
Investing activities:		
Acquisition of capital assets, net	(18,260)	(62,549)
Cash flows from investing activities	(18,260)	(62,549)
Financing activities:		
Issuance of share capital	11,500	---
Issuance of special warrants	3,557,021	---
Decrease in bank indebtedness	(139,996)	(263,869)
Decrease in long-term debt	(334,922)	(80,251)
Decrease in capital lease obligations	(67,397)	(15,151)
(Decrease) increase in due to related parties	(201,027)	105,601
Cash flows from financing activities	2,825,179	(253,670)
Net increase (decrease) in cash from continuing operation	2,210,886	(483,903)
Loss on discontinued operations, net of non-cash items	(155,592)	(192,871)
Net increase (decrease) in cash and cash equivalents during the period	2,055,294	(676,774)
Cash and cash equivalents, beginning of period	50,606	769,522
Cash and cash equivalents, end of period	2,105,900	92,748

AUDITORS' REPORT

TO THE DIRECTORS OF PHONETIME INC.:

We have audited the consolidated balance sheets of Phonetime Inc. (formerly Beverly Glen Capital Corp.) as at February 29, 2000 and February 28, 1999 and the consolidated statements of loss and deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at February 29, 2000 and February 28, 1999 and the results of its operations and its cash flows for the years then ended in accordance with generally accepted accounting principles.

(Signed) Klasner & Solomon

Markham, Canada
April 17, 2000

Chartered Accountants

AUDITORS' REPORT

To the Directors of Phonetime Inc.

We have audited the consolidated statements of loss and deficit and cash flows of Phonetime Inc. (formerly Beverly Glen Capital Corp.) for the year ended February 28, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the results of the Company's operations and its cash flows for the year ended February 28, 1998 in accordance with Canadian generally accepted accounting principles.

(Signed) KPMG LLP

Chartered Accountants

Toronto, Canada
June 26, 1998

PHONETIME INC.
(FORMERLY BEVERLY GLEN CAPITAL CORP.)
CONSOLIDATED BALANCE SHEETS

	As at	
	February 29, 2000	February 28, 1999
ASSETS		
Current assets		
Cash and cash equivalents	$ 50,606	$ 769,522
Accounts receivable	1,698,962	1,374,314
Inventories	438,578	947,004
Prepaid expenses	234,236	137,875
	2,422,382	3,228,715
Capital assets (note 2)	2,295,670	560,346
Goodwill	281,215	581,138
	$ 4,999,267	$ 4,370,199
LIABILITIES		
Current liabilities		
Bank indebtedness (note 3)	$ 550,000	$ 1,432,550
Accounts payable and accrued liabilities	2,381,711	1,476,165
Customers deposits	218,400	93,581
Income taxes payable	6,339	-
Current portion of long-term debt (note 4)	166,248	201,090
Current portion of capital lease obligations (note 5)	589,402	54,734
Deferred revenue	713,570	384,724
	4,625,670	3,642,844
Future income taxes	9,098	-
Long-term debt (note 4)	348,921	125,347
Capital lease obligations (note 5)	1,236,960	162,642
Due to related parties (note 6)	457,934	653,552
	6,678,583	4,584,385
DEFICIT LESS SHARE CAPITAL		
Deficit	(2,316,600)	(623,453)
Share Capital (note 7)	637,284	409,267
	(1,679,316)	(214,186)
	4,999,267	$ 4,370,199

Approved on behalf of the Board

"Rodney Franklin" **Director**

"Wayne Silver" **Director**

See accompanying notes

PHONETIME INC.
(FORMERLY BEVERLY GLEN CAPITAL CORP.)
CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT

For the years ended	February 29, 2000	February 28, 1999	February 28, 1998
Sales	$ 13,733,654	$ 5,859,005	$ 1,311,773
Cost of sales and operating expenses	14,633,690	5,200,813	1,489,713
	(900,036)	658,192	(177,940)
Amortization	285,931	178,055	93,629
Interest	89,060	76,449	38,719
Write-off of capital assets	-	-	28,510
(Loss) earnings from continuing operations before income taxes	(1,275,027)	403,688	(338,798)
Provision for income taxes			
Current	53,168	158,741	14,826
Future	9,098	-	-
	62,266	158,741	14,826
Reduction of income taxes on application of prior years' losses	(13,864)	(98,312)	-
	48,402	60,429	14,826
(Loss) earnings from continuing operations	(1,323,429)	343,259	(353,624)
Loss from discontinued operations (note 14)	(369,718)	(260,533)	(268,280)
Net (loss) earnings for the year	(1,693,147)	82,726	(621,904)
Deficit, beginning of year	(623,453)	(706,179)	(84,275)
Deficit, end of year	$ (2,316,600)	$ (623,453)	$ (706,179)
(Loss) earnings per share (note 7c)			
Continuing operations	$ (0.042)	$ 0.011	$ (0.013)
Reported	$ (0.054)	$ 0.003	$ (0.024)

See accompanying notes

PHONETIME INC.
(FORMERLY BEVERLY GLEN CAPITAL CORP.)
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended	February 29, 2000	February 28, 1999	February 28, 1998
Operating activities:			
Net (loss) earnings from continuing operations	$ (1,323,429)	$ 343,259	$ (353,624)
Non-cash items:			
Amortization	285,931	178,055	93,629
Future income taxes	9,098	-	-
Write-off of capital assets	-	-	28,510
	(1,028,400)	521,314	(231,485)
Net change in non-cash working capital balances	718,174	7,080	327,526
Cash flow from operating activities	(310,226)	528,394	96,041
Investing activities:			
Acquisition of capital assets, net	(262,601)	(237,308)	(169,049)
Reverse takeover of Beverly Glen Capital Corp.	-	-	(20,000)
Cash flow from investing activities	(262,601)	(237,308)	(189,049)
Financing activities:			
Issuance of share capital	202,012	38,977	250,000
(Decrease) increase in bank indebtedness	(882,550)	303,317	599,273
Increase (decrease) in long-term debt	188,732	(199,060)	(66,216)
Decrease in capital lease obligations	(116,394)	(12,777)	-
(Decrease) increase in due to related parties	(195,618)	489,852	153,700
Cash flow from financing activities	(803,818)	620,309	936,757
Net (decrease) increase in cash from continuing operations	(1,376,645)	911,395	843,749
Loss from discontinued operations, net of non-cash items	657,729	(102,890)	(354,102)
Net (decrease) increase in cash and cash equivalents during the year	(718,916)	808,505	489,647
Cash and cash equivalents, beginning of year	769,522	(38,983)	(528,630)
Cash and cash equivalents, end of year	$ 50,606	$ 769,522	$ (38,983)

See accompanying notes

PHONETIME INC.
(FORMERLY BEVERLY GLEN CAPITAL CORP.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 29, 2000, FEBRUARY 28, 1999 AND 1998

GENERAL:

Phonetime Inc. and its subsidiary companies (the "Company") distribute photographic products, sell and market prepaid long-distance telephone calling cards and provide long-distance telephone services to long-distance phone card wholesalers.

1. SIGNIFICANT ACCOUNTING POLICIES:

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles. The significant accounting policies are as follows:

a) Basis of consolidation:

The consolidated financial statements include the accounts of Phonetime Inc. and all of its subsidiaries. All intercompany transactions have been eliminated.

b) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the year. Actual results could differ from those estimates.

c) Inventories:

Inventories consist of finished goods including photographic products and long-distance telephone calling cards. Inventories are valued at the lower of cost and realizable value, with cost determined on a first-in, first-out basis.

d) Cash and cash equivalents:

Cash and cash equivalents consist of cash on hand and balances with banks.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Capital assets:

Capital assets are stated at cost. Amortization is calculated principally as follows:

Furniture and fixtures	4 years straight-line
Computer equipment	4 years straight-line
Computer software	4 years straight-line
Computer equipment under capital leases	4 years straight-line
Leasehold improvements	5 years straight-line
Dies	3 years straight-line

f) Goodwill:

Goodwill represents the price paid for acquisitions in excess of the fair market value of net tangible assets acquired. The Company amortizes goodwill on a straight-line basis over 10 years. The carrying value of goodwill is assessed annually by reviewing the estimated future undiscounted cash flows of the underlying businesses of the Company. Any permanent impairment in the carrying value of goodwill is expensed in the period in which the assessment is made. Amortization in 2000 was $44,892, (1999 - $44,769).

g) Future income taxes:

The Company uses the assets and liability method to provide for income taxes on all transactions recorded in the consolidated financial statements. The asset and liability method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets or liabilities and their tax bases. Future income tax assets and liabilities are determined for each temporary difference based on the tax rates which are expected to be in effect when the underlying items of income and expense are expected to be realized.

h) Revenue recognition:

Revenue is recognized when products are shipped to customers.

In the case of prepaid phone cards, revenue is recognized when phone time is used by the customer. As a result, revenue is deferred for the value of unused phone time on purchased phone cards.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Foreign currency:

Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at rates of exchange at each transaction date. Revenue and expenses are translated at the rate of exchange at each transaction date. Gains or losses on translation are included in income.

2. CAPITAL ASSETS

As at		February 29, 2000		February 28, 1999
	Cost	Accumulated Amortization	Net	Net
Furniture and fixtures	$ 116,030	$ 78,731	$ 37,299	$ 47,346
Computer equipment	661,982	318,459	343,523	244,537
Computer software	154,049	121,697	32,352	44,749
Computer equipment under capital leases	1,956,574	117,289	1,839,285	198,056
Leasehold improvements	31,805	6,101	25,704	13,144
Dies	32,271	14,764	17,507	12,514
	$ 2,952,711	$ 657,041	$ 2,295,670	$ 560,346

3. BANK INDEBTEDNESS:

The Company maintains credit facilities with a major Canadian financial institution at variable interest rates ranging from the institution's prime lending rate plus 2.0% to 2.5%, based on certain conditions. The demand loans are secured by general security agreements and by guarantees of certain shareholders of the Company and corporations controlled by them.

PHONETIME INC.
(FORMERLY BEVERLY GLEN CAPITAL CORP.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 29, 2000, FEBRUARY 28, 1999 AND 1998

4. LONG-TERM DEBT

As at	February 29, 2000	February 28, 1999
Non-interest bearing loan	$ -	$ 125,160
Bank term loan bearing interest at institution's prime rate plus 2.25% per annum and principal repayments of $2,656 plus interest monthly to maturity in 1999.	-	26,895
Bank term loan bearing interest at institution's prime rate plus 1.75% per annum and principal repayments of $1,062 plus interest monthly to maturity in 2000.	-	14,125
Bank term loan bearing interest at institution's prime rate plus 2.25% per annum and principal repayments of $2,000 plus interest monthly to maturity in 2003.	64,261	88,261
Bank term loan bearing interest at institution's prime rate plus 2.25% per annum and principal repayments of $1,334 plus interest monthly to maturity in 2004.	55,988	71,996
Bank term loan bearing interest at institution's prime rate plus 1.00% per annum and principal repayments of $1,400 plus interest monthly to maturity in 2005.	74,200	-
Bank term loan bearing interest at institution's prime rate plus 2.50% per annum and principal repayments of $9,120 plus interest monthly to maturity in 2003.	320,720	-
	515,169	326,437
Less: current portion	166,248	201,090
	$ 348,921	$ 125,347

The loans are secured by certain capital assets and by personal guarantees of certain shareholders of the Company.

4. LONG-TERM DEBT (CONTINUED)

Principal repayments over the next five years are as follows:

2001	$ 166,248
2002	166,248
2003	150,909
2004	24,764
2005	7,000
	$ 515,169

Interest on long-term debt in the amount of $20,951 (1999 - $18,337) has been included in interest expense.

5. CAPITAL LEASE OBLIGATIONS

Capital lease payments are summarized as follows:

2001	$ 709,921
2002	705,394
2003	552,886
2004	18,408
2005	10,369
	1,996,978
Less: interest portion at an average rate of 9.30%	(170,616)
	1,826,362
Less: current portion	(589,402)
	$ 1,236,960

Interest on capital leases in the amount of $37,691 (1999 - $6,453) has been included in interest expense.

6. DUE TO RELATED PARTIES

These amounts are non-interest bearing and are payable on demand.

During the year, the Company incurred management fees of $189,000 (1999 - $144,000 and 1998 - $130,000) and paid $135,000 (1999 - $112,000 and 1998 - $71,000) in rent on premises to certain shareholders and companies controlled by them. These transactions have been recorded in selling, general and administrative expenses and were conducted in the normal course of operations.

7. SHARE CAPITAL

a) Authorized:

The authorized share capital of the Company consists of 500,000 redeemable, voting Series A special shares, and unlimited number of common shares and special shares.

b) Common shares issued:

	Number of Shares	Dollar Amount
Balance as at February 28, 1999	30,716,283	$ 409,267
Issued under share purchase plan	2,173,800	228,017
Balance as at February 29, 2000	32,890,083	$ 637,284

As at February 29, 2000, 2,370,000 common share purchase warrants remain outstanding allowing the holder to acquire a common share of the Company at prices ranging from $0.12 to $0.35 per common share.

c) (Loss) earnings per share:

(Loss) earnings per share is calculated using the weighted average number of common shares outstanding throughout the year.

The weighted average number of common shares outstanding are as follows:

2000	31,406,361
1999	29,980,859
1998	26,223,631

Fully diluted earnings per share is not presented as it results in a decrease in loss per share.

8. LEASE COMMITMENTS

The future minimum annual lease payments under operating leases, with varying terms, are approximately as follows:

2001	$	135,000
2002		135,000
2003		135,000
2004		135,000
	$	540,000

9. CONTINGENT LIABILITIES

The company has a letter of guarantee outstanding for $25,000 which is not reflected in accounts payable at year end.

10. INCOME TAXES

The Company has non-capital losses of approximately $2,295,000 for income tax purposes which may be used to reduce taxable income in future years, expiring between 2001 and 2006. The potential benefit of these losses has not been recognized in these consolidated financial statements.

11. SUBSEQUENT EVENT

On March 21, 2000, the Company sold 8,000,000 Special Warrants at a price of $0.50 each for net proceeds of $3,640,000. Each Special Warrant can be exercised on the basis of one common share of the Company. If receipts for the (final) prospectus are not issued by the Ontario Securities Commission and the Alberta Securities Commission by July 18, 2000, Special Warrants exercised thereafter shall entitle the holder to receive 1.1 common shares without the payment of additional consideration.

12. FINANCIAL INSTRUMENTS

The carrying value of accounts receivable, bank indebtedness, and accounts payable and accrued liabilities approximate fair values due to the short-term maturities of these instruments. The carrying value of long-term debt, obligation under capital leases and due to related parties approximate the fair values.

13. CREDIT RISK MANAGEMENT

The company is exposed to credit risk on the trade receivables. In order to reduce exposure, the company has adopted credit policies which include the analysis of the financial position of customers and the regular review of customers credit limits.

14. DISCONTINUED OPERATIONS

On January 31, 2000, the Company sold certain of its assets relating to photo accessories and photo equipment business for cash proceeds of $551,738.

The results of discontinued operations are summarized below:

	February 29, 2000	February 28, 1999	February, 28 1998
Sales	$ 3,086,090	$ 3,747,511	$ 4,500,501
Loss before interest, amortization and income taxes	(244,551)	(133,272)	(56,205)
Interest	(106,935)	(127,422)	(155,731)
Amortization	(51,214)	(60,268)	(71,170)
Loss before income taxes	(402,700)	(320,962)	(283,106)
Recovery of income taxes	32,982	60,429	14,826
Net loss from discontinued operations	$ (369,718)	$ (260,533)	$ (268,280)

15. SEGMENTED INFORMATION

The Company's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. The Company has three reportable segments: distribution, telecommunications and corporate. The accounting policies of the segments are the same as those described in significant accounting policies (note 1). The Company accounts for intersegment transfers at the exchange amount. There are no intersegment sales.

2000	Distribution	Telecom-munications	Corporate	Total
Sales	$ 1,631,330	$ 12,102,324	$ -	$ 13,733,654
Interest	$ 31,094	$ 57,966	$ -	$ 89,060
Amortization	$ 34,990	$ 250,941	$ -	$ 285,931
Earnings (loss) from continuing operations	$ 169,807	$ (1,290,232)	$ (203,004)	$ (1,323,429)
Loss from discontinued operations	$ (369,718)	$ -	$ -	$ (369,718)
Total assets	$ 663,012	$ 4,308,080	$ 28,175	$ 4,999,267

15. SEGMENTED INFORMATION (CONTINUED)

1999	Distribution	Telecom-munications	Corporate	Total
Sales	$ 1,987,709	$ 3,871,296	$ -	$ 5,859,005
Interest	$ 39,896	$ 36,553	$ -	$ 76,449
Amortization	$ 32,483	$ 145,572	$ -	$ 178,055
Earnings (loss) from continuing operations	$ 232,688	$ 189,268	$ (78,697)	$ 343,259
Loss from discontinued operations	$ (260,533)	$ -	$ -	$ (260,533)
Total assets	$ 2,110,914	$ 2,172,690	$ 86,595	$ 4,370,199

1998	Distribution	Telecom-munications	Corporate	Total
Sales	$ 912,714	$ 399,059	$ -	$ 1,311,773
Interest	$ 32,153	$ 6,566	$ -	$ 38,719
Amortization	$ 13,676	$ 79,953	$ -	$ 93,629
Earnings (loss) from continuing operations	$ 39,068	$ (277,232)	$ (115,460)	$ (353,624)
Loss from discontinued operations	$ (268,280)	$ -	$ -	$ (268,280)
Total assets	$ 2,047,560	$ 233,370	$ 61,724	$ 2,342,654

16. COMPARATIVE FIGURES

Certain prior year comparative amounts have been reclassified to conform with the financial statement presentation adopted in the current year.

17. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the Company, including those related to customers, suppliers, or other third parties, have been fully resolved.

CERTIFICATE OF THE COMPANY

Dated: October 23, 2000

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 8 of the *Securities Act* (Alberta) and Part XV of the *Securities Act* (Ontario) and the respective regulations thereunder.

(Signed)	"Wayne Silver" Chief Executive Officer	(Signed)	"Rodney Franklin" Chief Financial Officer

On Behalf of the Board of Directors

(Signed)	"Ian Hochberg" Director	(Signed)	"George Chajes" Director

CERTIFICATE OF THE AGENT

Dated: October 23, 2000

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 8 of the *Securities Act* (Alberta) and Part XV of the *Securities Act* (Ontario) and the respective regulations thereunder.

FIRST DELTA SECURITIES INC.

By: (Signed) "George Chajes"