This Prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence. The securities offered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended, and, subject to certain exceptions, may not be offered, sold or delivered, directly or indirectly, in the United States of America, its territories or possessions.

July 13, 2000

NewSys

NewSys Solutions Inc.

3,000,000 Common Shares, 1,500,000 Warrants and 300,000 Brokers' Warrants

This Prospectus qualifies the distribution of 3,000,000 common shares (the "Common Shares") and 1,500,000 common share purchase warrants (the "Warrants") of NewSys Solutions Inc. (the "Company") issuable upon the exercise, or deemed exercise, of 3,000,000 special warrants (the "Special Warrants") previously distributed by the Company. Each Special Warrant entitles the holder thereof to acquire, subject to adjustment, one Common Share and one-half Warrant at no additional cost and is exercisable at any time and from time-to-time until 4:30 p.m. (Ottawa time) on the day (the "Expiry Date") that is the earlier of: (a) five business days after the date upon which a receipt for a final prospectus to be filed by the Company with respect to the Common Shares and Warrants issuable upon exercise of the Special Warrants has been obtained from the securities commission or similar regulatory authority in each of the provinces of Canada where Special Warrants were sold; and (b) March 15, 2001. Any Special Warrants not exercised prior to 4:30 p.m. (Ottawa time) on the Expiry Date shall be deemed to have been exercised by the holder immediately prior thereto without any further action by the holder.

The Special Warrants were sold on March 15, 2000, pursuant to prospectus exemptions under the applicable securities legislation and pursuant to an agency agreement dated as of March 15, 2000 between the Company and Yorkton Securities Inc. (the "Agent"). The offering price of $2.75 per Special Warrant was determined by negotiation between the Agent and the Company and approved by the Canadian Venture Exchange Inc. ("CDNX"). The net proceeds to the Company from the sale of the Special Warrants was approximately $7,370,000 after deducting the fee of $660,000 paid by the Company to the Agent in connection with the sale of the Special Warrants, and after deducting expenses of approximately $220,000 related to the issuance of the Special Warrants.

As additional compensation, the Company has issued to the Agent 300,000 brokers' special warrants ("Brokers' Special Warrants"). See "Details of the Offering".

This Prospectus also qualifies the distribution of Common Shares and Warrants which may be required to be issued pursuant to the step-up provisions contained in the agency agreement dated as of March 15, 2000 between the Company and the Agent.

No commission or fee will be payable to the Agent by the Company in connection with the distribution of the Common Shares and Warrants issuable upon the exercise of the Special Warrants or in connection with the distribution of the Common Shares and brokers' option warrants ("Brokers' Option Warrants") issuable upon the exercise of the Brokers' Special Warrants.

	Price	Underwriter's Fee	Net Proceeds to the Company (1)
Per Special Warrant	$2.75	$0.22 (2)	$2.53
Total:	$8,250,000	$660,000	$7,590,000

____

(1) Before deducting the expenses of the offering, which were approximately $220,000.
(2) The Underwriter's fee was 8% of the proceeds derived from the sale of 3,000,000 Special Warrants.

The Common Shares are listed on CDNX and the Toronto Stock Exchange (the "TSE") under the symbol NSS. On July 12, 2000, the closing price of the Common Shares on the TSE was $2.35. On December 13, 1999, the date on which the Special Warrants were priced, the closing price of the Common Shares was $2.75 on CDNX.

Investment in the securities qualified by this Prospectus must be regarded as highly speculative due to the nature of the Company's business and for the other reasons set out in the section entitled "Risk Factors".

The Company has allocated the full issue price of the Special Warrants to the Common Shares issuable upon exercise thereof. The effective offering price of $2.75 per Common Share exceeds the net tangible book value per Common Share as at January 31, 2000 by $2.16 or 79% after giving effect to the issue of the Common Shares upon exercise of the Special Warrants (assuming no exercise of the Warrants or the issuance of additional Common Shares in connection with the step-up provisions contained in the agency agreement dated as of March 15, 2000 between the Company and the Agent, see "Dilution").

Certain legal matters relating to the securities offered hereby will be passed upon by Borden Ladner Gervais LLP (Ottawa), on behalf of the Company, and by Armstrong Perkins Hudson (Calgary), on behalf of the Agent. Certificates for the Common Shares and Warrants will be available for delivery upon the exercise or deemed exercise of the Special Warrants.

Yorkton Securities Inc.
2200 – 440 2nd Avenue S.W.
Calgary, Alberta
T2P 5E9

TABLE OF CONTENTS

"NewSys" and the Company's logo are trade-marks of the Company. All other trade-marks or trade names referred to in this Prospectus are the property of their respective owners.

All dollar amounts herein are stated in Canadian dollars except where otherwise noted.

Information contained in the Company's Internet site does not form part of and is not incorporated into this Prospectus.

SUMMARY OF PROSPECTUS

The following is a summary only and is qualified in its entirety by, and should be read in conjunction with, the more detailed information contained herein and the Company's financial statements, including the notes thereto, appearing elsewhere in this Prospectus. A prospective investor should carefully review the entire contents of this Prospectus and consult his or her legal and other professional advisors having relevant expertise. Certain terms used in this Prospectus are defined in the Glossary.

The Company

For 10 years, NewSys' traditional and core business has been the provision of information technology ("IT") consulting services with a specialty practice in business intelligence tools and data warehousing solutions. NewSys has recorded 28 consecutive quarters of revenue growth and was recently acknowledged by Profit Magazine for the fourth consecutive year as one of the fastest growing companies in Canada.

Internet-based work, or "e-Business", is forming a larger part of the Company's business as its clients and partners migrate their legacy applications and business processes to the Web. Worldwide, this migration is creating many new "e-Services" that are now feasible and economic to deliver over the Internet to small and medium-sized enterprises ("SMEs"). However, suppliers – including the Company's partners and clients – are challenged to find effective "e-Channels" (see "Glossary") to the SME market, which are scarce. Recently, the Company acted on an opportunity to acquire a business strategically focussed on the build-out of an e-Channel to the SME market – The Business Media Network Inc., a profitable business publisher, and its affiliate, InBusiness.com Inc., which builds Internet business portals that include a virtual business centre. In tandem, these two companies can both create, and then promote to, a network of local business audiences for Web-based products and services.

The Company expects continued expansion in its consulting services apart from this e-Channel enhancement, but it foresees that the addition of this e-Channel to its core business will distinguish it from other e-Business companies - it is hoped that it will make it more valuable to its existing partners and clients, attract new ones, and create opportunities for the Company to sell its own e-Services and applications directly to the SME market, resulting in stronger margins.

The Offering

Issue: 3,000,000 Common Shares, and 1,500,000 Warrants exercisable at $3.75, upon the exercise or deemed exercise of 3,000,000 Special Warrants previously issued by the Company.

Special Warrants: 3,000,000 Special Warrants were issued by the Company on March 15, 2000, pursuant to prospectus exemptions under applicable securities legislation at a price of $2.75 per Special Warrant for gross proceeds of $8,250,000. The Special Warrants were issued pursuant to a special warrant indenture (the "Special Warrant Indenture") made as of March 15, 2000 between the Company and Montreal Trust Company of Canada (the "Trustee"). See "Details of the Offering". Since the date of issuance, none of the Special Warrants have been exercised.

Exercise Details of Special Warrants: Each Special Warrant entitles the holder thereof to acquire, subject to adjustment, one Common Share, at no additional cost, and a Warrant to purchase .5 Common Shares at any time until 4:30 p.m. (Ottawa time) on the day (the "Expiry Date") that is the earlier of: five business days after the date upon which a receipt for a final prospectus to be filed by the Company with respect to the Common Shares and Warrants issuable upon exercise of the Special Warrants has been obtained from the securities commission or similar regulatory authority in each of the provinces of Canada where Special Warrants are sold; and (b) March 15, 2001. Any Special Warrant not exercised prior to 4:30 p.m. (Ottawa time) on the Expiry Date shall be deemed to have been exercised by the holder immediately prior thereto without any further action by the holder. See "Details of the Offering". The Special Warrant Indenture provides that if the final receipt for a prospectus is not issued on or before July 15, 2000 or such later date as the Agent may designate, the number of Common Shares that would otherwise be issuable upon exercise of each Special Warrant then outstanding will be increased, such that after giving effect to the increase, each Special Warrant will be exercisable to acquire 1.1 Common Shares and each Warrant will be exercisable to acquire .55 Common Shares, which Common Shares are also qualified by this Prospectus.

Warrants: 1,500,000 Warrants will be issued in accordance with the terms of a warrant indenture (the "Warrant Indenture") made as of March 15, 2000, between the Company and the Trustee, upon the exercise or deemed exercise of the Special Warrants. Each whole Warrant will entitle the holder thereof to acquire one Common Share (a "Warrant Share") at the price of $3.75 per share in accordance with the terms of the Warrant Indenture, until March 15, 2001.

Use of Proceeds: The approximate net proceeds of this offering of $7,370,000 will be used to fund ongoing operations and potential acquisitions by the Company. Expenses of the Offering, which were $880,000, are broken down as follows: (i) $660,000 for the Agent's Commission; and (ii) approximately $220,000 for legal, accounting and filing fees. See "Use of Proceeds".

Dividend Policy: The Company has paid no dividends. The payment of dividends in the future will depend on the earnings and financial condition of the Company and on such other factors as the Board of Directors of the Company may consider appropriate. However, since the Company is currently in a development and growth stage, it is unlikely that earnings will be available for the payment of dividends in the near future.

Risk Factors: Investment in Common Shares and Warrants may be regarded as highly speculative for a number of reasons including lengthy sales and implementation cycles; the market for the Company's e-Services, e-Products and the e-Channel is emerging and market acceptance cannot be guaranteed; the Company's service and product offerings are made in a context of rapid technological change which can make such offerings obsolete or unmarketable; the Company's rapid growth makes it dependent upon human resources that are in high demand; the Company has completed, and may complete further, acquisitions which create risks for the Company such as diversion of management's attention; the market for the Company's product and service offering is competitive; the Company relies on third party vendors for certain of its product and service offerings; there is limited protection for the Company's intellectual property; the Company may fail to deliver on customer expectations; the Company has not paid dividends; the Company may require further financing; the Company may not be able to secure enough partners to make its strategy viable; the Company may not be able to grow its business unless small businesses increase their use of the Internet and the Internet is able to support the demands of this growth; the Company has occasionally experienced system interruptions that have made its Web-sites totally unavailable, slowed its response time or prevented the Company from efficiently fulfilling orders; the development of the Company's brand is essential to its future success and requires ongoing expenditures; the Company may be susceptible to numerous risks associated with international operations; the Company maybe harmed by issues related to the "Year 2000" problem; future regulations may directly restrict the Company's business or indirectly impact its business by limiting the growth of e-commerce; the Company's stock price may be volatile; the Company has broad discretion in using the proceeds from this offering, which may increase the risk that the proceeds will not be applied effectively. See "Risk Factors".

Summary Financial Information

The following sets forth summary financial information of NewSys since October 1, 1997. All financial information presented has been prepared in accordance with accounting principles generally accepted in Canada. The information set forth below should be read in conjunction with the audited consolidated financial statements of the Company and the notes thereto set forth elsewhere in this Prospectus. See "Management's Discussion and Analysis of Financial Condition and Operating Results".

	Year ended April 30, 2000	**Year ended April 30, 1999**	**Seven months ended April 30, 1998**
INCOME STATEMENT DATA			
Sales	$ 20,531,973	$ 16,430,094	$ 7,521,486
Cost of sales	16,358,952	13,770,415	6,322,253
	4,173,021	2,659,679	1,199,233
Total Expenses	3,670,232	2,266,308	931,935
Net income	$ 257,515	$ 272,992	$ 177,485
Earnings per share			
Basic	$ 0.02	$ 0.03	$ 0.02
Fully diluted	$ 0.02	$ 0.02	$ 0.01

	As at April 30, 2000	**As at April 30, 1999**	**As at April 30, 1998**
BALANCE SHEET DATA			
Working Capital	$ 7,442,166	$ 892,604	$1,119,710
Total Assets	20,669,342	3,843,960	3,149,803
Shareholders equity	16,169,633	932,627	1,023,953

Glossary

ASP

(Application Service Provider) An organization that hosts software applications on its own servers within its own facilities. Customers access the application via private lines or the Internet. Also called a "commercial service provider".

B2B

(Business to Business) Refers to one business communicating with, or selling to, another.

CAGR

(Compound Annual Growth Rate) "CAGR" stands for Compound Annual Growth Rate. It is a measure of the rate of return on an investment.

e-Business

(Electronic BUSINESS) Conducting business online, via the Internet. It is also called "e-commerce", "e-tailing" and "I-commerce". Although in most cases e-commerce and e-Business are synonymous, e-commerce implies that goods and services can be purchased online, whereas e-Business might be used as more of an umbrella term for a total presence on the Internet, which would naturally include the e-commerce (shopping) component. An e-Business site may be very comprehensive and offer more than just selling its products and services. For example, it may feature targeted search facilities or the ability to track shipments or have interactive discussions.

e-Channel

(Electronic CHANNEL) A hybrid horizontal-market/vertical-market network of Internet sites that provide information, products and services to regional SME markets. A business-to-business network to regional markets.

e-Products

(Electronic PRODUCTS) Technology products (primarily software) marketed, sold and distributed exclusively via the Internet

e-Services

(Electronic SERVICES) Technology services, primarily related to Web-based business functions, which are marketed, sold, and at least partially delivered via the Internet.

THE COMPANY

The Company was incorporated as 747705 Alberta Ltd. under the Alberta Business Corporations Act ("ABCA") by Articles of Incorporation dated July 18, 1997. The name was changed to NewSys Solutions Inc. on October 30, 1997. The Company was continued under the Canada Business Corporations Act ("CBCA") on March 7, 2000.

The head office and principal business address of the Company is located at 900 Lady Ellen Place, Ottawa, Ontario, KIZ 5L5. The registered and records office of the Company is located at 900 Lady Ellen Place, Ottawa, Ontario, KIZ 5L5. The executive office will be moving at the end of July 2000 to new offices located at 333 Preston Street, Suite 910, Ottawa, Ontario K1S 5N4.

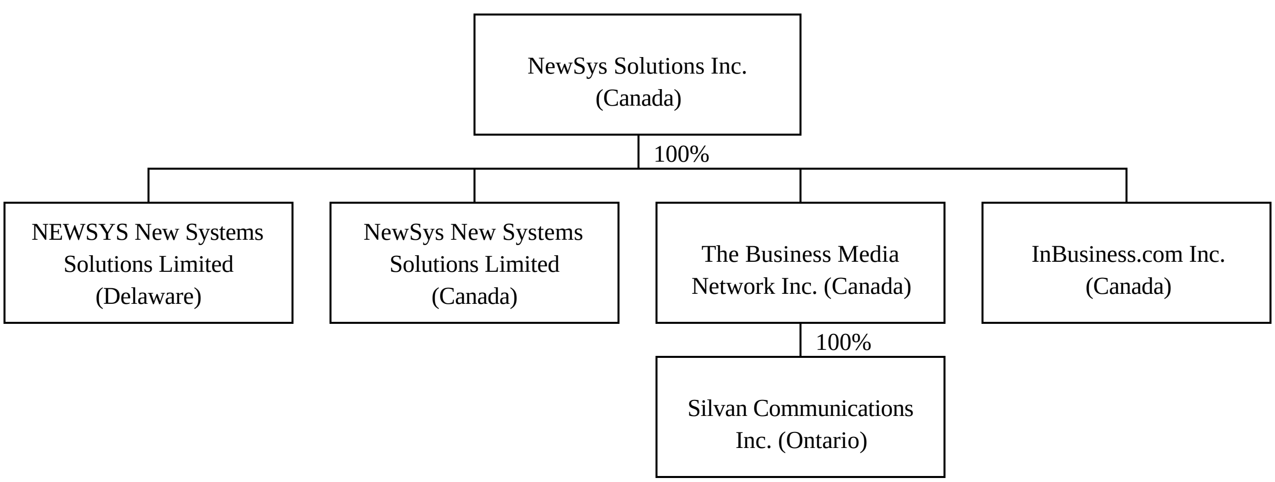
The Common Shares are listed on CDNX and the TSE under the symbol "NSS". The Board of Directors has approved the delisting of the Company from CDNX.

The Company completed an initial public offering of two million (2,000,000) Common Shares pursuant to the terms of a prospectus filed under the Alberta Junior Capital Pool program on February 3, 1998. It completed its major transaction under the Junior Capital Pool Program (the "Major Transaction") on May 15, 1998 by purchasing all of the issued and outstanding securities of NewSys New Systems Solutions Limited ("NSSL").

NSSL, incorporated on January 9, 1990 under the CBCA, is an Ottawa-based information technology services company with a specialty practice in providing business intelligence ("BI") and data warehousing solutions.

Since the completion of the Major Transaction, the Company has completed several acquisitions of other companies in the information technology and media businesses (See "Description of Business" and "Details of Recent Acquisitions").

The following chart depicts the corporate structure of the Company together with the jurisdiction of incorporation of each of the Company's principal wholly-owned subsidiaries.



The Company currently has two non-operating subsidiaries other than the ones described in the chart above: Simetra Development Ltd. and CoroNet Network Services Inc.. It is intended that the two subsidiaries will be reorganized or dissolved to the extent that the continued existence of separate corporate entities is not viewed by management as strategic to the Company's current business plan.

Management of the Company intends to propose a special resolution at the next annual meeting of the Company's shareholders to change the name of the Company to *InBusiness* Solutions Inc.

Unless the context otherwise provides, the term "NewSys" shall be used in reference to the Company prior to the acquisitions described in this Prospectus or the e-Services component of the Company's business following such acquisitions. The term "Company" where used herein shall mean NewSys Solutions Inc. and its wholly-owned subsidiaries.

DESCRIPTION OF BUSINESS

Overview

NewSys' traditional and core business has been the provision of technology services (consulting) with a specialty practice in providing BI and data warehousing solutions. The Company has continued to grow its traditional IT services practice exploiting its proprietary products and services to further develop the Company's evolving business. With the Internet becoming increasingly important in business today, the Company's business solutions have migrated and evolved to Web-based and Web-enabled solutions. Contemporary nomenclature for the Company's evolving business is "e-Business" comprising three complementary business units: e-Services, e-Products and e-Channel.

Recently the Company completed acquisitions which further positioned it in the e-Business marketplace. These acquisitions bring to the Company a business audience through its media products (e.g. the Ottawa Business Journal) and a Web-product suite that is key in establishing the Company's e-Channel.

In addition to providing e-Services, the Company develops, licenses and acquires Web-based software products. The product offerings leverage the Company's traditional IT services and new e-Services, and are packaged, promoted and delivered through the e-Channel. The Company's proprietary e-Products are significantly extended through strategic relationships with Web-based software and service suppliers. These relationships allow the Company to develop and offer a comprehensive B2B product suite with minimal investment in software development and provide the flexibility to quickly react to technology and market changes.

It is the Company's intention to continue to pursue strategic acquisitions to expand the e-Channel and the range of products and services that can be offered through it. For example, The Business Media Network Inc. ("BMN") is a diversified B2B media company. InBusiness.com Inc. ("IBI") is a B2B application service provider delivering proprietary Web portal technology, products and services to a variety of business-oriented media companies and business organizations. The business portal services include business news, on-line services, e-tools, data services and e-commerce applications.

The e-Channel serves as a pipeline to regional business media organizations and business associations for the Company's products and services, and those of its clients and partners. Business media and business association partner relationships provide marketing leverage and access to the small and medium enterprise ("SME") market. The Company's BMN media operations, its IBI business-to-business application server provider operation, and its media and business association partners comprise the e-Channel.

e-Services (Consulting)

e-Services can be described as the design, implementation and maintenance of computer hardware, systems software, and application software. IT-service companies encompass systems integrators, IT consultants and outsourcing companies. Service companies assist clients in developing and implementing an IT strategy that integrates hardware and software of various IT vendors into a comprehensive IT solution that enables the client to achieve its corporate objectives.

A trend has begun to emerge within the e-Services and consulting segment that has split IT service companies into two distinct groups for the purposes of revenue growth potential and complexity of solutions delivered. This trend is the emergence and provision of e-Business services. There has been a shift away from building customized large-scale internal solutions toward Internet-based system initiatives. Industry analysts agree that e-Business projects will become the number one spending priority for IT departments, now that Y2K initiatives have been completed. e-Business projects have been deemed "mission critical" by many client organizations and have become the number one strategic priority for the foreseeable future.

Forrester Research estimates the US market for e-Business services will grow at a CAGR of 57%, from US$10.6 billion in 1999 to US$64.8 billion in 2003. Similarly, International Data Corporation ("IDC") estimates that the world-wide Internet professional services market will grow from US$21.5 billion in 2000 to US$78.6 billion in 2003 (a CAGR of 57%).[1]

The Company's business solutions are focused on specific high value, Internet-enabled domains with functions related to:

- **e-Business Intelligence** - including data warehousing solutions for transforming corporate data into strategic intelligence;

- **e-Business** - solutions which integrate, on an enterprise-wide basis, all aspects of customer and supplier operations and communications. These solutions include integrated marketing and communication programs, marketing management, sales force automation, electronic commerce, and customer relationship management; and

- **ERP (Enterprise Resource Planning)** - solutions for improved reporting and publishing of financial databases.

The e-Business Intelligence ("e-BI") and data warehousing markets represent one of the fastest growing market segments within e-Services. As companies struggle to become e-Business enabled they increasingly realize that many of their customer information databases, and operations data represent strategic data that must be harvested frequently, if not in real time, for optimal decision making purposes. Data warehousing, e-BI and BI tools offer the capability of transforming a company's data into useful

[1] To the knowledge of the Company, based on reference to the Forrester Research report and to the IDC report both in Goldman Sachs Investment Research, Research Report on IT Services (the "Goldman Sachs Report") at pages 32 and 13 respectively.

strategic information. With such strategic information, users can analyze the key trends and events that affect their business and implement strategic solutions.

Through the provision of e-Services, intellectual property developed for clients (to which the Company retains ownership) can be refined, extended and repackaged with other technology to create Internet-based ("e-Products") and non-Internet-based ("Enterprise Products") integrated solutions which are capable of being resold in many customer contexts. The leveraging of e-Services to produce e-Products and Enterprise Products provides an opportunity, through their resale, for higher margin returns.

To date, sales of e-Products and Enterprise Products have comprised a relatively small portion of the Company's total revenues. However, it is anticipated that revenues associated with e-Products will increase with the implementation of the Company's e-Channel.

In addition to the e-Products and Enterprise Products created by the Company, it has acquired, through the acquisition of other corporations (See "Details of Recent Acquisitions"), several software applications and media properties. The products are described below.

Enterprise Products

NewSys BI Roadmap is a structured readiness and planning service which quickly assesses an organization's abilities, technologies, human resource capabilities and management commitment to undertake a corporate BI initiative.

NewSys BI Reportal is a Lotus Notes application that organizes and publishes BI reports for the enterprise-computing environment. Serving as a single point of entry, NewSys BI Reportal allows users to access all corporate and functional area reports.

Localizer facilitates the translation of Cognos Impromptu Catalogs and PowerPlay Transformer Models into French, German, Spanish, and other languages.

Catalog Updator simplifies the maintenance of Cognos Impromptu Catalogs by quickly and easily merging modified versions of old baseline catalogs with updated releases of new baseline catalogs.

Data Refiner enables complete vendor analysis for Concur Technologies Inc. customers. (Concur Technologies Inc. is a leading provider of workplace e-Commerce solutions that automate costly, inefficient purchasing and business processes).

NewSys Oracle Financials Migration Roadmap, a comprehensive, methodical consultation service that helps corporations define their best course to conversion for Oracle Financials Release IIi and outlines a detailed strategy for achieving them.

e-Products

Oracle and New Media e-Products

Grievance Management Module for Oracle Financials is a Web-based solution, providing a great deal of flexibility in monitoring grievances and submitting timely reports back to union members.

Training Delivery is a training delivery engine that provides integrated Web-based training functionality including: participant testing, performance tracking, course and delivery administration, access and data security.

HR Organizer is an online organization chart/human resources directory which integrates reporting relationships, contact information, personal profiles and individual photographs into an easy-to-use browser based application. This product is attractive to medium sized businesses or those with remote sales teams.

Employee Time Tracker is an online employee time tracking and utilization system which provides instant value to medium and small professional services organizations.

B2B e-Products

The ***IBI ASP Platform*** integrates a wide range of small and medium-sized business services, products and information.

The Marketplace provides six market maker products including a tenders, a training, a commercial space, a business opportunities, an employment and a contract marketplace. Several of these are currently available and the others are under construction.

Online Services and Business Tools provides general business services and tools such as NUANs search, domain name registration, news release submission, currency exchange calculator, etc. These services will be extended through acquisitions and supplier partnerships.

Data provides value added access to business and industry information and products.

News and Information provides a national news service and allows integration of local, relevant news stories. This is a tool for promoting frequent site access.

The Boardroom provides "virtual boardroom" support through tutorials, reference materials, government and business forms, tools and services organized around business functions. The reference materials and services currently available will be augmented on an ongoing basis.

Media Products

As a result of its acquisition of BMN and Silvan Communications Inc. ("Silvan"), the Company is the owner of business publications and trade shows (see "Details of Recent Acquisitions"). Although viable on their own merits, such assets have been acquired by the Company for the strategic value of their audiences in the implementation of the Company's e-Channel.

The Company's media products include:

Publications

- *Ottawa Business Journal* ("OBJ") is the Ottawa region's weekly business newspaper with an estimated paid and unpaid circulation of 20,000 readers weekly.

- *Silicon Valley North* is a Canadian monthly technology newspaper. With regional editions in Ottawa, Toronto, Alberta, and British Columbia, the publication reaches the top four English-speaking markets in Canada. It has an estimated paid and unpaid circulation of 105,000 readers per month.

- *Ottawa Technology Industry Guide*, published twice annually, is a technology directory for the Ottawa market. The magazine is produced in conjunction with certain of the region's economic development and technology associations.

- *Ottawa Construction and Property Management Guide,* published annually, is a guide and directory to the local building industry.

- *The Book of Lists*, published annually, features lists of all the top companies in every industry in the Ottawa market.

- *Ottawa's Premier Companies* magazine, an annual advertising feature, is a marketing tool for local companies that want to position themselves as being leaders in their field.

- *Ottawa Money* magazine, published annually, is a reference product designed to help local companies in financing their growth.

- *Ottawa HR Guide* magazine, published annually, is a guide to the local human resources ("HR") industry and provides information to HR practitioners in technology and other industries.

Business Trade Shows

- *Commerce 2000* is Ottawa's largest annual business event, featuring more than sixty presentations and three hundred exhibits in a two-day period. The conference lineup is one of the largest and most significant of its kind in Canada, featuring internationally acclaimed experts on business and technology themes.

- *OCRI Technology Showcase* is an annual technology exhibit for Ottawa's small technology companies, and is produced in conjunction with the Ottawa Centre for Research and Innovation, the area's leading technology association.

- *Build Expo* is Ottawa's largest conference and trade show for the building industry.

- *HR 2000* is Ottawa's annual conference and trade show for HR practitioners.

- *Ottawa Ski, Snowboard & Travel Show* is a long-established and successful trade show for winter sports consumers.

- *OHFEX Food Expo* is Ottawa's only annual trade show for the food services and hospitality industry.

e-Channel (Business-to-Business Electronic Commerce)

Local business publications and business associations constitute the conventional bricks and mortar "conduit" to business at the local level and serve as an aggregation channel to the fragmented, but huge, SME market. With the right e-strategy, these publications and associations can extend and leverage their relationship with their audiences and members by providing services rendered over the Internet.

The Company estimates that there are approximately 25 local business media publications across Canada and roughly 10 times as many across the United States. Many of the local business media publications are independently owned and profitable and, to date, have been successful employing a business model based solely on traditional hard copy media. Increasingly, the Internet represents a significant business opportunity and channel to leverage established brands; failure to take advantage of this opportunity will reduce market share.

Similarly, business associations such as Boards of Trade and Chambers of Commerce have been successful through advocacy work on behalf of their members, creating opportunities for members to network face-to-face, and establishing member benefit programs. Frequently, these organizations are challenged to demonstrate continued relevance to their members, and protect their membership and revenue base.

The Company provides these business publications and business associations with a complete Internet "strategy-in-a-box"; and as a media operator itself, can do so credibly. The Company offers a low-cost and low-risk strategy for participating in the Internet while strengthening and enlarging media and business associations' franchise with an increased community presence, and new revenue sources.

The Company therefore plans to organize these operators into an e-Channel with its full suite of B2B products and services. The Company will accomplish this by providing each of them with a successful and fully operational customized Web-site and related technical services. Each local operator's Web-site is branded to reflect each operator's corporate identity. The operators are responsible for promotion of the Web-site and its products and services through their traditional media publications.

The e-Channel's revenue model is based on revenue sharing with the local business media operators and business associations. These revenues will be derived from advertising fees, listing fees, sponsorship fees, on-line services, e-tools, data services, and e-commerce applications.

As the Company continues to execute its strategy, securing a growing number of regional business media/business association partners, the e-Channel expands. Each regional e-Channel partner represents a horizontal market. As multiple regional partners are secured the result is a powerful e-Channel, which can be segmented regionally, nationally and across almost any vertical niche.

Business Strategy

The Company is continuing to develop its e-based revenue stream through internal growth strategies and growth by acquisition. The Company has focused its traditional business on providing e-Business solutions and products. It has complemented the traditional business by strategic acquisitions targeted at the development of an e-Channel (i.e. traditional B2B media combined with Web-centric business media portals).

The Company plans to deliver via the e-Channel, to its business audience (captured by the Company's B2B media operations and those of its media partners), its proprietary products and services, and the products and services of its clients and partners.

To summarize, the Company's strategy is to leverage its existing e-Services and e-Products business, its established relationships and regional brands, through its e-Channel. The Company's strategy for value growth stems from the growth of the e-Channel. The strategy for growing the e-Channel comprises sub-strategies for each of the component parts, described below.

The e-Channel Growth Strategy

Expand Base of Media and Business Partners

The Company's business media products and allied Internet sites (e.g. www.ottawabusinessjournal.com) in the Ottawa market serve to showcase a complete strategy for other publishers. Additionally, the Company recently signed an agreement with the Ottawa Board of Trade to provide a similar site which will showcase, for other Boards of Trade and Chambers of Commerce, a complete Internet strategy appropriate to those kinds of organizations, all employing the Company's full suite of B2B services.

The Company's first priority is to further develop the e-Channel in Canada because of its natural advantages in this market and because of management's estimation of the value of owning a nation-wide channel. As well, with the Company's recent acquisition of Silvan, it now publishes the Silicon Valley North newspaper in four major Canadian markets and will deploy its full suite of B2B offerings to those business audiences and promote them heavily in the newspaper. The Company also intends to pursue partnership prospects in selected U.S. markets.

Ownership of captive business publications will continue to be an important feature of the Company's strategy since they provide targeted marketing power and are effective at driving local business traffic to company-owned Web-sites. This primes the market and induces other business publishers to adopt the strategy as partners. As a result of these advantages, the Company will continue to be alert to sensible opportunities to acquire strategic business publications.

Expand Product Offering

The Company's traditional IT business is the primary source of products and services to be delivered through the e-Channel.

The Company is focusing its efforts on specific Internet-enabled e-Business solutions. To this end, the Company has built strong partnerships with the leading technology suppliers in its core domains. These companies, which include Cognos, IBM, Delano Technologies Inc., SalesLogix Inc., and Brauch Database Systems, deliver industry-standard technologies that provide flexible and adaptable platforms or applications.

NewSys' traditional IT integration solutions business provides an ongoing source of opportunities from IT vendors and large systems integrators such as Cognos and IBM. NewSys has well established relationships with these vendors which provide NewSys with referral opportunities to sell e-Business solutions to their existing client base. NewSys considers these relationships to be strategically important.

Expansion by Acquisition

The Company will seek to augment its internal growth with acquisitions of other e-Services companies, e-Product companies and media companies to further expand the Company's e-Channel.

While each acquisition will be unique in its pricing and structure, the Company prefers to structure transactions that involve the following:

(i) acquiring 100% of the target company for a combination of cash, shares of the Company and/or rights to acquire shares of the Company;

(ii) having a portion of the purchase price subject to earn-out provisions;

(iii) retaining the target's management (where appropriate) to continue to operate its business;

(iv) establishing a continuing partnership between the Company and management of the acquired business through share ownership and contractual commitments including non-competition covenants; and

(v) integrating selected aspects of the acquired business, where appropriate, with that of the Company's.

The Company does not, in general, pursue acquisitions where the primary objective of the vendors is to leave the business in the near term. The Company typically requires the vendors to receive part of their consideration in shares and/or rights to acquire shares of the Company, with a portion of the consideration subject to earn-out provisions extending after closing. Terms of the earn-out provisions and/or rights to acquire shares typically include financial or performance considerations that must be met prior to the issuance or release of shares. The principal objective is to provide such individuals with equity ownership in order to better align their goals with those of the Company and other shareholders. The Company is pursuing its acquisition strategy in both Canada and the United States and considers acquisition of both public and private entities.

The Market

e-Services

The Company believes that its traditional market for e-Services, the Canadian Federal Government, will be strong later this calendar year and into early 2001 as the Government of Canada has publicly stated that it wants to offer all available government products and services on-line by the end of 2003. This should lead to the implementation of many large scale e-Business projects. Furthermore, with a stronger economy and several years of federal budget surpluses, the federal government has demonstrated that it is increasing its spending on professional services and should thus maintain a healthy growth rate over the next two years. The table below outlines government expenditures on professional and special services.

Table: Government of Canada Expenditures on Professional and Special Services

*Federal Government Fiscal Year**	*Estimated Government Spending *** ($ billions)*	*Actual Government Spending **** ($ billions)*
2000 – 2001	$4,646 (8.4% growth)	Not available (N/A)
1999 – 2000	$4,286 (15% growth)	N/A
1998 – 1999	$3,726	$5,161 (38.5% over budget)

Notes to table:

* Government fiscal year runs April 1st to March 31st each year.

** Source: Government of Canada Main Estimates publications (Treasury Board)

*** Source: Government of Canada Public Accounts publications (Receiver General)

The Company is aggressively seeking to expand its e-Services revenue base into targeted U.S. markets. In 1998, IDC predicted[2] that the overall computer services market in North America will be US$168 billion in 2000 and will grow to US$204 billion in 2002.

Media

The Company's media properties are among a niche product category enjoying success across North America. The Company's main media product, OBJ, belongs to a category of newspaper that is established and successful throughout North America. Similar successful publications exist in hundreds of markets in the United States. Silicon Valley North, the Company's other core publishing product, belongs to a rapidly growing market segment, with several successful equivalent publications in major U.S. technology centres.

The Conference Board of Canada predicts in its Winter 2000 Metropolitan Outlook that the economy in Ottawa (where the majority of the company's media products are located) will grow by 4.4% in 2000. The Company has regional editions of Silicon Valley North in Calgary, Vancouver and Toronto, where growth rates are forecast at 2.8%, 3.5% and 3.9% respectively.

The strength of the market for the Company's media properties is demonstrated in year-over-year growth rates. Publishing revenue from 1996 to 1999 grew at an average year-over-year annual growth rate of 40%. This does not include revenue for Silicon Valley North, which posted an average year-over-year annual growth rate of 81% from 1997 to 1999.

e-Products and e-Channel

The predominant market for many of the e-Products is the SME market being targeted through the e-Channel. Market potential is based on offering a comprehensive suite of e-Products to local, horizontal marketplaces, internationally. Once critical mass is established in horizontal markets, opportunities to extend the product suite to vertical markets will be pursued.

[2] To the knowledge of the Company, based on a reference to such report in the Goldman Sachs Report, page 13.

By packaging, promoting and delivering e-Services and e-Products through the e-Channel, the Company believes that it will efficiently reach a significant percentage of the Canadian SME market segment by end of calendar year 2000.

As of September 1999, the number of businesses in Canada (excluding unincorporated businesses with less than $30,000 in estimated annual sales revenue) was 1,970,000. Of these, over 97% are SMEs employing fewer than 50 people. They are well represented in every industry and are most prevalent in the business services, retail, construction and other service industries which collectively represent 46% of SMEs.

The growth of SMEs is in part fueled by increased access to domestic and foreign markets through the Internet. A 1999 Canadian Federation of Independent Business (CFIB) survey indicates 18% of SMEs have their own Web-site, between 22% and 31% are using the Internet to conduct financial transactions, and 75% of SMEs are expected to be Internet connected by the end of 2000. The Internet offers considerable potential but also challenges SMEs in terms of Internet strategy, required investment, and channel access to the lucrative business-to-business market. According to Forrester Research[3] the Internet B2B market is projected to soar from $43 billion in 1998 to $1 trillion by 2003.

Sales and Marketing

In general, the Company's marketing and communications plan calls for increased emphasis on visibility programs within the Company's geographic operating centers and through the e-Channel. The Company will continue to attend high-value trade shows (e.g. The Cognos International Users Conference) which are focussed on the Company's specialties.

e-Services

To date, NewSys' e-Services have been marketed through its direct sales organization. NewSys' marketing and sales efforts are targeted to public and private sector customers in both Canada and the U.S.. The Company believes that success in the e-Services market depends largely on building long-term relationships with customers and consultants. The Company focuses on the North American marketplace, and the Company's immediate strategy is to increase the size of its direct sales force in Toronto and the North Eastern U.S..

The Company's second established sales channel is through its strategic partners. The Company works closely with its technology partners to identify specific client opportunities and requirements. These partnerships result in the Company's introduction to new accounts and increased ability to service new accounts. Joint marketing activities conducted with these partners allow the Company to benefit from the reputation of its partners and thereby increase market coverage and acceptance of the Company's services. NewSys is a TeamCognos Partner - the highest level of partnership available within the Cognos Services Partner Program. NewSys consultants are called upon regularly to provide pre- and post-sales support, to increase Cognos' capacity for service delivery, and sometimes to support Cognos product development. The Company is also an IBM Business Intelligence Partner. NewSys provides sales support and acts as a resource base to increase IBM's capacity for service delivery on BI initiatives.

[3] To the knowledge of the Company based on a reference to a Forrester Research report quoted in the September 1999 issue of "Business 2.0, The B to B Boom" article entitled "Let's Get Vertical" by Mohanbir Sawhney and Steven Kaplan.

Approximately 10% of NewSys' e-Services sales are generated through leads provided by its established partnerships with IBM, Cognos, and CODA. A new partnership with Delano Technologies Inc. has begun to generate education and services revenue. Additional partnerships with SalesLogix Inc. and Oracle Corporation have not yet reached full sales maturity but the Company expects to achieve modest revenues in fiscal 2000 from these new partnerships as well.

Media

BMN has built a strong and highly organized media sales organization, led by managers with extensive experience in local media sales.

As of May 1, 2000, BMN had very strong forward bookings for its flagship product, OBJ. Bookings were up more than 15% over last year. Contract advertising is running at record levels, with many major clients, including General Motors Canada, Deloitte & Touche and Cognos, committing to long-term campaigns. Silicon Valley North revenue to date this year is up 15% over the same period in 1999.

In addition, the Company has a rapidly growing contract publishing operation, which has produced successful products for customers in the past year, and has lined up significant new contracts for the remainder of 2000.

The Company has also achieved a critical mass that will allow it to assume the operations of other stand-alone publications, and is therefore exploring other possible strategic acquisitions through which it can leverage existing operations to greater profitability.

Revenue from the Company's events division grew at a rate of 138% from 1998 to 1999, largely through acquisition. Most of the Company's events were acquired as mature properties, but are of significant strategic value to enlarge and protect the OBJ franchise. Growth in the events division will occur primarily through starting new events or acquiring other existing events. The Company is also positioned well to operate other events on a contract basis, and to operate events in other markets, particularly those with published editions of Silicon Valley North.

e-Products and e-Channel

The Company's suite of e-Products are packaged, promoted and sold through the e-Channel and, to a more limited degree, by the direct sales force. Current revenues associated with the sale of e-Products is modest.

The implementation of the e-Channel for its media and association partners provides the most significant opportunity for sales growth. While each partner will immediately generate on-line services revenue to be shared with the Company, the establishment of the e-Channel will provide the Company with an efficient and direct access to the Canadian and U.S. SME segment. The Company will establish in-house sales capability this year to respond to e-Channel generated sales requests.

Competition

e-Services and e-Products

The market for the Company's e-Services and e-Products is highly competitive, fragmented and subject to rapid technological change. Competitors of the Company include IT consulting firms, value-added resellers and large systems integrators. These competitors vary in technological knowledge and size, but they are all subject to the same principal market factors: methodology, performance, reliability of the solutions, depth of experience, availability and productivity of personnel, and price.

The Company competes with systems integrators in all its domain areas, including Burntsand Inc., lgs Group Inc., The CGI Group Inc., IBM and Calian Ltd., to name a few. In addition, because the barriers to entry in the systems integration ("SI") market are relatively low, additional competitors may emerge as the market for these services continues to develop and expand.

Demand for e-Services and e-Products currently exceeds supply. Although this is not sustainable in the long term, well run e-Services companies with superior execution and strategic direction will continue to earn revenue.

The Company intends to deal with competitive forces and grow its business through the control and leveraging of its Internet-based distribution channel for its products and services, the e-Channel.

Media

While there are many indirect competitors for advertising and marketing dollars in each of the markets in which the Company operates, the Company faces almost no direct competition to its media products which are directed at SMEs served by the Company's business publications. Furthermore, the Company's products are each positioned around the proposition that they are the most effective and direct vehicle to communicate with a highly targeted audience.

e-Channel

To date, in Canada, organized competition is virtually non-existent in the SME market. Business media operators are a highly fragmented, regionalized and independent market. The nature of this market requires local relationships and content for relevancy. The Internet permits broadening of the local and geographic network established by local operators. Although indirect competition exists in this market through various e-Business integrators, such a strategy is too expensive for most operators to embrace.

Human Resources

As of May 15, 2000, the Company employed approximately 100 people on a full-time basis, and 125 consultants. The Company regularly uses sub-contract consultants. All sub-contract consultants are subject to binding contracts for the term of the project, as required. Each contract includes "early departure" penalties and standard non-compete clauses to protect the interests of the Company.

The Company's success depends to a significant extent on the performance of its consultants, its executive officers, and key sales and marketing personnel. The Company's future success will also depend in large part on its ability to attract and retain highly skilled technical resources.

Protection of Intellectual Property Rights

The Company relies primarily on a combination of copyright and trademark laws, trade secrets, confidentiality procedures and contractual provisions to protect its proprietary rights.

The Company is currently investigating the possibility of patent protection for the technology and methods which are at the heart of the e-Channel strategy.

The Company regards certain features of its internal operations, software and documentation as proprietary and relies on contract, copyright, trademark, and trade secret laws and other measures to protect its proprietary information. The Company believes however, that due to the rapid pace of innovation within its industry, factors such as the technological expertise and creative skills of its consultants and personnel are more important to establishing and maintaining technological leadership than are the various legal protections of its technology.

The Company provides its products to clients under non-exclusive licenses, which generally have a perpetual term, and are transferable provided the transferor erases or destroys its copy of the product. In special circumstances, the Company will make source code available for certain proprietary products.

DETAILS OF RECENT ACQUISITIONS

The Business Media Network Inc.

On February 28, 2000, the Company acquired all of the issued and outstanding shares of BMN. BMN carries on the business of regional business publications and trade-shows. In addition, BMN operates a business-to-business electronic commerce Internet services portal. BMN has 42 employees.

Pursuant to the terms of the share purchase agreement, the Company acquired all of the issued and outstanding shares of BMN for $7,395,613, including transaction costs of $325,613, consisting of the issue of 1,800,000 Common Shares and 500,000 warrants to purchase Common Shares (the "BMN Warrants") with an attributed value of $6,300,000 and $770,000 respectively. The BMN Warrants have an expiry date of February 27, 2003 and an exercise price of $2.55 per share prior to February 27, 2001 and $2.93 per share up to the expiry date. The BMN Warrants are exercisable as to 50% in the first year and 100% in the second and third years, provided that David Luxton (the former principal shareholder of BMN) is in compliance with the terms of his employment and non-competition agreements.

As part of the acquisition of BMN, the Company became the sole shareholder of IBI, a company incorporated (but not organized) on January 20, 2000 by David Luxton under the CBCA for the purposes of carrying on its B2B electronic commerce Internet services portal.

At closing, David Luxton executed an employment agreement with IBI pursuant to which he agreed to act as its president and Mark Sutcliffe executed an employment agreement with BMN pursuant to which he agreed to act as CEO of BMN and Publisher of OBJ.

Pursuant to his employment, the Company granted an option to Mr. Luxton on June 20, 2000 to purchase 250,000 Common Shares at a price of $2.60 per share expiring on February 9, 2005 and vesting as to 50% on February 28, 2001 and the remaining 50% on February 28, 2002. .

Other Acquisitions

In addition to the purchase of the shares of BMN, the Company has completed, or is in the process of completing, some smaller acquisitions which are intended, in the first three instances described below, to strengthen the Company's capacity to deliver certain specialized solutions and, in the last case, to enlarge the media component of its business.

Crystalline Data Structures Inc.

On September 29, 1999, the Company entered into a letter of intent, further amended on June 8, 2000 (the "Letter"), with the shareholders of Crystalline Data Structures Inc. ("CDSI") to purchase all of its issued and outstanding shares for cash consideration of $1,200,000 payable in installments as follows: (i) $400,000 upon closing; (ii) $400,000 on the first anniversary of closing; and (iii) $400,000 on the second anniversary of closing. The shareholders of CDSI will also be granted 400,000 options at an exercise price of $3.00 per option, one third of which shall be exercised at the time of payment of each cash installment. The Common Shares issuable pursuant to these options are granted separately from the Company's employee stock option plan and have been approved by and reserved on the TSE. This agreement is subject to shareholder approval and all regulatory approvals. CDSI is a private company providing development and SI solutions for clients using Oracle applications. In contemplation of the acquisition, the Company licensed certain intellectual property from CDSI and has developed two new solutions to support the ERP practice:

- NewSys Oracle Financials Migration Roadmap, a comprehensive, methodical consultation service that helps corporations define their best course to conversion for Release IIi and outlines a detailed strategy for achieving them.

- NewSys Grievance Management Module for Oracle Financials, a Web-based solution, providing a great deal of flexibility in monitoring grievances and submitting timely reports back to members.

It is anticipated that the transaction contemplated in the Letter will be concluded pending the outcome of certain litigation in which CDSI is a defendant by counter-claim.

Pending completion of the transaction, Mr. Peter Evans, the principal of CDSI, has agreed to provide services to the Company on an employment basis.

Simetra Development Ltd.

On February 10, 2000, the Company acquired all of the issued and outstanding shares of Simetra Development Ltd. ("Simetra") from the shareholders of Simetra for $245,671 including transaction costs of $13,671. The purchase price was settled by the issue of 20,000 Common Shares with an attributed value of $60,000 and $172,000in cash. Simetra established a reputation in providing BI solutions using Cognos PowerPlay and Impromptu. Over 90% of its corporate revenues are derived from private sector companies in the USA. As a result of the acquisition of the Simetra shares, the Company acquired three products: (i) Localizer, which facilitates the translation of Cognos Impromptu Catalogs and PowerPlay

Transformer Models into French, German, Spanish, and other languages; (ii) Catalog Updator, which simplifies the maintenance of Cognos Impromptu Catalogs by quickly and easily merging modified versions of old baseline catalogs with updated releases of new baseline catalogs; and (iii) Data Refiner which enables complete vendor analysis for Concur customers.

With the conclusion of the share purchase agreement, the former principal shareholders of Simetra (Ronald Warburton and Mark Gunner) executed subcontracting and option agreements with the Company. Subcontracting agreements reflect market rates for the services of Messrs. Warburton and Gunner. Pursuant to the option agreements, each of Messrs. Warburton and Gunner were granted the option to purchase 5,000 shares at an exercise price of $2.45 per share at any time and from time to time until January 31, 2001.

CoroNet Network Services Inc.

On February 16, 2000, the Company acquired all of the issued and outstanding shares of CoroNet Network Services Inc. ("CoroNet") for $161,580 including transaction costs of $8,328. The purchase price was settled by the issue of 50,000 Common Shares with an attributed value of $150,000 and $3,252 in cash. CoroNet's specialty is the delivery of technical consulting services in connection with large-scale network integration projects. CoroNet had one employee at the date of acquisition.

Paul Minaker, formerly the sole shareholder of CoroNet, has entered into an employment agreement with the Company to act as the director of the network services practice. In addition, Paul Minaker has, pursuant to a license agreement dated February 15, 2000, granted to the Company a perpetual, exclusive, royalty-free, worldwide license to use the CoroNet trade-mark owned by Mr. Minaker. At the present time, the Company does not contemplate use of the trade-mark.

Silvan Communications Inc.

On May 5, 2000, the Company purchased all of the issued and outstanding shares of Silvan from its eight shareholders for $1,618,100 including transaction costs of $20,600. The purchase price was settled by the issue of 500,000 Common Shares with an attributed value of $1,450,000, and an additional 50,000 Common Shares issued from Treasury on June 14, 2000 with an attributed value of $147,500 on June 15, 2000, subject to post-closing adjustments. Silvan operates a monthly technology community newspaper, Silicon Valley North, with regional editions in Ottawa, British Columbia, Toronto and Alberta. Silvan has 29 employees. Following the transaction, NewSys transferred the Silvan shares to BMN.

All 500,000 Common Shares issued by NewSys in payment of the purchase price are subject to a contractual escrow (see "Escrowed Shares"). In addition to the 500,000 Common Shares, the Company shall issue to the former shareholders of Silvan up to a maximum of 200,000 Common Shares calculated according to two separate formulae (yielding maximums of 50,000 Common Shares and 150,000 Common Shares, respectively) based on the 20-day weighted average trading price of the Common Shares following May 5, 2000 and the weighted average trading price of the Common Shares for the trading days during the period from the twenty-first trading day following May 5, 2000 and December 29, 2000, inclusive.

CONSOLIDATED CAPITALIZATION

The following table and notes thereto set forth the actual consolidated capitalization of the Company as at April 30, 2000 and June 30, 2000. The June 30, 2000 consolidated capitalization has been adjusted to give effect to the issue of 3,000,000 Common Shares upon the exercise of the Special Warrants (assuming no exercise of the Warrants, Brokers' Special Warrants or Brokers' Option Warrants or the issue of Common Shares and Warrants owing to the penalty). The table should be read in conjunction with the financial statements and accompanying notes contained elsewhere in this Prospectus.

	Amount Outstanding at April 30, 2000 (Actual)	Amount Outstanding at June 30, 2000 (Actual) (Unaudited)	Amount Outstanding at June 30, 2000 (As Adjusted) (Unaudited)
Demand operating line [1]	$ –	$ –	$ –
Long-term obligations [8]	59,325	59,325	59,325
SHAREHOLDERS' EQUITY:			
Common shares [2] [3] [4] [5]	8,000,047	9,615,945	15,695,945
Special warrants [6]	7,370,000	7,370,000	–
Warrants [7]	770,000	770,000	2,060,000
Share loans receivable [8]	(32,290)	(32,290)	(32,290)
Accumulated foreign currency translation adjustment [8]	1,664	1,664	1,664
Retained earnings [8]	60,212	60,212	60,212
TOTAL SHAREHOLDERS' EQUITY	16,169,633	17,785,531	17,785,531
TOTAL CAPITALIZATION	$ 16,228,958	$ 17,844,856	$ 17,844,856

Notes:

(1) The demand operating line of $1,500,000 is available, and was not drawn upon at April 30, 2000. The Company's bank indebtedness is collaterized as described in note 9 of the notes to the consolidated financial statements of the Company.

(2) An unlimited number of Common Shares are authorized: 13,971,565 were issued and outstanding as at April 30, 2000, 14,570,097 Common Shares were issued and outstanding as at June 30, 2000 and 17,570,097 Common Shares, as adjusted, were issued and outstanding as at June 30, 2000.

(3) Does not include options to purchase 1,185,418 Common Shares outstanding at April 30, 2000 or options to purchase 2,244,552 Common Shares at June 30, 2000.

(4) Without giving effect to the issuance of:

  (a) 1,500,000 Common Shares upon the exercise of 1,500,000 Warrants issued by the Company or issued upon the exercise of Special Warrants (see "Details of the Offering").

  (b) 300,000 Common Shares upon the exercise of 300,000 Brokers' Special Warrants and 150,000 Common Shares upon the exercise of 150,000 Brokers' Option Warrants.

  (c) 150,000 Common Shares contingently issuable for the acquisition of Silvan (see "Details of Recent Acquisitions").

(5) Giving effect to the issuance of 550,000 Common Shares issued during May and June 2000 in connection with the acquisition of Silvan (see "Details of Recent Acquisitions").

(6) 3,000,000 Special Warrants issued in March 2000 for estimated net proceeds of $7,370,000. The Special Warrants entitle the holder thereof to acquire, subject to adjustment, one Common Share and one-half Warrant at no additional cost (see "Details of the Offering").

(7) includes 500,000 warrants issued in connection with the acquisition of BMN as at April 30, 2000 and June 30, 2000 (actual and as adjusted) and 1,500,000 warrants issued upon the exercise of Special Warrants as at June 30, 2000 (as adjusted) (see "Details of Recent Acquisition").
(8) As at April 30, 2000.

DESCRIPTION OF SHARE CAPITAL

The authorized share capital of the Company consists of an unlimited number of Common Shares and an unlimited number of preferred shares ("Preferred Shares"), of which immediately prior to March 15, 2000 (the date of the Offering) 13,950,565 Common Shares and no Preferred Shares were issued and outstanding. Following the issuance of 3,000,000 Common Shares upon the exercise of 3,000,000 Special Warrants (See "Details of the Offering"), the issuance of 550,000 Common Shares to the shareholders of Silvan and the exercise of 69,532 employee options since the date of the Offering, 17,570,097 Common Shares and no Preferred Shares will be issued and outstanding. See "Details of the Offering".

Each Common Share entitles the holder thereof to one vote at meetings of shareholders of the Company, to receive dividends if, as and when declared by the Board of Directors and to participate in the distribution of the assets of the Company, subject to the rights of holders of any class ranking prior to the Common Shares.

The Preferred Shares may be issued in one or more series. The directors are required by resolution to fix, from time-to-time, before the issue of any series of Preferred Shares, the designations, rights, privileges, restrictions and conditions to be attached to such series. No rights, privileges, restrictions or conditions attached to a series of Preferred Shares shall confer a priority on any series in respect of dividends or return of capital over any other series of Preferred Shares then outstanding. The Preferred Shares are entitled to priority over the Common Shares and over any other shares ranking junior to the Preferred Shares with respect to priority in the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of the Company or any other distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs.

Pursuant to the agency agreement made between the Company and the Agent dated March 15, 2000 (the "Agency Agreement"), the Company issued and sold 3,000,000 Special Warrants (the "Special Warrants") at a price of $2.75 per Special Warrant. The Special Warrants were sold to purchasers on a private placement basis pursuant to prospectus exemptions under applicable securities legislation.

Each Special Warrant entitles the holder thereof to receive, without payment of additional consideration and subject to adjustment, as provided in the Special Warrant Indenture (as defined below), one Common Share and half of one Common Share purchase warrant ("Regular Warrant") of the Company, on or before 4:30 p.m. (Ottawa time) on the earlier of: (a) five (5) business days after the date upon which a receipt for a final prospectus to be filed by the Company with respect to the distribution of Common Shares and Regular Warrants issuable upon exercise of the Special Warrants has been obtained from the securities commission or similar regulatory authority in each of the provinces of Canada where the Special Warrants are sold; and (b) March 15, 2001 (the earlier of such dates is referred to as the "Expiry Date").

Each whole Regular Warrant entitles the holder thereof to purchase, subject to adjustment, one Common Share (a "Regular Warrant Share") at a price of $3.75 per Regular Warrant Share at any time on or before 4:30 p.m. (Ottawa time) on March 15, 2001.

The Common Shares and Regular Warrants issuable upon the exercise of the Special Warrants shall be issued by the Company. The Regular Warrant Shares issuable upon the exercise of the Regular Warrants shall be issued by the Company.

As additional consideration for the Special Warrant Agent's services under the Agency Agreement, the Company issued 300,000 brokers' special warrants ("Brokers' Special Warrants") equal to 10% of the number of Special Warrants sold. Each Brokers' Special Warrant will entitle the holder to acquire, at any time up to 4:30 p.m. on the Expiry Date upon exercise and without payment of additional consideration, one brokers' warrant of the Company ("Brokers' Warrant"). Each Brokers' Warrant will entitle the holder to acquire, upon exercise, one Common Share ("Brokers' Option Share") and one half of one Regular Warrant ("Brokers' Option Warrant"), subject to readjustment, at a price of $2.75 per Brokers' Warrant at any time until 4:30 p.m. (Ottawa time) on March 15, 2001.

Each whole Brokers' Option Warrant issuable will be exercisable by the holder into one Common Share ("Brokers' Option Warrant Shares") at a price of $3.75 per Brokers' Option Warrant Share until 4:30 p.m. (Ottawa time) on March 15, 2001.

The Special Warrants were issued pursuant to the terms of a special warrant indenture dated March 15, 2000 (the "Special Warrant Indenture") between the Company and Montreal Trust. The Common Shares, Regular Warrants and Brokers' Warrant will be qualified for distribution by this Prospectus. The Special Warrant Indenture provides that, should a receipt for the final prospectus not be obtained from the securities regulatory authority in the province of Canada within which a purchaser of Special Warrants resides prior to July 15, 2000, Special Warrants exercised thereafter by the holder thereof shall entitle the holder to receive 1.1 Common Shares and 0.55 Regular Warrants for each Special Warrant held, without further payment. In addition, should a receipt for the final Prospectus not be obtained from the securities regulatory authorities by July 15, 2000, then the Agent shall be entitled to receive upon the exercise or deemed exercise of each Broker Warrant, 1.1 Common Shares and 0.55 Regular Warrants for each Broker Warrant at no additional cost.

DIVIDEND POLICY

The Company intends to reinvest its earnings to finance its growth. The Company has not previously and does not intend in the foreseeable future to pay dividends on the Common Shares.

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

Selected Consolidated Financial Information

	Year ended April 30, 2000	Year ended April 30, 1999	Seven months Ended April 30, 1998
INCOME STATEMENT DATA			
REVENUE			
Sales	$ 20,531,973	$ 16,430,094	$ 7,521,486
Cost of sales	16,358,952	13,770,415	6,322,253
	4,173,021	2,659,679	1,199,233
EXPENSES			
Sales and marketing	1,571,552	929,042	390,623
General and administrative	1,864,543	1,269,343	496,023
Depreciation and amortization	79,491	49,772	18,926
Amortization of intangibles	135,946	–	–
Interest and financing	18,700	18,151	26,363
	3,670,232	2,266,308	931,935
INCOME BEFORE OTHER INCOME AND INCOME TAXES	502,789	393,371	267,298
NET INCOME	$ 257,515	$ 272,992	$ 177,485
EARNINGS PER SHARE:			
Basic	$0.02	$0.03	$0.02
Fully diluted	$0.02	$0.02	$0.01
BALANCE SHEET DATA			
Working capital	$ 7,442,166	$ 892,604	$ 1,119,710
Total assets	20,669,342	3,843,960	3,149,803
Shareholders' equity	16,169,633	932,627	1,023,953

The selected consolidated financial information set out above has been derived from the consolidated financial statements of the Company and accompanying notes included in this Prospectus and should be read in conjunction with such financial statements and accompanying notes. Subsequent to April 30, 2000, the Company acquired all of the outstanding shares of Silvan, and as a consequence, results of operations up to April 30, 2000 do not include the operating results for the acquired entity.

Selected Pro Forma Condensed Consolidated Financial Information

The pro forma condensed consolidated statement of loss for the year ended April 30, 2000 includes the results of operations of BMN and Silvan as if the acquisitions had occurred on May 1, 1999. The selected pro forma consolidated financial information has been derived from the pro forma consolidated financial statements of the Company and of the acquired companies and should be read in conjunction with the pro forma consolidated financial statements appearing elsewhere in this Prospectus.

	Year ended April 30, 2000 (Unaudited)
INCOME STATEMENT DATA	
Revenues	$ 26,204,405
Cost of sales	19,508,461
	6,645,944
Total Expenses	7,566,801
Net loss	(1,155,249)
Loss per share	($0.07)

Overview

Revenues include those from the Company's traditional IT services business. NewSys provides IT services through NSSL and NEWSYS New Systems Solutions (Delaware) Limited.

Cost of sales consist primarily of personnel-related costs incurred in delivering IT solutions for customers and includes all other direct costs incurred in the provision of IT professional services. These costs include all expenses associated with full-time staff, contract staff and subcontractors where these resources are billable to a customer. In addition, cost of sales includes all other direct costs, such as the costs of computer software sold as a solution, travel and living expenses incurred in service delivery and any other expenses that are billable to a customer.

Sales and marketing expenses consist of payroll and payroll related expenses for sales and marketing personnel; costs of sales and marketing programs such as trade shows, seminars, and marketing publications; and non-billable expenses incurred for client projects and other associated business costs. General and administrative expenses include: personnel costs for administration, finance, human resources, internal IT, and general management; legal and accounting expenses; other professional services; facilities costs and related expenses; non-billable staff travel, and staff training.

Results of Operations

Year ended April 30, 2000 compared to Year Ended April 30, 1999

Revenues increased 25.0%, to $20,531,973 in the year ended April 30, 2000 from $16,430,094 for the comparable period in 1999. Growth in each of NewSys' practice areas contributed to the increase, including additional resources employed and higher gross contribution per resource. Revenue from NewSys' BI and SI practices represented 39.7% and 56.2% of total revenue for the fiscal year ended April 30, 2000 as compared to 39.2% and 60.0% of revenue for fiscal 1999.

Cost of sales increased 18.8% to $16,358,952 from $13,770,415 for the comparable period. The increase was due to the addition of consultants associated with delivery of NewSys' billable services.

Gross margin percentages increased to 20.3% from 16.2% due to an increased ratio of employee-consultants to subcontractor-consultants and increased consultant utilization. This represents a year-over-year increase of 25.6%.

Sales and marketing expenses increased to $1,571,552, or 7.7% of revenue, compared to $929,042, or 5.7% of revenue. This 69.2% increase was due to hiring sales executives in 2000 and NewSys' efforts to create a stronger corporate identity through expanded corporate marketing.

General and administrative expenses increased to $1,864,543, compared to $1,269,343 for the comparable period. This increase is attributed to a greater number of general and administrative personnel.

Depreciation and amortization expenses increased to $79,491, compared to $49,772 for the comparable period. The increase resulted from the acquisition of leasehold improvements and capital expenditures in 1999 which were amortized for a longer period and at the full rate in the year ended April 30, 2000..

Amortization of intangibles – In the acquisition of Simetra, CoroNet and BMN, the Company issued consideration greater than the net assets of the acquired entities. These intangibles, which represent the excess of the purchase price of business acquired over the fair value of the underlying net identifiable assets acquired or liabilities assumed, is being amortized over various periods, averaging 10 years. From the date of acquisition to April 30, 2000, the Company has recorded $135,946 in amortization, compared to $0 for year ended April 30, 1999.

Interest and financing costs increased slightly from $18,151 to $18,700.

Income from operations increased 27.8% to $502,789 or 2.4% of revenue in the fiscal year ended April 30, 2000 from $393,371 or 2.4% of revenue in fiscal 1999. This is a result of higher margins from the consulting business offset, in part, by amortization of intangibles.

Net income for the year ended April 30, 2000 was $257,515, or $0.02 per basic share, compared to $272,992, or $0.03 per basic share. This decrease is attributed to lower other income and amortization of intangibles.

Year ended April 30, 1999 compared to the seven month period ended April 30, 1998

The results of operations for the year ended April 30, 1999 reflect a full year of operations.

Revenues for fiscal 1999 of $16,430,094 reflect strong internal growth in both primary lines of business, BI and SI. Revenue from NewSys' BI practice represented 39.2% of total revenue for fiscal 1999 and 40.9% for the seven month period ended April 30, 1998 ("fiscal 1998"), while revenue from SI represented 60.0% of total revenue for fiscal 1999 and 59.1 % for fiscal 1998.

Cost of sales for fiscal 1999 of $13,770,415 reflects the addition of consultants associated with delivery of NewSys' billable services.

Gross margin for fiscal 1999 was $2,659,679, or 16.2% of revenue, compared to $1,199,233, or 15.9% of revenue for fiscal 1998. The increase in gross margin percentage is due to better personnel utilization.

Sales and marketing expenses for fiscal 1999 increased to $929,042, or 5.7% of revenue, compared to $390,623, or 5.2% of revenue, for fiscal 1998. The increase was primarily due to the hiring of sales executives during fiscal 1999 and NewSys' efforts to expand corporate marketing.

General and administrative expenses for fiscal 1999 increased to $1,269,343, or 7.7% of revenue, compared to $496,023, or 6.6% of revenue for fiscal 1998. The increase was due primarily to the hiring of additional administrative employees to support growth, and higher professional and legal fees associated with the regulatory requirements of a public company.

Amortization of capital assets for fiscal 1999 increased to $49,772, or 0.3% of revenue, compared to $18,926, or 0.3% of revenue, for fiscal 1998. The increase was due to the purchase of computer equipment and software.

Interest expenses for fiscal 1999 decreased to $18,151, or 0.1% of revenue, compared to $26,3 63, or 0.4% of revenue, in fiscal 1998. Proceeds from the Company's initial public offering and private placement in early 1998, resulted in lower usage of Company's line of credit.

Net income for fiscal 1999 was $272,992, or 1.7% of revenue, compared to $177,485, or 2.4% of revenue, for fiscal 1998. Increased operating costs and corporate income taxes accounted for the majority of the decrease in net earnings as a percent of revenue. Basic earnings per share in fiscal 1999 was $0.03 compared with basic earnings per share of $0.02 in 1998. NewSys was no longer eligible for the small business deduction it enjoyed in fiscal 1998 prior to becoming a public company, and accordingly, the effective income tax rate for fiscal 1999 increased to 43.3% from 39.4% for fiscal 1998.

Seven months ended April 30,1998 compared to the year ended September 30,1997

The results of operations for the period ended April 30, 1998 ("fiscal 1998") reflect seven months of operations prior to the major transaction. NewSys changed its year-end to April 30 from September 30 effective April 30, 1998.

Revenues of $7,521,486 in fiscal 1998 reflect growth in NewSys' BI practice and increased sales in the United States, supported by the expansion of the sales and marketing organization in September 1997.

Cost of sales of $6,322,253 for fiscal 1998 reflect an increase which resulted from the addition of consultants associated with delivery of NewSys' billable services.

Gross margin percentages decreased due to the increase in the average length of contracts which resulted in staged increases in contractor costs. The gross margin as a percentage of revenue for fiscal 1998 decreased to 15.9% compared with 18.6% for the previous year.

Sales and marketing expenses for fiscal 1998 of $390,623 decreased as a percentage of revenue to 5.2%, compared to $722,400, or 7.5% of revenue in fiscal 1997. During September 1997, in contemplation of becoming a public company, a new sales compensation structure was implemented as part of the expansion of the sales organization. This new compensation structure significantly reduced commissions expense in fiscal 1998 as compared to fiscal 1997.

General and administrative expenses for fiscal 1998 of $496,023, or 6.6% of revenue, decreased as a percentage of revenue compared to $770,150, or 8.0% of revenue in fiscal 1997. The decrease relates primarily to NewSys' prior practice of paying bonuses to senior management to reduce taxable income. This practice ended with fiscal year 1997.

Amortization expenses for fiscal 1998 of $18,926 decreased as a percentage of revenue from 0.25%, compared to $29,322, or 0.3% of revenue in fiscal 1997. There was no goodwill to amortize for either period.

Interest expenses increased from $nil in fiscal 1997, to $26,363, or 0.4% of revenue in fiscal 1998. NewSys obtained debt financing early in fiscal 1998 as part of a restructuring prior to the initial public offering in February 1998 and to fund the expansion of NewSys' business.

Net income for fiscal 1998 increased slightly to $177,485 or 2.4% of revenue, compared with $187,457 or 1.9% of revenue in fiscal 1997. NewSys' effective tax rate increased slightly as more income was subject to a higher corporate tax rate. NewSys experienced a foreign exchange gain in fiscal 1998 of $19,125 as compared to a foreign exchange loss of $16,641 in fiscal 1997 currency fluctuations between the Canadian and American dollar.

Liquidity and Capital Resources

NewSys has funded its operations to date primarily through cash flows from operations, a private placement of Common Shares and the net proceeds from the initial public offering. On March 15, 2000, the Company sold Special Warrants at an offering price of $2.75 per Special Warrant. The net proceeds to the Company were approximately $7,370,000 after deducting fees paid to the agent in connection with the sale of the Special Warrants and after deducting expenses related to the issuance of the Special Warrants. The Company has never declared or paid dividends and currently anticipates that it will retain any future earnings to fund development and growth. Management believes that the Company has sufficient funds to continue operations beyond the next twelve months.

Year ended April 30, 2000 compared to year ended April 30, 1999

At April 30, 2000, the Company had current assets of $11,808,341 of which $6,660,811 was cash compared to $3,582,281 of current assets and minor bank indebtedness of $165 at April 30, 1999. The Company has net working capital of $7,442,166 at April 30, 2000 compared to $892,604 at April 30, 1999. During the fiscal year ended April 30, 2000, the Company generated $453,789 in cash from operating activities, compared to $295,733 for the comparable period in fiscal 1999. The Company has available a credit facility of up to $1,500,000 at a chartered bank to fund operations as required. A general security agreement on all assets of the Company, personal guarantees of certain shareholders of $250,000, a guarantee of the U.S. subsidiary of $1,500,000 and the subordination and assignment of shareholder loans have been provided as collateral for this operating line of credit. At all times throughout the Company's history, the Company has been in compliance with its bank covenants.

Year ended April 30, 1999 compared to the seven month period ended April 30, 1998

NewSys finished the year ended April 30, 1999 with positive working capital of $892,604 as compared to $1,119,710 as at April 30, 1998. The Company has available a credit facility of up to $1,500,000 at a chartered bank to fund operations as required. As at April 30, 1999, $165 had been drawn on this facility. During the year ended April 30, 1999 the Company generated cash flow of $295,773 from operating activities compared to a use of cash of $238,527 in the seven-month period ended April 30, 1998. During fiscal 1999, cash flow of $534,838 was generated from the issuance of Common Shares.

Seven months ended April 30, 1998 compared to the year ended September 30, 1997

NewSys finished the seven month period ended April 30, 1998 with positive working capital of $1,119,710 compared to $366,859 for the year ended September 30, 1997. As of April 30, 1998, NewSys was not utilizing any of its credit facility with the bank. During the seven month period ended Apri1 30, 1998, NewSys had negative cash flow from operating activities of $238,527 compared to positive cash flow of $198,960 in the year ended September 30, 1997. During the seven month period ended April 30, 1998, cash flow of $593,129 was generated by the issuance of Common Shares.

Outlook

Over the past three years, NewSys has expanded its core business through the addition of several new practice areas. The Company believes its expansion into these business segments will lead to improved opportunities for growth, better margins and less dependence on a single product or service offering.

The Company expects to finance any budgetary requirements for internal growth with cash flow from operations. However, in the event that cash flow is insufficient to support such expenditures, the Company has working capital on hand to meet such requirements.

USE OF PROCEEDS

The Company will not receive any additional consideration from the issuance of Common Shares and Warrants upon the exercise or deemed exercise of Special Warrants. The net cash proceeds from the prior sale of the Special Warrants amounted to approximately $7,370,000 after deduction of the Agent's fees and expenses. The cash proceeds of this offering were received by the Company on March 23, 2000 and have been and will continue to be used to fund ongoing operations and potential acquisitions by the Company.

As part of the BMN transaction, certain directors and officers loaned the Company an aggregate of $1,000,000 to discharge a loan of BMN totalling $1,300,000. $1,000,000 of the proceeds from the private placement of Special Warrants were used to repay the loan from the directors and officers to the Company. On May 25, 2000 the Company loaned $300,000 to David Luxton as a contingency fund for taxes payable by Mr. Luxton in connection with the acquisition of BMN (see "Interest of Management and Others in Material Transactions"). $300,000 of the proceeds from the private placement were used to advance the funds for this loan.

The Company intends to use $1,000,000 of the proceeds to develop the e-Channel business of IBI. Investments in product development, sales and marketing will be required in the near term to develop the revenue. The Company plans to deliver via the e-Channel, to its business audience, its proprietary products and services, and the products and services of its clients and partners.

Expenses of the Offering, which are estimated to be $880,000, are broken down as follows: (i) $660,000 for the Agent's Commission; and (ii) approximately $220,000 for legal, accounting and filing fees

The Company has no present commitments or agreements with respect to any acquisitions other than those described in this Prospectus. The Company is currently actively seeking out acquisitions, although it has not established a timetable in which the acquisitions would occur. No estimate can be given for the cost of acquisitions. If the Company is unable to complete such acquisitions, management of the Company will have discretion as to the use of the funds, although it has no present intention of utilizing the funds for any purposes other than the expansion of the Company's business.

Pending application of the proceeds as described above, the Company intends to invest the net proceeds of this offering in commercial paper and under short-term, interest-bearing money market funds.

DIRECTORS AND OFFICERS

The following table shows the full name, municipality of residence, position with the Company and principal occupations of each of the directors and officers of the Company:

Name and Municipality of Residence	Position with the Company	Principal Occupation *(if different from position held)*
Steven R.J. Brant (1) Calgary, Alberta.	Director	Senior Vice President, GMCI Global Marketplace Concepts Inc.
Richard Clements Ottawa, Ontario	Chief Financial Officer	
Todd LaFontaine Ottawa, Ontario	Executive Vice President	
David Luxton Ottawa, Ontario	Director	President, InBusiness.com Inc. and The Business Media Network Inc.
Roman Plaskacz (2) Chelsea, Quebec	Director	Principal, Plaskacz & Associates, Barristers and Solicitors, President and CEO of PortalSphere Inc.
Frank Post (2) Chelsea, Quebec	Director	Businessman
Patrick J. Power (1) (2) Chelsea, Quebec	Chairman of the Board of Directors	President of SteppingStone Capital Corporation
Elisabeth Preston (2) Ottawa, Ontario	General Counsel and Corporate Secretary	
Mark Quigg (1) Ottawa, Ontario	Director, President and Chief Executive Officer	

Name and Municipality of Residence	Position with the Company	Principal Occupation *(if different from position held)*
Michael Roy Ottawa, Ontario	Vice President, Sales	
Dan Scharf Ottawa, Ontario	Executive Vice President, Sales and Marketing	

(1) Member of the Audit Committee of the Company.
(2) Member of the Governance and Compensation Committee of the Company.

To the knowledge of the Company, the directors and senior officers of the Company, as a group, beneficially owned, prior to the Offering, directly or indirectly, approximately 56% of the outstanding Common Shares.

The principal occupations of each of the directors and officers of the Company for the five years preceding the date of this Prospectus and additional biographical information is set out below:

Steven J. R. Brant, Director since October 14, 1997. Mr. Brant served as President of SJR Brant & Associates, an aboriginal owned and controlled financial management and advising services firm from 1996 to 1997. Since 1997, he has acted as a senior consultant to Whiteduck Resources Inc., an aboriginal owned and controlled consulting company. In August 1999, he was appointed as Senior Vice President of GMCI Global Marketplace Concepts Inc..

Richard Clements, Chief Financial Officer since June 26, 2000. Mr. Clements holds over twenty years of finance and accounting experience. Prior to joining the Company, he served as Director of Business Finance for Open Text Corporation from September 1999 to June 2000. From November 1998 to September 1999, Mr. Clements served as Chief Financial Officer of MicroStar Software Ltd.. From October 1996 to November 1998 Mr. Clements occupied various finance positions at Fulcrum Technologies including Project Director, Finance and Operations Project for the PC Doc Group of Companies. Prior to joining Fulcrum, Mr. Clements served as Project Controller for the Regulatory Compliance Project with the Canadian Red Cross Society.

Todd LaFontaine, Executive Vice President since May 24, 2000, prior to which he acted as Vice President, Strategic Business Development since March 29, 1999. Mr. LaFontaine holds over 16 years of Information Technology experience. Prior to joining NewSys, Mr. LaFontaine served as Vice President, Consulting Services with CGI Information Systems and Management Consultants Inc. from August 1994 to March 1999.

David Luxton, Director since February 28, 2000. Mr. Luxton currently serves as President of IBI. Over the past 19 years, he has founded and built three enterprises in the services, defence technology and media sectors. From May 1995 to February 2000, Mr. Luxton served as President of BMN.

Roman Plaskacz, Director since October 14, 1997. Mr. Plaskacz has been the principal in the law firm of Plaskacz & Associates, Barristers and Solicitors, since 1993. Since January 1, 2000, he has been President and CEO of PortalSphere Inc.. From 1983 to 1993, he served as general in-house counsel and corporate secretary to Cognos Incorporated, a multi-national computer software company listed on the TSE and NASDAQ, with its head office in Ottawa.

Frank Post, Director since October 14, 1997. Mr. Post is a co-founder of NSSL. As Chief Information Officer, from April 1999 to June 23, 2000, Mr. Post was primarily charged with planning, implementing and maintaining the Company's technology requirements and systems, including the sales automation system, Web-related technologies and all internal systems. Since inception, up until April 1999, Mr. Post has served as Vice President, Finance for NSSL and Chief Financial Officer of the Company.

Patrick J. Power, Director since August 26, 1998, and Chairman as of June 5, 2000. Mr. Power has been involved in the technology industry for over two decades. Since May 1997, he has served as President of SteppingStone Capital Corporation. From April 1991 to April 1997, Mr. Power served as Chairman and CEO of Nuvo Network Management Inc.

Elisabeth Preston, MPA, LLB. General Counsel and Corporate Secretary since June 5, 2000. Ms. Preston is a corporate lawyer and has eight years of senior management experience in the high technology sector, including with CML Technologies Inc., as Director of Sales and Marketing (1990–1995); and with Positron Industries Inc., as Market Development Manager (1988-1990). Ms. Preston was formerly a corporate, securities and IT lawyer with McCarthy Tetrault.

Mark Quigg, President, Chief Executive Officer and Director since October 14, 1997. Mr. Quigg is a co-founder of NSSL and is responsible for the operations, planning, business development, vision and strategy of the Company. Since their inception, Mr. Quigg has served as CEO of both NSSL and the Company. In April 1999, he became President of the Company, in addition to his roles as Chief Executive Officer and Director.

Michael Roy, Vice President, Ottawa Sales since September 2, 1997. Mr. Roy has more than 15 years of experience in sales, marketing and management. Prior to his employment with the Company, Mr. Roy served as Director of Marketing with AJJA Information Technology Consultants Inc. from January 1991 to August 1997.

Dan Scharf, Executive Vice President, Sales & Marketing since November 12, 1999, prior to which he served as Vice President, Business Intelligence Services from November 1998 to November 1999. From May 1996 to October 1998, Mr. Scharf served as Vice President of Customer Service & Support, and subsequently as Vice President and General Manager of PCDocs/Fulcrum Technologies. From 1990-1996, he acted as Vice President of Business Development, and Vice President of Consulting - Business Development with AJJA Information Technology Consultants Inc.

EXECUTIVE COMPENSATION

Compensation of Directors

In the past, directors have not generally received cash compensation in such capacity, and instead have received awards of options annually. All directors are eligible to receive options to purchase Common Shares under the Stock Option Plan of the Company. The Company may, commencing in the next fiscal year, determine to pay directors who are not employees of the Company a fee for each meeting of the board or committee attended by such director. All directors are entitled to the reimbursement of their travelling expenses when attending such meetings. See "Interests of Management and Others in Material Transactions".

Compensation of Executive Officers

The table below provides detailed information on the compensation of the Chief Executive Officer and certain other executive officers of the Company (collectively, the "Named Executive Officers") for services rendered for all of their duties in respect of the three-year period ended on April 30, 2000.

		Annual Compensation			Long-term Compensation			
					Awards		Payouts	
Name and Principal Occupation	Financial Year	Salary ($)	Bonus ($)	Other Annual Compensation[3] ($)	Securities Under Options/ SARS Granted	Restricted Shares Or Restricted Share Units	LTIP Payouts ($)	All Other Compensation ($)
Mark Quigg, President and CEO	2000	120,000	17,036					
	1999	150,000	2,500	–	96,834			
	1998	135,000	30,000	24,790	166,667[1]			
Frank Post [2], Chief Information Officer and Director	2000	88,326	17,036	–	–			
	1999	121,500	22,500	–	96,833			
	1998	100,000	7,500	–	166,666[1]			
Todd LaFontaine, Executive Vice President, Strategic Business Development	2000	150,000	–	–	100,000			
	1999	14,231	–	–	–			
Dan Scharf, Executive Vice President, Sales and Marketing	2000	100,000	52,393		100,000			
Michael Roy, Vice President, Sales	2000	90,000	17,036		52,000			

(1) Options granted to Mr. Quigg and Mr. Post in their capacity as directors of the Company prior to the completion of the Major Transaction.

(2) Figures for Frank Post include payments to Whiteduck Resources Inc. pursuant to a contract dated May 23, 1999 (See "Management and Employment Contracts"). The contract with Whiteduck Resources Inc. was terminated on June 23, 2000 and, as a result, Mr. Post no longer serves as the Company's Chief Information Officer.

(3) Other annual compensation is comprised of sales commissions.

Options Granted or Exercised During Fiscal 2000

The following table sets forth information regarding options granted to the Named Executive Officers during the fiscal year ended April 30, 2000.

Name	Securities Under Option	% of Total Options Granted to Employees in Financial Year	Exercise Price ($/Common Share)	Market Value ($/Common Share)	Expiration Date
Todd LaFontaine	100,000	9.40%	0.880	0.95	October 8, 2002
Dan Scharf	100,000	9.40%	1.430	1.39	December 2, 2002
Michael Roy	52,000	4.89%	0.880	0.95	October 8, 2002

The following table sets forth information regarding options exercised by Named Executive Officers during the fiscal year ended April 30, 2000.

Name	Securities Exercised	Exercise Price ($/Common Share)	Market Value ($/Common Share)	Expiration Date
Mark Quigg	166,667	0.150	0.70	September 3, 1999
Frank Post	166,666	0.150	0.70	September 3, 1999
Dan Scharf	24,000	0.600	3.00	January 10, 2000
Michael Roy	48,000	0.315	3.10	January 12, 2000
Patrick Power	80,000	0.315	0.99	May 11, 2003

Management and Employment Contracts

Richard Clements

Mr. Clements signed an employment contract with the Company on June 2, 2000, pursuant to which he has agreed to be Chief Financial Officer of the Company. His remuneration consists of a base salary of $120,000 and an incentive bonus tied to performance targets to be established by the Executive Committee. He has been granted 100,000 options, 10,000 of which vested immediately and 7,500 which vest at the last day of each quarter.

Mark Quigg

Mr. Quigg signed an employment contract with the Company on November 21, 1999 pursuant to which he has agreed to be the President and Chief Executive Officer of the Company. His remuneration consists of a base salary of $120,000 per annum and an incentive bonus of up to $30,000 earned upon the achievement of certain cash flow per share targets set out in the agreement. The agreement may be terminated by the Company (without cause) or by Mr. Quigg. If the agreement is terminated by Mr. Quigg, the Company is entitled to three months' notice and if the agreement is terminated by the Company (without cause), Mr. Quigg shall be entitled to 12 months base salary, payable in 12 monthly instalments.

Todd LaFontaine

Mr. LaFontaine signed an employment agreement with the Company on May 1, 1999 pursuant to which he agreed to assume the position of Vice President, Strategic Business Development. This contract was amended on May 2, 1999 pursuant to which amendment his remuneration was changed to a base salary of $150,000. Mr. LaFontaine was appointed Executive Vice-President, Strategic Business Development of the Company on May 24, 2000.

David Luxton

Mr. Luxton signed an employment contract with the Company on March 1, 2000 pursuant to which he has agreed to be the President of IBI. His remuneration consists of a base salary of $120,000 per annum and an incentive bonus of $30,000 earned upon the achievement of certain cash flow per share targets set out in the agreement. The agreement may be terminated by the Company (without cause) or by Mr. Luxton. If the agreement is terminated by Mr. Luxton, the Company is entitled to one month's notice and, if the agreement is terminated by Company, Mr. Luxton is entitled to the greater of three months' base salary or notice and/or severance required at common law, subject to the Company's right to pay Mr. Luxton in lieu of notice.

Mr. Luxton signed a non-competition and non-solicitation agreement with the Company on February 28, 2000 pursuant to which he has agreed that, during the currency of his employment agreement and for twelve months after termination of his employment agreement, he will not, indirectly or directly, be involved with a business which is in whole or in part competitive with the Company's business in North America. He has also agreed not to solicit employees, clients, consultants or suppliers of the Company during and after the termination of his employment with the Company. As consideration for this agreement, Mr. Luxton was issued 72,000 Common Shares at a price per Common Share of $3.50 and 20,000 Warrants to purchase 20,000 Common Shares.

Michael Roy

Mr. Roy signed an employment contract with the Company on November 19, 1999 pursuant to which he has agreed to be the Vice-President, Sales of the Company. His remuneration consists of a base salary of $90,000 and an incentive bonus of up to $30,000 earned upon the achievement of certain cash flow per share targets set out in the agreement. The agreement may be terminated by the Company (without cause) or by Mr. Roy. If the agreement is terminated by Mr. Roy, the Company is entitled to one month's notice and, if the agreement is terminated by the Company (without cause), Mr. Roy shall be entitled to three months' notice, subject to the Company's right to pay to Mr. Roy in lieu of notice.

Dan Scharf

Mr. Scharf signed an employment contract with the Company on November 12, 1999 pursuant to which he agreed to be the Executive Vice-President, Sales and Marketing of the Company. His remuneration consists of a base salary of $100,000 per annum and an incentive bonus calculated and earned upon the achievement of certain cash flow per share targets set out in the agreement. The agreement may be terminated by the Company (without cause) or by Mr. Scharf. If the agreement is terminated by Mr. Scharf, the Company is entitled to one month's notice and, if the agreement is terminated by the Company (without cause), Mr. Scharf shall be entitled to six months' notice, subject to the Company's right to pay to Mr. Scharf in lieu of notice.

Mark Sutcliffe

Mr. Sutcliffe signed an employment contract with the Company on February 28, 2000 pursuant to which he has agreed to be the Chief Executive Officer of BMN and Publisher of the OBJ. His remuneration consists of a base salary of $80,000 per annum, an incentive bonus tied to achieving or exceeding, on an annual basis, certain financial and other objectives, and options to purchase 5,000 Common Shares for each one hundred thousand dollars in EBITDA over $400,000, to a maximum of 25,000 Common Shares.

The agreement may be terminated by the Company (without cause) or by Mr. Sutcliffe. If the agreement is terminated by Mr. Sutcliffe, the Company is entitled to one month's notice and, if the agreement is terminated by the Company, Mr. Sutcliffe is entitled to the greater of three months' base salary or notice and/or severance required at common law, subject to the Company's right to pay to Mr. Sutcliffe in lieu of notice.

Mr. Sutcliffe signed a non-competition and non-solicitation agreement with the Company on February 28, 2000 pursuant to which he has agreed that, during the currency of his employment agreement and for twelve months after termination of his employment agreement, he will not, indirectly or directly, be involved with a business which is in whole or in part competitive with the Company's business in North America. He has also agreed not to solicit employees, clients, consultants or suppliers of the Company during and after the termination of his employment with the Company. As consideration for this agreement, Mr. Sutcliffe was issued 18,000 Common Shares at a deemed price per Common Share of $3.50 and 5,000 Warrants to purchase 5,000 Common Shares.

All relevant employees of the Company, including its executive officers, have as a condition to their employment with the Company entered into agreements requiring the non-disclosure of confidential information of the Company and the assignment and confirmation of the Company's ownership of all intellectual property rights created in the course of such employees' employment with the Company.

Indemnification of Directors and Officers

The Company has in place in its Articles of Incorporation an indemnification of its directors and officers which provides, in all circumstances permitted by the CBCA, the Company shall indemnify a director or officer of the Company, a former director or officer of the Company, or a person who acts or acted at the Company's request as a director or officer of a body corporate of which the Company is or was a shareholder or a creditor, and his/her heirs and legal representatives, from and against:

(a) all costs, charges and expenses, including an amount to settle an action or satisfy a judgement reasonably incurred by him/her in respect of any civil, criminal or administrative action or proceeding to which he is made a party by reason of being or having been a director or officer of the Company or such body corporate; and

(b) all other costs, charges and expenses reasonably incurred in connection with the defence of any civil, criminal or administrative action or proceeding to which he is made a party by reason of being or having been a director or officer of the Company or such body corporate.

The Company is currently in the process of reviewing bids for the provision of liability insurance for its directors and officers.

OPTIONS TO ACQUIRE COMMON SHARES

At a Special Meeting of shareholders held on April 25, 2000, the shareholders of the Company approved revisions to the existing stock option plan (the "Plan") for directors, officers, employees of, and consultants to, the Company which complies with the requirements of the TSE.

The aggregate number of Common Shares reserved for issuance under the Plan is 3,000,000 Common Shares, representing less than 18% of the outstanding Common Shares after giving effect to the issuance of 3,000,000 Common Shares upon the exercise of 3,000,000 Special Warrants (See "Details of the Offering"), the issuance of 550,000 Common Shares to shareholders of Silvan, and the exercise of 69,532 employee options since the date of the Offering. The exercise price of the options shall be determined by the board of directors of the Company but shall not be less than the previous day's closing price for the Common Shares of the Company on the TSE. If the Common Shares were not traded on the previous day, the Company will use the weighted average of the previous five days of trading of the Common Shares.

Options granted under the Plan will expire at a date determined by the Board of Directors in respect of the particular grant but, in any event, no later than ten years from the date of the grant. Options may be exercised upon notice to the Company in whole or in part at any time after a date specified by the board of directors. If an option holder ceases to be an employee or a consultant of the Company, vesting of options automatically ceases on such date and no vested options held by such holder may be exercised following 90 days of such date.

In the event of the death of an option holder, the option previously granted shall, provided the option holder was entitled to exercise the option at the date of death, be exercisable on the earlier of the time of expiry of such option or six months following the date of death of the option holder by the option holder's legal successors.

Options may be awarded under the Plan in the discretion of the board of directors, or with the authority of any committee thereof, subject to the limitation that (i) options may not be awarded to any one person where the shares reserved for issuance thereunder would exceed 5% of the total issued Common Shares calculated immediately prior to the grant of option, and (ii) no option shall be granted which exceeds the maximum number of shares permitted by any stock exchange on which the Common Shares are then listed or any regulatory body having jurisdiction.

Options granted to David Luxton on the acquisition of BMN were issued under the Plan.

The following table sets forth the options to purchase Common Shares issued under the Plan as at June 30, 2000.

OPTIONS OUTSTANDING	Common Shares Under Options Granted	Exercise Price ($ per Common Share)	Expiry Date
Executive Officers:			
Dan Scharf	24,000	$0.600	November 27, 2003
	100,000	$1.430	December 2, 2002
Michael Roy	52,000	$0.880	October 8, 2002
Todd LaFontaine	100,000	$0.880	October 8, 2002
Richard Clements	100,000	$2.600	June 1, 2006
Elisabeth Preston	20,000	$2.600	May 18, 2004
Directors:			
Roman Plaskacz	20,000	$2.900	March 7, 2003
David Luxton	250,000	$2.600	February 9, 2005
Patrick Power	600,000	$3.000	May 24, 2003
Steven Brant	20,000	$2.900	March 7, 2003
Frank Post	96,833	$0.315	May 11, 2003
Mark Quigg	96,834	$0.315	May 11, 2003
Others	148,040	$0.315	May 11, 2003
	94,841	$0.620	September 9, 2001
	120,000	$0.880	October 8, 2002
	50,000	$1.430	December 6, 2001
	152,000	$2.600	June 1, 2005
	140,004	$2.880	January 24, 2003
	30,000	$2.900	March 7, 2003
	10,000	$2.450	January 31, 2001
	20,000	$2.800	April 27, 2003

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information regarding those shareholders who to the knowledge of the Company beneficially own, directly or indirectly, more than 10% of the aggregate of the issued and outstanding Common Shares as at July 13, 2000:

Shareholder	Number of Common Shares Owned	% of Total Common Shares Before Offering	% of Total Common Shares After Offering (1)
Mark Quigg	2,117,418 (4)	14.5%	12.1%
Julianne Wright (2)	1,056,082	7.2%	6.0%
Frank Post (3)	1,860,376	12.7%	10.5%

(1) Assumes the issuance of 3,000,000 Common Shares upon the exercise of 3,000,000 Special Warrants (See "Details of the Offering") and the issuance of 69,532 Common Shares upon the exercise of 69,532 employee options since the date of the Offering but without giving effect to:

(a) 1,500,000 Common Shares upon the exercise of 1,500,000 Regular Warrants issued by the Company or issuable upon the exercise of Special Warrants. (See "Details of the Offering").

(b) 300,000 Common Shares upon the exercise of 300,000 Brokers' Warrants issued by the Company or issuable upon the exercise of the Brokers' Special Warrant. (See "Details of the Offering").

(c) 150,000 Common Shares upon the exercise of 150,000 Brokers' Option Warrants issued by the Company or issuable upon the exercise of the Brokers' Warrants. (See "Details of the Offering").

(d) 500,000 Common Shares upon the exercise of 500,000 Warrants issued by the Company in connection with the acquisition of BMN. (See "Details of Recent Acquisitions").

(e) 2,244,552 Common Shares issuable upon exercise of options outstanding under the employee stock option.

(f) up to 150,000 Common Shares to the former shareholders of Silvan. (See "Other Acquisitions").

(2) Julianne Wright is Mark Quigg's spouse.

(3) Includes 1,289,210 Common Shares held by Frank Post and Francine Whiteduck through their holding company 3473155 Canada Inc. and 4,500 Common Shares held through Whiteduck Resources Inc..

(4) Mr. Quigg has granted an option to SteppingStone Capital Corporation to purchase 500,000 Common Shares at a price of $2.00 per Common Share.

ESCROWED SHARES

The following table describes the shares of the Company which, as of June 24, 2000, are held in escrow:

ESCROWED SECURITIES			
Designation of Class		**Number of Securities Held in Escrow**	**Percentage of Class** (1)
Common (2):			
Steven J.R. Brant		22,223 (3)	0.13
Verne Chant		3,260 (6)	0.02
Ron Connelly Investments Limited		4,935 (6)	0.03
Finova (Canada) Capital Corporation		32,989 (5)	0.19
Bridget Locke		98,270 (6)	0.56
The Locke Family Trust		15,455 (6)	0.09
David Luxton		596,509 (5)	3.40
John McKimm		22.223 (3)	0.13
Anthony Patterson		98,270 (6)	0.56
Brian Patterson		7,625 (6)	0.04
The Patterson Family Trust		15,455 (6)	0.09
Roman Plaskacz		22,222 (3)	0.13
Frank Post (7)		188,889 (3)	1.08
		553,633 (4)	3.15
Mark Quigg (8)		188,889 (3)	1.08
		830,450 (4)	4.73
Rogers Publishing Limited		249,995 (6)	1.42
Mark Sutcliffe		44,946 (5)	0.26
Toronto-Dominion Bank		45,557 (5)	0.26
	Total:	3,041,795	17.31
Preferred		Nil	Nil

(1) Assuming the issuance of 3,000,000 Common Shares upon the exercise of 3,000,000 Special Warrants (See "Details of the Offering") and the issuance of 69,532 Common Shares upon the exercise of 69,532 employee options but without giving effect to:

(a) 1,500,000 Common Shares upon the exercise of 1,500,000 Regular Warrants issued by the Company or issuable upon the exercise of Special Warrants. (See "Details of the Offering").

(b) 300,000 Common Shares upon the exercise of 300,000 Brokers' Warrants issued by the Company or issuable upon the exercise of the Brokers' Special Warrant. (See "Details of the Offering").

(c) 150,000 Common Shares upon the exercise of 150,000 Brokers' Option Warrants issued by the Company or issuable upon the exercise of the Brokers' Warrants. (See "Details of the Offering").

(d) 500,000 Common Shares upon the exercise of 500,000 Warrants issued by the Company in connection with the acquisition of BMN. (See "Details of Recent Acquisitions").

(e) 2,244,552 Common Shares issuable upon exercise of options outstanding under the existing employee stock option plan.

(f) up to 150,000 Common Shares to the former shareholders of Silvan. (See "Other Acquisitions").

(2) The Common Shares are being held pursuant to the terms of four escrow agreements. The depository under the first three described below is Montreal Trust Company. The escrow agent under the fourth escrow agreement described below is Blake, Cassels & Graydon LLP.

(3) Pursuant to the first agreement dated January 30, 1998 and signed in connection with the organization of the Company, two thirds of the 1,333,333 Common Shares of the Company which are subject to the agreement were released on June 23rd of each of 1999 and 2000. The last third will be released on June 23, 2001.

(4) Pursuant to the second agreement dated as of the 15th day of May, 1998, two thirds of the 4,152,251 Common Shares which are subject to the agreement were released on May 15th of each of 1999 and 2000. The last third will be released on May 15, 2001.

(5) Pursuant to the third agreement made as of the 28th day of February 2000, and signed in connection with the acquisition of BMN, one third of the 720,000 Common Shares which are subject to the agreement is to be released on February 28th of each of 2001, 2002 and 2003.

(6) The fourth escrow agreement is a non-regulatory, contractual escrow entered into by the former shareholders of Silvan with the Company on the conclusion of the Silvan acquisition. The 500,000 Common Shares which are subject to the agreement shall be released in accordance with timed releases of 25% on each successive three-month anniversary date of the transaction.

(7) Includes shares registered in the name of 3473155 Canada Inc., the holding company of Frank Post and his spouse Francine Whiteduck.

(8) Includes shares registered in the name of Julianne Wright, Mark Quigg's spouse.

DILUTION

The difference between the Special Warrants offering price per share and the net tangible book value per share after the Offering constitutes the dilution to investors in the Offering. Net tangible book value per share is determined by dividing total tangible assets less total liabilities by the number of outstanding Common Shares.

The issue price of $2.75 per Common Share issuable upon the exercise of a Special Warrant exceeds the net tangible book value per Common Share as at January 31, 2000 by $2.16, representing a dilution of 79% (assuming no exercise of the Warrants).

Issue Price		$2.75
Consolidated net tangible book value before the Offering, as at January 31, 2000	$0.12	
Increase in net tangible book value attributable to the Offering	0.47	
Consolidated net tangible book value after the Offering		0.59
Dilution to purchasers of Special Warrants		2.16
Percentage of dilution in relation to offering price		79%

The foregoing computations assume no additional share issuances by way of the exercise of any Warrants, or Brokers' Warrants or other options to purchase Common Shares, or in connection with the step-up provisions contained in the Agency Agreement.

DETAILS OF THE OFFERING

Pursuant to the Agency Agreement made between the Company and Yorkton Securities Inc. (the "Special Warrant Agent"), the Company issued and sold 3,000,000 Special Warrants (the "Special Warrants") at a price of $2.75 per Special Warrant. The Special Warrants were sold to purchasers on a private placement basis pursuant to prospectus exemptions under applicable securities legislation.

Each Special Warrant entitles the holder thereof to receive, without payment of additional consideration and subject to adjustment, as provided in the Special Warrant Indenture (as defined below), one Common Share and half of one Common Share purchase warrant ("Regular Warrant") of the Company, on or before 4:30 p.m. (Ottawa time) on the earlier of: (a) five (5) business days after the date upon which a receipt for a final prospectus to be filed by the Company with respect to the distribution of Common Shares and Regular Warrants issuable upon exercise of the Special Warrants has been obtained from the securities commission or similar regulatory authority in each of the provinces of Canada where the Special Warrants are sold; and (b) March 15, 2001 (the earlier of such dates is referred to as the "Expiry Date").

Each whole Regular Warrant entitles the holder thereof to purchase, subject to adjustment, one Common Share (a "Regular Warrant Share") at a price of $3.75 per Regular Warrant Share at any time on or before 4:30 p.m. (Ottawa time) on March 15, 2001.

The Common Shares and Regular Warrants issuable upon the exercise of the Special Warrants shall be issued by the Company. The Regular Warrant Shares issuable upon the exercise of the Regular Warrants shall be issued by the Company.

The net proceeds from the sale of the Special Warrants amounted to approximately $7,370,000 after deducting the fee of the Special Warrant Agent in the amount of $660,000 and expenses of the Company related to the issuance of the Special Warrants of approximately $220,000. No commission or fee will be payable to the Special Warrant Agent in connection with the distribution of the Common Shares and Regular Warrants issuable upon exercise of the Special Warrants.

As additional consideration for the Special Warrant Agent's services under the Agency Agreement, the Company issued 300,000 brokers' special warrants ("Brokers' Special Warrants") equal to 10% of the number of Special Warrants sold. Each Brokers' Special Warrant will entitle the holder to acquire, at any time up to 4:30 p.m. on the Expiry Date upon exercise and without payment of additional consideration, one brokers' warrant of the Company ("Brokers' Warrant"). Each Brokers' Warrant will entitle the holder to acquire, upon exercise, one Common Share ("Brokers' Option Share") and one half of one Regular Warrant ("Brokers' Option Warrant"), subject to readjustment, at a price of $2.75 per Brokers' Warrant at any time until 4:30 p.m. (Ottawa time) on March 15, 2001.

Each whole Brokers' Option Warrant issuable will be exercisable by the holder into one Common Share ("Brokers' Option Warrant Shares") at a price of $3.75 per Brokers' Option Warrant Share until 4:30 p.m. (Ottawa time) on March 15, 2001.

The Special Warrants were issued pursuant to the terms of a special warrant indenture dated March 15, 2000 (the "Special Warrant Indenture") between the Company and Montreal Trust. The Common Shares, Regular Warrants and Brokers' Warrant will be qualified for distribution by this Prospectus. The Special Warrant Indenture provides that, should a receipt for the final prospectus not be obtained from the securities regulatory authority in the province of Canada within which a purchaser of Special Warrants resides prior to July 15, 2000, Special Warrants exercised thereafter by the holder thereof shall entitle the holder to receive 1.1 Common Shares and 0.55 Regular Warrants for each Special Warrant held, without further payment. In addition, should a receipt for the final Prospectus not be obtained from the securities regulatory authorities by July 15, 2000, then the Agent shall be entitled to receive upon the exercise or deemed exercise of each Broker Warrant, 1.1 Common Shares and 0.55 Regular Warrants for each Broker Warrant at no additional cost.

PRIOR SALES

The issuances by the Company of Common Shares or securities convertible into or carrying rights to acquire Common Shares during the preceding fourteen months were as follows:

Date of Issuance	Type of Security	Number of Securities	Price per Security
June 3, 1999	Common Shares	18,332	$0.315 (1)
July 26, 1999	Common Shares	248,000	$0.315 (1)
September 3, 1999	Common Shares	333,333	$0.315 (1)
September 30, 1999	Common Shares	95,063	$0.36 (2)
October 13, 1999	Common Shares	80,000	$0.315 (1)
October 25, 1999	Common Shares	4,200	$0.315 (1)
November 9, 1999	Common Shares	9,133	$0.315 (1)
November 11, 1999	Common Shares	6,293	$0.315 (1)
January 5, 2000	Common Shares	15,000	$0.315 (1)
January 5, 2000	Common Shares	2,309	$0.62 (1)
January 10, 2000	Common Shares	24,000	$0.60 (1)
January 12, 2000	Common Shares	48,000	$0.315 (1)
January 17, 2000	Common Shares	20,000	$0.68 (1)
January 17, 2000	Common Shares	2,944	$0.62 (1)
January 17, 2000	Common Shares	5,000	$0.315 (1)
January 28, 2000	Common Shares	3,334	$0.315 (1)
January 28, 2000	Common Shares	725	$0.62 (1)
February 10, 2000	Common Shares	20,000	$3.00 (3)
February 15, 2000	Common Shares	20,560	$0.62 (1)
February 16, 2000	Common Shares	50,000	$3.00 (4)
February 28, 2000	Common Shares	1,800,000	$3.50 (5)
February 28, 2000	Warrants	500,000	$1.54 (5)
March 1, 2000	Common Shares	5,000	$0.315 (1)
March 15, 2000	Special Warrants	3,000,000	$2.75 (6)
March 15, 2000	Brokers' Warrants	300,000	– (6)
March 21, 2000	Common Shares	21,000	$0.315 (1)
May 3, 2000	Common Shares	2,771	$0.62 (1)

Date of Issuance	Type of Security	Number of Securities	Price per Security
May 3, 2000	Common Shares	35,000	$0.315 (1)
May 5, 2000	Common Shares	500,000	$2.90 (7)
May 18, 2000	Common Shares	1,216	$0.62 (1)
May 23, 2000	Common Shares	2,886	$0.62 (1)
May 23, 2000	Common Shares	3,325	$0.62 (1)
June 13, 2000	Common Shares	3,334	$0.315 (1)
June 15, 2000	Common Shares	50,000	$2.95 (7)

(1) Common Shares issued pursuant to exercise of options granted under the Plan;
(2) Common Shares issued pursuant to an exercise of Warrants granted on the closing of the Major Transaction;
(3) Common Shares issued pursuant to the acquisition of Simetra (See "Details of Recent Acquisitions"). The price of the Common Shares shown above is the value assigned them by the Company;
(4) Common Shares issued pursuant to the acquisition of CoroNet (See "Details of Recent Acquisitions"). The price of the Common Shares shown above is the value assigned them by the Company;
(5) Common Shares and Warrants issued pursuant to the acquisition of BMN. Options issued to David Luxton in connection with the acquisition of BMN (See "Details of Recent Acquisitions") and under the Plan. The value of the Common Shares shown above is the one assigned them by the Company. The price of the Warrants shown above has been determined on the basis of a Black Scholes valuation;
(6) Securities issued by the Company in connection with a special warrants private placement (See "Private Placement");
(7) Common Shares issued pursuant to the acquisition of Silvan (See "Details of Recent Acquisitions"). The price of the Common Shares shown above is the value assigned them by the Company.

PRICE RANGE AND TRADING VOLUME

The following table sets out the price ranges and volumes of the Common Shares traded on the Alberta Stock Exchange ("ASE") and the CDNX on a monthly basis for the current quarter and immediately preceding fiscal quarter and on a quarterly basis (fiscal) for the preceding seven quarters.

Time Period	High	Low	Volume
July 1-10, 2000	$2.50	$2.25	51,549
June, 2000	$3.35	$2.30	253,230
May, 2000	$3.25	$2.05	265,838
April, 2000	$4.00	$1.97	500,363
March, 2000	$6.10	$3.50	2,010,666
February, 2000	$5.00	$2.30	900,149
3rd Quarter, 2000	$3.75	$0.80	4,419,445
2nd Quarter, 2000	$1.10	$0.70	1,687,116
1st Quarter, 2000	$0.95	$0.70	919,876
4th Quarter, 1999	$1.05	$0.72	641,720
3rd Quarter, 1999	$1.05	$0.72	685,637
2nd Quarter, 1999	$0.70	$0.50	315,161
1st Quarter, 1999	$0.95	$0.60	546,686

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

On September l, 1998 the Company agreed to sub-let part of its premises comprising 700 square feet to Whiteduck Resources Inc. (see "Management and Employment Contracts") for a term of four years commencing on September 1, 1998 and ending on August 31, 2002, for annual rent in the amount of $6,000.

The Company entered into a financial services agreement dated November 9, 1998 with SteppingStone Capital Corporation ("SteppingStone"), a company in which Mr. Patrick Power holds a significant interest, pursuant to which Steppingstone provided strategic and acquisition advice to the Company. Remuneration for SteppingStone's services was negotiated on a case-by-case basis. The Company and SteppingStone have replaced this agreement with a new agreement under the following terms:

(a) grant (to Patrick J. Power of SteppingStone) of 600,000 options at $3.00 each with 25,000 options vesting on signing and 25,000 options vesting per month thereafter over two years with three years to exercise;

(b) fees for mergers and acquisition financing transactions fixed at $120,000 payable at $10,000 per month in arrears; and

(c) expenses reimbursed at cost.

The agreement terminates in twelve months. Termination without cause does not affect the grant of options. The total compensation paid to SteppingStone to date is $234,197.

The Company entered into a loan agreement dated May 25, 2000 with David Luxton, a director and shareholder of the Company and president of IBI, pursuant to which Mr. Luxton borrowed $300,000 from the Company with interest at an annual rate of 5% compounded monthly as a contingency fund for taxes payable by Mr. Luxton in connection with the acquisition of BMN. The loan plus accrued interest is due and payable on or before March 31, 2001. Any portion of the loan or accrued interest may be prepaid at any time without penalty. The loan, along with accrued interest, is secured by 120,000 of Mr. Luxton's escrowed Common Shares. The loan or any balance outstanding is due and payable immediately upon termination of Mr. Luxton's employment with the Company.

RISK FACTORS

Due to the Company's stage of development, investment in securities of the Company may be regarded as speculative. In addition, the following factors should be considered by potential investors:

Lengthy Sales and Implementation Cycles

NewSys' business includes large, complex integration projects. These services generally involve a significant commitment of resources by its prospective customers and will often require NewSys to provide a significant level of education to prospective customers regarding the use and benefits of e-Services. As a result, NewSys can invest significant resources without ultimately obtaining a contract.

The period between initial contact and project completion will often be lengthy (typically ranging from between three and nine months) and is sometimes subject to a number of significant delays over which NewSys has little or no control. These lengthy implementation cycles can be caused by poor responsiveness from NewSys' customers and can result in deferral of revenues.

Emerging Market; Market Acceptance

The market for NewSys' integration services is characterized by ongoing technological developments, new products being introduced to the market, evolving industry standards and changing customer requirements. NewSys' future financial performance will depend in large part on continued growth in the number of organizations requiring these services.

Similarly, the growth of the e-Channel will depend upon the attraction of SMEs to media and association-based Web-sites and the willingness of industry partners to adapt their services and products to the needs of SMEs.

Rapid Technological Change; New Products

The integration services markets in which NewSys competes are characterized by rapid technological change, frequent introductions of new products, changes in customer demands and evolving industry standards, which can render existing products and services obsolete and unmarketable. NewSys' future success will depend on its ability to address the increasingly sophisticated needs of its customers by supporting existing and emerging hardware, software, database and networking platforms and keeping pace with technological developments, evolving industry standards and changing customer requirements.

The e-commerce market is growing rapidly and the technologies which will permit SMEs to have access to ASP-like services are likely to develop rapidly. Alternative channels may be developed which could provide SMEs access to e-Products.

Management of Growth; Dependence on Key Personnel

The Company's growth has placed significant demands on its management and other resources. The Company's future results of operations will depend in part on the ability of its officers and other key employees to implement and expand operational, customer support and financial control systems and to expand, train and manage its employee base. The Company's future performance will also depend to a significant extent on its ability to identify, attract, train and retain highly skilled sales, consulting, technical, marketing and management personnel. Competition for such personnel is intense, and the Company expects that such competition will continue for the foreseeable future.

Acquisitions

The Company expects to engage in future acquisitions or investments, which may harm its operating results.

Integration of Newly Acquired Businesses

The Company has recently completed the acquisition of additional businesses. There can be no assurance that the Company will be able to profitably manage such businesses or successfully integrate them into the Company without substantial expense, delay or other operational or financial problems. Further, acquisitions may involve a number of special risks, including diversion of management's attention, failure to retain key acquired personnel, unanticipated events or circumstances, legal liabilities and amortization of acquired intangible assets, some or all of which could have a material adverse effect on the Company's business, financial condition and results of operation. Client satisfaction or performance problems at a single acquired business could have a material adverse impact on the reputation of the Company as a whole. In addition, there can be no assurance that acquired businesses will achieve anticipated revenues and earnings. The failure of the Company to manage its acquisition strategy successfully could have a material adverse effect on the Company's business, financial condition and results of operation.

Business Model

Although the Company's traditional business of IT consulting and its acquired media publications are established, its e-Channel business model is new, unproven and evolving and may not prove to be viable in the long run.

Competition

The market for NewSys' e-Services is highly competitive, fragmented, and subject to rapid technological change and frequent new product introductions and enhancements. NewSys has a large number of competitors which include systems integrators and packaged application vendors. Many of these competitors have longer operating histories, significantly greater financial, technical, product development, marketing and other resources, greater name recognition or a larger installed base of customers than NewSys. These competitors may be able to respond more quickly to new or emerging technologies and to changes in customer requirements or to devote greater resources to the development, promotion and sale of their products and services than can NewSys. Increased competition could impede the Company's ability to gain market share and harm its financial results.

Reliance on Third-Party Vendors

The Company relies on certain technologies which it licenses from third parties. Accordingly, the Company is subject to such third parties' abilities to maintain or enhance their current products, to develop new products on a timely and cost-effective basis and to respond to emerging industry standards and other technological changes. In addition, if the Company is unable to maintain its relationships on commercially favorable terms with the suppliers of the products it sells, the business will suffer.

Limited Intellectual Property Protection

The Company seeks to protect its solutions, documentation and other written materials under trade secret and copyright laws, which afford only limited protection. Despite precautions taken by the Company, it may be possible for unauthorized third parties to copy aspects of its IT solutions or to obtain and use information that the Company regards as proprietary. There can be no assurance that the Company's means of protecting its proprietary rights will be adequate or that the Company's competitors will not independently develop similar or superior solutions.

The Company also relies on certain technologies from such companies as IBM and Cognos, which it licenses, which is used as the foundation for developing business applications and modules. There can be no assurance that these third party technology licenses will continue to be available to the Company on commercially reasonable terms. The loss or the inability of the Company to maintain any of these technology licenses could result in delays in delivering the Company's IT solutions until equivalent technology could be identified licensed and integrated. Any such delays could materially and adversely affect the Company's business, operating results and financial condition.

Security Breaches

The Company's network and software are vulnerable to security breaches and similar threats which could result in liability for damages and harm its reputation.

Failure to Meet Performance Criteria

The Company's services and products typically involve applications that are critical to a customer's business. As a result, the Company's customers and potential customers typically have demanding requirements for installation and deployment. As these applications are complex and often involve the integration of technologies provided by a number of different vendors, the ultimate solution may not meet a customer's requirements, resulting in delays and lost revenues.

The successful adoption of the e-Channel depends upon a reliable delivery of products and services to the SME of the media and association Web-sites. There can be no guarantee that the services delivered to SMEs through the e-Channel will function at a level which will meet the expectations of the SME audience or deliver the type of services most required by them.

Dividends

The Company has not, since the date of incorporation, declared or paid any dividends on its Common Shares and does not currently intend to pay dividends. Earnings, if any, will be retained to finance further growth and development of the business of the Company (see "Dividend Policy").

Financing

The ability to raise funds for working capital, marketing and research is critical to the long-term success of the Company. While the Company believes that the net proceeds of the Offering and forecasted revenues will together be sufficient to meet its long-term capital requirements, there can be no assurances that no further financing will be required by the Company or that, if required, any debt or equity financing will be available on acceptable terms or at all.

Growth

The Company has grown very quickly and if it fails to manage this growth, its ability to increase revenue, and achieve profitability will be harmed.

Securing Partners for the e-Channel Strategy

The ability to secure partners for the e-Channel is critical to the Company's expansion strategy. The Company may not be able to secure the number or quality of partners to make this strategy viable. If the Company is unsuccessful in developing and maintaining existing relationships with third parties, it may be unable to increase traffic to the e-Channel, in addition to the Company's Web-sites.

Use of the Internet

The Company will not be able to grow its business unless SMEs increase their use of the Internet to conduct commerce, and the Internet is able to support the demands of this growth.

Web-site Performance

The performance of the Company's Web-sites is critical to its business and reputation. Any system failure that causes an interruption in the service of its Web-sites or a decrease in its responsiveness could result in reduced user traffic and reduced revenue. Further, prolonged or ongoing performance problems on its Web-sites could damage the Company's reputation and result in the permanent loss of customers to competitors' Web-sites. The Company has occasionally experienced system interruptions that have made its Web-sites totally unavailable, slowed its response time or prevented the Company from efficiently fulfilling orders, and these problems may occur again in the future.

Marketing and Sales

The development of the Company's brand is essential to its future success and requires ongoing expenditures. If the Company expands its international sales and marketing activities, it will be susceptible to numerous risks associated with international operations.

Regulations

Future regulations could be enacted that would either directly restrict the Company's business or indirectly impact its business by limiting the growth of e-Commerce.

Company Stock

The Company's stock price may be volatile.

Principal Stakeholders

The Company's principal stockholders, officers and directors will own a controlling interest in the Company's voting stock.

Use of Proceeds

The Company has broad discretion in using the proceeds from the Offering, which may increase the risk that the proceeds will not be applied effectively.

FORWARD-LOOKING STATEMENTS

Readers of this Prospectus should not rely on forward-looking statements. Some of the statements under "Summary of Prospectus", "Description of Business", "Management's Discussion and Analysis of Financial Condition and Operating Results", "Risk Factors" and in other sections of this Prospectus are forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. These factors are described in "Management's Discussion and Analysis of Financial Condition and Operating Results" and "Risk Factors" and other sections of this Prospectus. In some cases, you can identify forward-looking statements by terminology such as "may", "will", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue", or the negative of these terms or other comparable terminology. Although we believe that the expectations reflected in the forward-looking statements are reasonable as of the date of this Prospectus, we cannot guarantee future results, levels of activity, performance or achievements.

LEGAL PROCEEDINGS

The Company knows of no actual, threatened or pending legal proceedings to which the Company is a party or of which any of its property is subject which are material or potentially material on a consolidated basis.

PROMOTERS

Mark Quigg and Frank Post may be considered to be the promoters of the Company under applicable securities laws by reason of having taken the initiative in founding and organizing the business of the Company.

AUDITORS, TRANSFER AGENT & REGISTRARS

The auditors of the Company are PricewaterhouseCoopers LLP, Chartered Accountants, of 99 Bank Street, Suite 800, Ottawa, Ontario, K1P 1E4.

The registrar and transfer agent for the Common Shares is Montreal Trust Company of Canada, Suite 710, 530 - 8th Avenue S.W., Calgary, Alberta and 151 Front Street W., 7th Floor, Toronto, Ontario, M5J 2N1. These offices can effect transfers and make deliveries of certificates.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only material contracts entered into by the Company during the past two (2) years are as follows:

1. Employment Agreement between NewSys Solutions Inc. and Mark Quigg dated November 21, 1999. See "Management and Employment Contracts".

2. Employment Agreement between NewSys Solutions Inc. and Dan Scharf dated November 12, 1999. See "Management and Employment Contracts".

3. Employment Agreement between NewSys Solutions Inc. and Michael Roy dated November 19, 1999. See "Management and Employment Contracts".

4. Employment Agreement between NewSys Solutions Inc. and Todd LaFontaine dated May 1, 1999, amended by an agreement dated May 2, 1999. See "Management and Employment Contracts".

5. Employment Agreement between NewSys Solutions Inc. and Rick Clements dated June 2, 2000. See "Management and Employment Contracts".

6. Escrow Agreement among NewSys Solutions Inc. and Anthony Patterson, Bridget Locke, Rogers Publishing Limited, Brian Patterson, Ron Connelly Investments Limited, Verne Chant, the Patterson Family Trust and The Locke Family Trust and Blake Cassels & Graydon LLP dated May 5, 2000. See "Escrowed Shares".

7. Escrow Agreement among NewSys Solutions Inc. and Montreal Trust Company, David Luxton Mark Sutcliffe the Toronto-Dominion Bank and Finova Capital Corporation dated February 28, 2000. See "Escrowed Shares".

8. Escrow Agreement among NewSys Solutions Inc. and Montreal Trust Company and Mark J. Quigg, Frank Post, Roman Plaskacz, Steven J.R. Brant and John McKimm dated January 30, 1998. See "Escrowed Shares".

9. Share Purchase Agreement among Ronald Warburton and Mark Gunner and Virginia Gunner and NewSys Solutions Inc. and Simetra Development Ltd. dated February 10, 2000. See "Details of Recent Acquisitions".

10. Sub-Contracting Agreement between NewSys Solutions Inc. and Mark Gunner dated February 1, 2000. See "Details of Recent Acquisitions".

11. Stock Option Agreement between NewSys Solutions Inc. and Mark Gunner dated February 1, 2000. See "Details of Recent Acquisitions".

12. Sub-Contracting Agreement between NewSys Solutions Inc. and Ron Warburton dated February 1, 2000. See "Details of Recent Acquisitions".

13. Stock Option Agreement between NewSys Solutions Inc. and Ron Warburton dated February 1, 2000. See "Details of Recent Acquisitions".

14. Share Purchase Agreement among Paul J. Minaker and NewSys Solutions Inc. and CoroNet Network Services Inc. dated February 16, 2000. See "Details of Recent Acquisitions".

15. Agency Agreement between Yorkton Securities Inc. and NewSys Solutions Inc. dated March 15, 2000. See "Details of the Offering".

16. Special Warrant Indenture between NewSys Solutions Inc. and Montreal Trust Company of Canada dated March 15, 2000. See "Details of the Offering".

17. Warrant Indenture between NewSys Solutions Inc. and Montreal Trust Company of Canada dated March 15, 2000. See "Details of the Offering".

18. Financial Services Agreement between SteppingStone Capital Corporation and NewSys Solutions Inc. dated November 9, 1998. See "Interest of Management and Others in Material Transactions".

19. Share Purchase Agreement among NewSys Solutions Inc. and David Luxton, Mark Sutcliffe, Marplast Corporation, 134988 Canada Inc., 1146418 Ontario Inc., Siegfried Keats, the Armiger Corporation, The Toronto-Dominion Bank and Finova (Canada) Capital Corporation dated February 28, 2000. See "Details of Recent Acquisitions".

20. Stock Option Agreement between NewSys Solutions Inc. and Mark Sutcliffe dated February 28, 2000. See "Management and Employment Contracts".

21. Employment Agreement between InBusiness.com Inc. and David Luxton dated March 1, 2000. See "Management and Employment Contracts".

22. Employment Agreement between The Business Media Network Inc. and Mark Sutcliffe dated February 28, 2000. See "Management and Employment Contracts".

23. Non-Competition and Non-Solicitation Agreement Between David Luxton and NewSys Solutions Inc. dated February 28, 2000. See "Management and Employment Contracts".

24. Non-Competition and Non-Solicitation Agreement Between Mark Sutcliffe and NewSys Solutions Inc. dated February 28, 2000. See "Management and Employment Contracts".

25. Purchase Agreement between NewSys Solutions Inc. and Anthony Patterson, Bridget Locke, Rogers Publishing Limited, Brian Patterson, Ron Connelly Investments Limited, The Patterson Family Trust, The Locke Family Trust and Verne Chant dated May 2, 2000. See "Details of Recent Acquisitions".

26. Loan Agreement between the Company and David Luxton dated May 25, 2000. See "Interest of Management and Others in Material Transactions".

A copy of each of the foregoing agreements may be inspected during normal business hours at the office of the Company, at 900 Lady Ellen Place, Ottawa, Ontario K1Z 5L5, during the period of distribution to the public of the Common Shares offered hereunder.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment thereto. In several of the provinces of Canada securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, but such remedies must be exercised by the purchaser within the time limit prescribed by the securities legislation of his or her province. The purchaser should refer to any applicable provisions of the securities legislation of his or her province for the particulars of these rights or consult with a legal advisor.

CONTRACTUAL RIGHT OF ACTION FOR RESCISSION

In the event that a holder of a Special Warrant, who acquires Common Shares and Warrants upon the 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 thereto containing a misrepresentation, such holder shall be entitled to rescission, not only of the holder's exercise of the 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 such holder is a permitted assignee of the interest of the original Special Warrant subscriber, such permitted assignee shall be entitled to exercise the rights of rescission and refund granted hereunder as if such permitted assignee was the original subscriber. The foregoing are in addition to any other right or remedy available to a holder of a Special Warrant, under Section 126 of the Securities Act (Ontario) and similar provisions of the securities legislation of other provinces or otherwise at law and are subject to the defences, limitations and other provisions of such legislation.

FINANCIAL STATEMENTS

PROFORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF NEWSYS SOLUTIONS INC.

Compilation Report on Pro forma Condensed Consolidated Balance Sheet and Statement of Loss

To the Directors of
NewSys Solutions Inc.

We have reviewed, as to compilation only, the accompanying pro forma condensed consolidated balance sheet of NewSys Solutions Inc. as at April 30, 2000 and pro forma condensed consolidated statement of loss for the year ended April 30, 2000 which have been prepared for inclusion in the prospectus of NewSys Solutions Inc. dated July 13, 2000. In our opinion, the pro forma condensed consolidated balance sheet and statement of loss have been properly compiled to give effect to the proposed transactions and the assumptions described in the notes thereto.

(Signed) "PricewaterhouseCoopers LLP"
Chartered Accountants
Ottawa, Ontario
July 13, 2000

NEWSYS SOLUTIONS INC.

Pro forma Condensed Consolidated Balance Sheet

As at April 30, 2000

(Unaudited)

	NewSys Solutions Inc.	Silvan Communications Inc.			
	April 30, 2000	May 5, 2000	Pro forma adjustments	Note	Pro forma Balance Sheet
ASSETS					
Current					
Cash and cash equivalents	$ 6,660,811	$ -	$ (284,189)	4(ii)	$ 6,376,622
Accounts receivable	4,695,514	407,420	-		5,102,934
Loan receivable	48,800	-	-		48,800
Due from related parties	28,129	-	-		28,129
Prepaid expenses	375,087	10,866	-		385,953
	11,808,341	418,286	(284,189)		11,942,438
Capital assets	444,153	45,267	-		489,420
Due from related parties	47,309	-	-		47,309
Issuance costs	-	8,360	(8,360)	4(i)	-
Future income tax asset	328,775	-	-		328,775
Other assets	8,040,764	-	1,941,244	4(i)	9,982,008
	$ 20,669,342	$ 471,913	$ 1,648,695		$ 22,789,950
LIABILITIES					
Current					
Bank indebtedness	$ -	$ 211,967	$ (211,967)	4(ii)	$ -
Accounts payable and accrued liabilities	2,994,519	396,016	-		3,390,535
Income taxes payable	94,356	-	-		94,356
Deferred revenue	1,241,527	105,242	-		1,346,769
Current portion of long-term obligations	35,773	30,343	(30,343)	4(ii)	35,773
	4,366,175	743,568	(242,310)		4,867,433
Due to related parties	109,982	1,250	-		111,232
Long-term obligations	23,552	41,879	(41,879)	4(ii)	23,552
	4,499,709	786,697	(284,189)		5,002,217
SHAREHOLDERS' EQUITY					
Common shares	8,000,047	994,984	(994,984)	4(i)	9,618,147
			1,618,100	4(i)	
Special warrants	7,370,000	-	-		7,370,000
Warrants	770,000	-	-		770,000
Share loans receivable	(32,290)	-	-		(32,290)
Cumulative translation adjustment	1,664	-	-		1,664
Retained earnings (deficit)	60,212	(1,309,768)	1,309,768	4(i)	60,212
	16,169,633	(314,784)	1,932,884		17,787,733
	$ 20,669,342	$ 471,913	$ 1,648,695		$ 22,789,950

NEWSYS SOLUTIONS INC.

Pro forma Condensed Consolidated Statement of Loss

Year ended April 30, 2000

(Unaudited)

	NewSys Solutions Inc.	The Business Media Network Inc.			Silvan Communications Inc.			
	Year ended April 30, 2000	Year ended December 31, 1999	Pro forma adjustments	Note	Year ended December 31, 1999	Pro forma adjustments	Note	Pro forma Statement of Loss
REVENUE								
Sales	$ 20,531,973	$ 4,292,467	$ (665,702)	4(v)	$ 2,045,667	$ -		$ 26,204,405
Cost of sales	16,358,952	2,269,479	(350,281)	4(v)	1,230,311	-		19,508,461
	4,173,021	2,022,988	(315,421)		815,356	-		6,695,944
EXPENSES								
Sales and marketing	1,571,552	872,476	(165,983)	4(v)	357,610	-		2,635,655
General and administration	1,864,543	642,187	(103,528)	4(v)	875,156	-		3,278,358
Depreciation and amortization	79,491	304,407	(15,482)	4(v)	22,611	-		391,027
Amortization of intangibles	135,946	-	655,315	4(iii)	-	194,124	4(iv)	985,385
Interest and financing	18,700	178,056	672	4(v)	78,948	-		276,376
	3,670,232	1,997,126	370,994		1,334,325	194,124		7,566,801
INCOME (LOSS) FROM OPERATIONS	502,789	25,862	(686,415)		(518,969)	(194,124)		(870,857)
Other income	70,040	12,956	-		-	-		82,996
Loss from discontinued operations	-	(41,850)	-		-	-		(41,850)
INCOME (LOSS) BEFORE INCOME TAXES	572,829	(3,032)	(686,415)		(518,969)	(194,124)		(829,711)
Provision for (recovery of) income taxes	315,314	16,100	(6,916)	4(v)	1,040	-		325,538
NET INCOME (LOSS)	$ 257,515	$ (19,132)	$ (679,499)		$ (520,009)	$ (194,124)		$(1,155,249)
LOSS PER SHARE (Note 5)								$ (0.07)

1. BASIS OF PRESENTATION

The accompanying unaudited pro forma condensed consolidated balance sheet of NewSys Solutions Inc. (“NewSys”) as at April 30, 2000 and statement of loss for the year ended April 30, 2000 have been prepared by management for inclusion in the prospectus of NewSys dated July 13, 2000, after giving effect to the combination of NewSys, Silvan Communications Inc. (“Silvan”), and The Business Media Network Inc. (“BMN”) and related transactions on the basis of the assumptions described in Note 3 below.

The pro forma condensed consolidated financial statements of NewSys have been derived from the following:

(i) the audited consolidated financial statements of NewSys for the year ended April 30, 2000;

(ii) the audited consolidated balance sheet of Silvan as at May 5, 2000;

(iii) the audited financial statements of BMN for the year ended December 31, 1999;

(iv) the audited consolidated financial statements of Silvan for the year ended December 31, 1999;

The pro forma condensed consolidated balance sheet and statement of loss of NewSys should be read in conjunction with the foregoing financial statements including the notes thereto.

The pro forma condensed consolidated balance sheet for the year ended April 30, 2000 represents the combination of the consolidated balance sheet of NewSys for the year ended April 30, 2000 (which includes the accounts of BMN) and for Silvan as at May 5, 2000.

The pro forma condensed consolidated statement of loss for the year ended April 30, 2000 represents the combination of the consolidated statements of income (loss) for NewSys for the year ended April 30, 2000, for BMN the year ended December 31, 1999 and for Silvan for the year ended December 31, 1999.

The pro forma condensed consolidated statement of loss is not intended to reflect the results of operations of NewSys which would have actually resulted had the transactions described in Note 3 and other pro forma adjustments been effected on the dates indicated. Further, these pro forma financial statements are not indicative of the results of operations that may be attained in the future.

2. ACQUISTIONS

(a) *The Business Media Network Inc.*

On February 28, 2000, the Company acquired all of the issued and outstanding shares of The Business Media Network Inc. ("BMN"), a company carrying on the business of regional business publications and trade shows, for total consideration of $7,395,613 (including transaction costs of $325,613), comprised of 1,800,000 common shares valued at $6,300,000, 500,000 warrants valued at $770,000 and cash of $325,613. Transaction costs include a finders fee in the amount of $210,000 payable to SteppingStone Capital Corporation, a corporation in which a director of the Company has a material interest.

The transaction has been accounted for using the purchase method of accounting and the purchase price has been allocated to the estimated fair value of the assets acquired and liabilities assumed as follows:

Estimated fair value of net liabilities acquired:

Working capital	$ 300,138
Future income tax asset	295,000
Capital assets and other assets	531,005
	1,126,143
Less: Long-term debt and obligations	(1,339,161)
Net liabilities	(213,018)
Intangible assets	7,608,631
	$ 7,395,613

(b) *Silvan Communications Inc.*

On May 5, 2000, the Company acquired all of the issued and outstanding shares of Silvan Communications Inc. ("Silvan"), a company producing business journals in Ottawa, Toronto, Calgary and Vancouver, for total consideration of $1,618,100 comprised of 500,000 common shares valued at $1,450,000 issued May 5, 2000, 50,000 common shares valued at $147,500 issued June 15, 2000 and cash of $20,600. In addition, the Company may be required to issue up to a maximum of 150,000 common shares calculated according to a formula based on the weighted average trading price of the common shares up to December 29, 2000.

The transaction has been accounted for using the purchase method of accounting and the purchase price has been allocated to the estimated fair value of the assets acquired and liabilities assumed as follows:

Estimated fair value of net liabilities acquired:

Working capital deficiency	$ (294,939)
Capital assets	45,267
	(249,672)
Less: long-term debt and obligations	(73,472)
Net liabilities	(323,144)
Intangibles	1,941,244
	$ 1,618,100

3. PRO FORMA ASSUMPTIONS

The pro forma condensed consolidated balance sheet and statement of loss incorporate pro forma assumptions as follows:

(i) for the pro forma condensed consolidated balance sheet as at April 30, 2000, the acquisition of Silvan as if it occurred on April 30, 2000;

(ii) for the pro forma condensed consolidated statement of loss for the year ended April 30, 2000, the acquisition of BMN and Silvan as if they occurred on May 1, 1999;

(iii) intangibles are amortized on a straight-line basis over an average period of 10 years.

4. PRO FORMA ADJUSTMENTS

The pro forma consolidated financial statements include the following adjustments:

(i) to adjust for transactions related to the acquisition of Silvan;

(ii) to adjust for cash used from proceeds of the offering to repay long-term debt and bank indebtedness;

(iii) to adjust for the amortization of intangibles related to the acquisition of BMN;

(iv) to adjust for the amortization of intangibles related to the acquisition of Silvan; and

(v) To adjust the income statement of NewSys for the year ended April 30, 2000 to exclude the results of BMN for the period from February 28, 2000 to April 30, 2000, which were included in the consolidated financial statements of NewSys for the year ended April 30, 2000.

5. LOSS PER SHARE

For the purposes of the pro forma consolidated financial statements, the loss per share has been calculated using the weighted average number of shares which would have been outstanding during the year ended April 30, 2000 after giving effect to the transactions described in Note 3.

NewSys Solutions Inc.

Consolidated Financial Statements
April 30, 2000

Auditors' Report

To the Directors of
NewSys Solutions Inc.

We have audited the consolidated balance sheet of NewSys Solutions Inc. as at April 30, 2000 and the consolidated statements of income and retained earnings (deficit), shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2000 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures were audited by another firm of chartered accountants.

(*Signed*) "PricewaterhouseCoopers LLP"
Chartered Accountants
Ottawa, Ontario
June 23, 2000, except as to note 14(b) and note 14(c)
which are as of June 29, 2000 and July 13, 2000 respectively

Auditors' Report

To the Directors of
NewSys Solutions Inc.

We have audited the consolidated balance sheet of NewSys Solutions Inc. as at April 30, 1999 and the consolidated statements of income and retained earnings (deficit) and cash flows for the year ended April 30, 1999 and the seven months ended April 30, 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 audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 1999 and the results of its operations and its cash flows for the year ended April 30, 1999 and the seven months ended April 30, 1998 in accordance with Canadian generally accepted accounting principles.

(*Signed*) "Smiley Kazubinski DiBartolo"
Chartered Accountants
Nepean, Ontario
June 14, 1999

NewSys Solutions Inc.

Consolidated Balance Sheet

As at April 30, 2000

	2000 $	1999 $
Assets		
Current assets		
Cash and cash equivalents	6,660,811	–
Accounts receivable (note 2)	4,695,514	3,343,323
Loan receivable	48,800	–
Due from related parties (note 6)	28,129	200,481
Prepaid expenses	375,087	21,524
Future income tax asset (note 10)	–	16,953
	11,808,341	3,582,281
Capital assets (note 3)	444,153	166,283
Other assets (note 4)	8,040,764	–
Due from related parties (note 6)	47,309	56,229
Future income tax asset (note 10)	328,775	39,167
	20,669,342	3,843,960
Liabilities		
Current liabilities		
Bank indebtedness	–	165
Accounts payable and accrued liabilities	2,994,519	2,643,479
Income taxes payable	94,356	46,033
Current portion of long-term obligations (note 7)	35,773	–
Deferred revenue	1,241,527	–
	4,366,175	2,689,677
Long-term obligations (note 7)	23,552	–
Due to related parties (note 6)	109,982	221,656
	4,499,709	2,911,333
Commitments and contingencies (note 9)		
Shareholders' equity		
Capital stock (note 8)	16,140,047	1,248,434
Share loans receivable	(32,290)	(120,167)
Cumulative translation adjustment	1,664	1,663
Retained earnings (deficit)	60,212	(197,303)
	16,169,633	932,627
	20,669,342	3,843,960

Approved by the Board of Directors

(Signed) "Mark Quigg" ______________________ Director

(Signed) "Patrick Power" ______________________ Director

See accompanying notes to the consolidated financial statements.

NewSys Solutions Inc.

Consolidated Statement of Income and Retained Earnings (Deficit)

For the year ended April 30, 2000

	Year ended April 30, 2000 $	Year ended April 30, 1999 $	Seven months ended April 30, 1998 $
Revenue			
Sales	20,531,973	16,430,094	7,521,486
Cost of sales	16,358,952	13,770,415	6,322,253
	4,173,021	2,659,679	1,199,233
Expenses			
Sales and marketing	1,571,552	929,042	390,623
General and administrative	1,864,543	1,269,343	496,023
Depreciation and amortization	79,491	49,772	18,926
Amortization of intangibles	135,946	–	–
Interest and financing	18,700	18,151	26,363
	3,670,232	2,266,308	931,935
Income from operations	502,789	393,371	267,298
Other income	70,040	93,719	25,110
Income before income taxes	572,829	487,090	292,408
Provision for income taxes (note 10)	(315,314)	(214,098)	(114,923)
Net income	257,515	272,992	177,485
Retained earnings (deficit) – Beginning of year	(197,303)	429,705	252,220
Capital stock repurchase in conjunction with the reverse takeover (note 5)	–	(900,000)	–
Retained earnings (deficit) – End of year	60,212	(197,303)	429,705
Earnings per share			
Basic	0.02	0.03	0.02
Fully diluted	0.02	0.02	0.01
Weighted average number of shares outstanding			
Basic	12,035,125	10,557,970	10,000,000
Fully diluted	12,937,309	11,864,038	12,232,117

See accompanying notes to the consolidated financial statements.

NewSys Solutions Inc.

Consolidated Statement of Shareholders' Equity

For the year ended April 30, 2000

	Number Issued and Outstanding			Stated Value							
	Common Shares	**Special Warrants**	**Warrants**	**Common Shares $**	**Special Warrants $**	**Warrants $**	**Capital Stock $**	**Share Loans Receivable $**	**Cumulative Translation Adjustment $**	**Retained Earnings (Deficit) $**	**Total Shareholders' Equity $**
Balance as at April 30, 1998	10,000,000	–	–	691,733	–	–	691,733	(98,304)	819	429,705	1,023,953
Issuance of Series I Warrants	–	–	1,130,339	–	–	–					
Issuance of Series II Warrants	–	–	95,068	–	–	–					
Shares issued on exercise of Series I warrants	1,130,339	–	(1,130,339)	553,866	–	–	553,866	(21,863)	–	–	532,003
Shares issued on exercise of stock options	9,000	–	–	2,835	–	–	2,835	–	–	–	2,835
Cumulative translation adjustment	–	–	–	–	–	–	–	–	844	–	844
Share capital repurchase in conjunction with the reverse takeover	–	–	–	–	–	–	–	–	–	(900,000)	(900,000)
Net income	–	–	–	–	–	–	–	–	–	272,992	272,992
Balance as at April 30, 1999	11,139,339	–	95,068	1,248,434	–	–	1,248,434	(120,167)	1,663	(197,303)	932,627
Exercise and expiry of Series II Warrants	95,063	–	(95,068)	34,223	–	–	34,223	–	–	–	34,223
Shares issued on exercise of stock options	867,163	–	–	207,390	–	–	207,390	–	–	–	207,390
Repayment of share loan	–	–	–	–	–	–	–	87,877	–	–	87,877
Shares issued on acquisition of Simetra Development Ltd.	20,000	–	–	60,000	–	–	60,000	–	–	–	60,000
Shares issued on acquisition of CoroNet Network Services Inc.	50,000	–	–	150,000	–	–	150,000	–	–	–	150,000
Shares and warrants issued on acquisition of The Business Media Network Inc.	1,800,000	–	500,000	6,300,000	–	770,000	7,070,000	–	–	–	7,070,000
Issuance of Special Warrants	–	3,000,000	–	–	7,370,000	–	7,370,000	–	–	–	7,370,000
Cumulative translation adjustment	–	–	–	–	–	–	–	–	1	–	1
Net income	–	–	–	–	–	–	–	–	–	257,515	257,515
Balance as at April 30, 2000	13,971,565	3,000,000	500,000	8,000,047	7,370,000	770,000	16,140,047	(32,290)	1,664	60,212	16,169,633

See accompanying notes to the consolidated financial statements.

NewSys Solutions Inc.

Consolidated Statement of Cash Flows

For the year ended April 30, 2000

	Year ended April 30, 2000 $	Year ended April 30, 1999 $	Seven months ended April 30, 1998 $
Cash flows from (used in)			
Operating activities			
Net income	257,515	272,992	177,485
Items not affecting cash:			
Depreciation and amortization	79,491	49,772	18,926
Amortization of intangibles	135,946	–	–
Future income tax asset	23,953	16,953	(73,073)
	496,905	339,717	123,338
Changes in non-cash working capital items (note 11)	(43,116)	(43,944)	(361,865)
	453,789	295,773	(238,527)
Financing activities			
Issuance of common shares	329,490	534,838	593,129
Issuance of special warrants	7,370,000		
Advances (to) from related parties	69,598	(284,634)	40,919
Loan from related parties	1,000,000	–	–
Loan repayments to related parties	(1,000,000)	–	–
Repayment of long-term obligations	(1,305,888)	–	10,000
	6,463,200	250,204	644,048
Investing activities			
Additions to capital assets	(123,299)	(110,670)	(39,816)
Additions to other assets	(15,733)	–	–
Investment in certain businesses, net of cash acquired	(116,982)	–	–
Capital stock repurchase in conjunction with reverse takeover transaction	–	(900,000)	–
	(256,014)	(1,010,670)	(39,816)
Effect of foreign currency translation on cash flows	1	844	646
Net change in cash and cash equivalents	6,660,976	(463,849)	366,351
Cash and cash equivalents (bank indebtedness) – Beginning of period	(165)	463,684	97,333
Cash and cash equivalents (bank indebtedness) – End of period	6,660,811	(165)	463,864

See accompanying notes to the consolidated financial statements.

1 Significant accounting policies

Basis of presentation

These consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada (“Canadian GAAP), and include all assets, liabilities, revenues and expenses of NewSys Solutions Inc. (“NewSys”) and its wholly-owned subsidiaries NewSys New Systems Solutions Ltd. (Cdn) (“NSSL”), NewSys New Systems Solution Ltd. (USA), Simetra Development Ltd. and The Business Media Network Inc. NewSys and its wholly-owned subsidiaries are collectively referred to herein as the “Company”.

Nature of operations

The Company was incorporated as 747705 Alberta Inc. under the *Alberta Business Corporation Act* by Articles of Incorporation dated July 18, 1997. The name of the Company was changed to NewSys Solutions Inc. on October 30, 1997. On May 15, 1998, as part of a reverse takeover transaction, NewSys Solutions Inc. completed the purchase of all the voting shares of NSSL, a related Ontario registered company which had been operating since January 1990. By Certificate and Articles of Continuance dated March 7, 2000, the Company was continued under the laws of Canada.

Foreign currency translation

Assets and liabilities of the self-sustaining non-Canadian operation are translated at year end exchange rates. Revenue and expenses are translated at average exchange rates prevailing during the year. Exchange gains or losses are deferred and shown as a separate component of shareholders' equity described as "accumulated foreign currency translation adjustment".

Other monetary assets and monetary liabilities are translated into Canadian dollars at year end exchange rates. Non-monetary assets and non-monetary liabilities are translated at rates prevailing at the time the assets were acquired or the liabilities incurred. Revenue and expenses are translated into Canadian dollars using exchange rates in effect on the transaction dates. Exchange gains and losses arising on translation are included in the statement of operations of the fiscal year.

Capital assets

Capital assets are recorded at cost. The carrying value of capital assets is reviewed periodically for any permanent impairment in value. Amortization is charged to operations over the estimated useful lives of the assets using the declining balance method as follows:

Computer equipment	30%
Computer software	100%
Office equipment	20%
Capital leases	30%

Leasehold improvements are amortized using the straight-line method over the lease term.

Intangible assets

Intangible assets include intellectual property, trade show rights, deferred development costs, trademarks, trade names, and goodwill, which represents the purchase price paid for an acquired business in excess of the net identifiable assets acquired or liabilities assumed.

These assets are amortized on a straight-line basis over their estimated useful lives which vary from two to fifteen years.

The Company assesses the carrying value of intangible assets for future recoverability on a periodic basis by estimating the associated net undiscounted future cash flows. Intangible assets are written down for any permanent impairment in value of the unamortized portion.

Revenue recognition

Revenue on time and materials contracts is recognized as the work is completed. Revenue on fixed price contracts is recognized on a percentage-of-completion basis whereby revenue is recorded at estimated net realizable value of work completed to date.

Cash equivalents

Cash equivalents are defined as liquid investments, which have an original term to maturity of ninety days or less.

Stock-based compensation

No compensation expense is recognized when stock or stock options are issued to employees. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to share capital.

Income tax

The Company provides for income taxes using the liability method of tax allocation. Under this method, future income tax assets and liabilities are determined based on deductible or taxable temporary differences between the financial statement values and tax values of assets and liabilities, using enacted income tax rates expected to be in effect for the year in which the differences are expected to reverse. The Company provides a valuation allowance on net future tax assets when it is more likely than not that such assets will not be realized.

Use of accounting estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the Company's management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods presented. Actual results could differ from the estimates made by management.

2 Accounts receivable

	2000 $	1999 $
Trade	4,352,979	3,343,323
Other	342,535	–
	4,695,514	3,343,323

3 Capital assets

	2000		1999	
	Cost $	Accumulated amortization $	Cost $	Accumulated amortization $
Computer equipment	430,924	199,433	149,498	77,448
Computer software	71,250	59,077	41,471	33,755
Office equipment	282,149	128,164	86,180	23,946
Leasehold improvements	43,028	16,167	26,981	2,698
Office equipment under capital lease	40,676	21,033	–	–
	868,027	423,874	304,130	137,847
Less: accumulated amortization	423,874		137,847	
Net book value	444,153		166,283	

4 Other assets

			2000
	Cost $	**Accumulated amortization** $	**Net** $
Intangible assets	8,477,090	436,326	8,040,764

5 Business acquisitions

a) NewSys reverse takeover

On May 15, 1998 NewSys entered into a business combination with NSSL. The companies had common directors and shareholders and, accordingly, this reverse takeover has been accounted for using the pooling of interests method. These consolidated financial statements reflect the combined historical carrying values of the assets, liabilities and shareholders' equity and the historical operating results of the predecessor companies.

As part of this transaction, 27.4% of the outstanding shares of NSSL were purchased for:

(i) $650,000 in cash; and
(ii) the issuance of a subordinated debenture having a principal amount of $250,000 due December 31, 1998. The debenture bore interest at 8% per annum calculated quarterly, and was secured by all real and intellectual property of the Company other than inventory.

As a result of this transaction, $900,000 has been charged to retained earnings, representing the amount paid for these shares in excess of their stated value.

All of NSSL's 50,521 Class B Common Shares and 242,500 first preference shares were exchanged for 6,666,667 Common Shares of NewSys. Immediately thereafter, the former shareholders of NSSL held 67% and the former shareholders of NewSys held 33% of the 10,000,000 outstanding Common Shares of NewSys. NewSys also acquired all of the outstanding warrants of NSSL through the issuance of 1,130,339 Series I Warrants and 95,068 Series II Warrants; each Series I Warrant entitled the holder to purchase one Common Share of the Company for $0.49 per share and was exercisable until October 31, 1998; each Series II warrant entitles the holder to purchase one Common Share of the Company for $0.36 per share and can be exercised until September 30, 1999.

Summary balance sheet highlights for NSSL and the Company, as at April 30, 1998, are as follows:

	NewSys New Systems Solutions Limited $	NewSys Solutions Inc. $
Balance Sheet as at April 30, 1998		
Current assets	2,645,016	333,525
Other assets	206,794	36,003
	2,851,810	369,528
Current liabilities	1,747,932	26,304
Other liabilities	322,280	6,772
	2,070,212	33,076
Share capital	366,461	325,270
Retained earnings	415,137	11,182
	781,598	336,452
	2,851,810	369,528

b) Crystalline Data Structures Inc.

On September 29, 1999, the Company entered into a letter of intent, further amended in June 2000, to purchase Crystalline Data Structures Inc. ("CDS") for total cash consideration of $1,200,000 payable in instalments as follows: (i) $400,000 upon closing; (ii) $400,000 on the first anniversary of closing; and (iii) $400,000 on the second anniversary of closing. The shareholders of CDS will also be granted 400,000 options at an exercise price of $3.00 per option, one third of which shall be exercised at the time of payment of each cash instalment. The closing has been delayed pending the satisfactory resolution of a legal dispute to which CDS is a party. Since September, 1999, the Company has had an employment agreement with the principal of CDS for the delivery of consulting services and has agreed to pay CDS' expenses until the acquisition is closed.

c) Simetra Development Ltd.

On February 10, 2000, the Company acquired all of the issued and outstanding shares of Simetra Development Ltd., a company providing business intelligence solutions focusing on Cognos software products, for total consideration of $245,671 comprising 20,000 Common Shares valued at $60,000 and cash of $185,671 (including cash consideration of $172,000 and transaction costs of $13,671).

d) CoroNet Network Services Inc.

On February 16, 2000, the Company acquired all of the issued and outstanding shares of CoroNet Network Services Inc., a company providing "Internet plumbing" expertise for total consideration of $161,580 comprising 50,000 Common Shares valued at $150,000 and cash of $11,580 (including cash consideration of $3,252 and transaction costs of $8,328).

e) The Business Media Network Inc.

On February 28, 2000, the Company acquired all of the issued and outstanding shares of The Business Media Network Inc. ("BMN"), the operator of the Ottawa Business Journal and InBusiness.com, for total consideration of $7,395,613 (including transaction costs of $325,613) comprising 1,800,000 Common Shares valued at $6,300,000, 500,000 warrants valued at $770,000 and cash transaction costs of $325,613. Transaction costs include a fee in the amount of $210,000 payable to SteppingStone Capital Corporation, a corporation in which a director of the Company has a material interest.

The total consideration paid and the net assets acquired for the above noted acquisitions are as follows:

	Simetra $	CoroNet $	BMN $
Working capital	148,106	2,252	300,138
Capital and other assets	21,518	1,000	531,005
Future income tax asset	–	–	295,000
Long-term debt and obligations	–	–	(1,339,161)
Net identifiable assets acquired (liabilities assumed)	169,624	3,252	(213,018)
Intangibles	76,047	158,328	7,608,631
Purchase price	245,671	161,580	7,395,613
Purchase price comprised of:			
Common shares	60,000	150,000	6,300,000
Warrants	–	–	770,000
Cash	185,671	11,580	325,613
	245,671	161,580	7,395,613

6 Due to/from related parties

a) Due from related parties

The amounts due from related parties are non-interest bearing with no specified terms of repayment.

b) Due to related parties

The amounts due to related company are non-interest bearing with no specified terms of repayment. The amounts due to shareholders bear interest monthly at a rate of 0.75 percent above a Canadian chartered bank's prime interest rate with no specified terms of repayment.

	2000 **$**	**1999** **$**
Due to related company	–	75,000
Due to shareholders	109,982	146,656
	109,982	221,656

c) Related party transactions

Transactions with related parties were as follows:

	Year ended April 30, 2000 **$**	**Year ended April 30, 1999** **$**	**Seven months ended April 30, 1998** **$**
Management and subcontract services provided by corporations related to directors and shareholders of the Company	372,677	18,600	133,602
Loans advanced by officers and directors	1,000,000	–	–
Loans repaid to officers and directors	(1,000,000)	–	–
Advances (to) from related parties	69,598	(284,634)	40,919

7 Long-term obligations

	2000 **$**
Canadian Imperial Bank of Commerce – business improvements loan repayable in monthly principal instalments of $958 plus interest at prime plus 3%, due 2002.	22,034
Canadian Imperial Bank of Commerce – demand loan repayable in monthly principal instalments of $1,299 plus interest at prime plus 1.5%, due 2001.	15,588
Capital lease obligations	21,703
	59,325
Less: current portion	35,773
	23,552

Principal repayments over the next five years are as follows:

	$
2001	35,773
2002	17,421
2003	6,131
	59,325

Capital leases bear interest at rates between 7% and 10.5% per annum and are due over varying periods extending to the year 2003.

As collateral for the loans, the bank holds a chattel mortgage over certain equipment of the Company, an assignment of fire insurance and a personal guarantee from a director of the Company.

8 Capital stock

Authorized

Unlimited number of Common Shares
Unlimited number of non-voting preferred shares, issuable in series

Stock option plan

The Company established a stock option plan on October 14, 1997 for its directors, officers, employees and consultants. The stock option plan is administered by the Board of Directors. The Board of Directors designates participants eligible to be included under the plan, and designates the number of options, expiry date and exercise price for options granted under the plan, subject to applicable securities laws and stock regulations. The options vest when granted. Information with respect to stock options is as follows:

	Number of Shares	Range	Weighted average
Outstanding at April 30, 1998	333,333	$ 0.15 – 0.15	$ 0.15
Granted	714,667	0.32 – 0.60	0.33
Exercised	9,000	0.32 – 0.32	0.32
Outstanding at April 30, 1999	1,039,000	0.15 – 0.60	0.28
Granted	813,581	0.62 – 2.90	1.52
Exercised	667,163	0.15 – 0.68	0.27
Outstanding at April 30, 2000	1,185,418	$ 0.32 – 2.90	1.14

As at April 30, 2000, the following stock options were outstanding:

Year of Grant	Year of Expiration	Exercise Price $	Number of Options
1998	May 11, 2003	0.315	394,375
1999	November 27, 2003	0.600	24,000
1999	September 9, 2003	0.620	105,039
1999	October 8, 2002	0.880	272,000
1999	December 6, 2001	1.430	50,000
1999	December 2, 2002	1.430	100,000
2000	January 24, 2003	2.880	150,004
2000	April 27, 2003	2.800	20,000
2000	March 27, 2003	2.900	70,000
			1,185,418

Special Warrants

Pursuant to the Agency Agreement made between the Company and Yorkton Securities Inc. (the "Special Warrant Agent"), the Company issued and sold 3,000,000 Special Warrants (the "Special Warrants") at a price of $2.75 per Special Warrant. The Special Warrants were sold to purchasers on a private placement basis pursuant to prospectus exemptions under applicable securities legislation.

Each Special Warrant entitles the holder thereof to receive, without payment of additional consideration and subject to adjustment, one Common Share and half of one Common Share purchase warrant ("Regular Warrant") of the Company.

Each whole Regular Warrant entitles the holder thereof to purchase, subject to adjustment, one Common Share (a "Regular Warrant Share") at a price of $3.75 per Regular Warrant Share at any time on or before March 15, 2001.

The net proceeds from the sale of the Special Warrants amounted to approximately $7,370,000 after deducting the fee of the Special Warrant Agent in the amount of $660,000 and expenses of the Company related to the issuance of the Special Warrants of approximately $220,000. No commission or fee will be payable to the Special Warrant Agent in connection with the distribution of the Common Shares and Regular Warrants issuable upon exercise of the Special Warrants.

As additional consideration for the Special Warrant Agent's services under the Agency Agreement, the Company issued 300,000 brokers' Special Warrants ("Brokers' Special Warrants") equal to 10% of the number of Special Warrants sold. Each Brokers' Special Warrant entitles the holder to acquire, at any time up to the expiry date upon exercise and without payment of additional consideration, one brokers' warrant of the Company ("Brokers' Warrant"). Each Brokers' Warrant entitles the holder to acquire, upon exercise, one Common Share ("Brokers' Options Share") and one half of the Regular Warrant ("Brokers' Option Warrant"), subject to readjustment, at a price of $2.75 per Brokers' Warrant at any time on or before March 15, 2001.

Each whole Brokers' Option Warrant issuable will be exercisable by the holder into one Common Share at a price of $3.75 per Brokers' Option Warrant Share at any time on or before March 15, 2001.

The Special Warrants were issued pursuant to the terms of a special warrant indenture dated March 15, 2000 (the "Special Warrant Indenture") between the Company and Montreal Trust. The Common Shares, Regular Warrants, Regular Warrant Shares, Brokers' Warrant and Brokers' Option Share and Brokers' Option Warrant will be qualified for distribution by filing of a prospectus. The Special Warrant Indenture provides that, should a receipt for the final prospectus not be obtained from the securities regulatory authority in the province of Canada within which a purchaser of Special Warrants resides prior to July 15, 2000, Special Warrants exercised thereafter by the holder thereof shall entitle the holder to receive 1.1 Common Shares and 0.55 Regular Warrants for each Special Warrant held, without further payment and Brokers' Warrants exercised thereafter by the Agent shall entitle the Agent to receive 1.1 Brokers' Option Shares and 0.55 Brokers' Option Warrants.

Other options and warrants

In 1998, the Company granted a single non-transferable option to Yorkton Securities Inc. to purchase 200,000 Common Shares of the Company at $0.15 per share. The option was exercised on July 26, 1999.

In 1999, the Company issued 95,068 Series II Warrants which entitled the holder to purchase one Common Share of the Company for $0.36 per share of which 95,063 warrants were exercised on September 30, 1999. The remaining 5 warrants expired on September 30, 1999.

Share loans receivable

Terms of repayment of share loans vary and include: upon demand; on a specified anniversary date of either two or three years; or when remuneration exceeds a specified amount. The loans bear interest at either 7%, 5.5% or are non-interest bearing.

The prices for the shares acquired through these loans vary from $0.315 to $0.357 per share.

9 Commitments and contingencies

Operating line of credit

The Company has a $1,500,000 operating line of credit with a Canadian chartered bank. This facility bears interest at the bank's prime rate plus 0.75% and is renewable annually. A general security agreement on all assets of the Company, personal guarantees of certain shareholders of $250,000, a guarantee of the U.S. subsidiary of $1,500,000, an assignment of fire insurance over the Company's assets and a subordination and assignment of shareholder loans have been provided as collateral for the operating line.

Operating leases

The Company was committed under an operating lease for rental of office premises as follows:

	April 30, 2000 $
2001	196,500
2002	190,000
2003	82,000
2004	2,100

10 Income taxes

The provision for income taxes consists of:

	Year ended April 30, 2000 $	Year ended April 30, 1999 $	Seven months ended April 30, 1998 $
Current income taxes	291,361	197,145	97,970
Future income taxes	23,953	16,953	16,953
	315,314	214,098	114,923

The income tax provision differs from the amount computed by applying the Canadian basic statutory rate to the income before income taxes. The reasons for this difference and the related tax effects are as follows:

	Year ended April 30, 2000 $	Year ended April 30, 1999 $	Seven months ended April 30, 1998 $
Statutory rate	44.5%	44.6%	44.6%
Expected provision for income tax	256,000	217,141	135,884
Small business deduction	–	–	(25,556)
Non-deductible purchased intangibles	60,659	–	–
Other items	(1,345)	(3,043)	4,595
Provision for income taxes	315,314	214,098	114,923

The Company acquired BMN on February 28, 2000. At the time of the acquisition, BMN had net operating loss carryforward balances for income tax purposes, which are available to reduce future taxable income and expire as follows:

	Federal $	Ontario $
2001	33,000	35,000
2002	290,000	290,000
2003	42,000	42,000
2004	135,000	135,000
2005	30,000	30,000
2006	133,000	133,000
	663,000	665,000

The primary temporary differences which give rise to future income tax assets are as follows:

	April 30, 2000 $	April 30, 1999 $
Net operating loss carryforwards	288,000	–
Share issue costs	39,167	56,120
Depreciation and amortization	103,000	–
Other	1,608	–
	431,775	56,120
Less: valuation allowance	103,000	–
	328,775	56,120

Future income tax assets are segregated as follows:

Current portion	–	16,953
Long-term portion	328,775	39,167
	328,775	56,120

11 Changes in non-cash working capital items

	Year ended April 30, 2000 $	Year ended April 30, 1999 $	Seven months ended April 30, 1998 $
Accounts receivable	(165,907)	(916,362)	(790,950)
Loan receivable	(48,800)	–	–
Prepaid expense	(343,998)	(13,524)	–
Accounts payable and accrued liabilities	38,071	891,832	442,152
Income taxes payable	40,207	(5,890)	(13,067)
Deferred revenue	437,311	–	–
	(43,116)	(43,944)	(361,865)

12 Segmented information

The Company has three reportable segments: consulting services, media, and e-business. Revenues from e-business operations are insignificant to date. The Company's long-lived assets are all located in Canada. The Company evaluates operating segment performance based on operating revenue from external customers, operating income before other costs, provision for income taxes and amortization of intangibles.

A reconciliation of the totals reported for the operating segments to the applicable line items in the consolidated financial statements is as follows:

	Year ended April 30, 2000			Year ended April 30, 1999	Seven months ended April 30, 1998
	Consulting services $	Media $	Total $	Consulting services $	Consulting services $
Revenue	19,866,271	665,702	20,531,973	16,430,094	7,521,486
Cost of sales	16,008,671	350,281	16,358,952	13,770,415	6,222,253
Operating income before the undernoted	3,857,600	315,421	4,173,021	2,659,679	1,199,233
Other costs	3,179,925	284,321	3,464,246	2,172,589	906,825
Provision for income taxes	308,398	6,916	315,314	214,098	114,923
Amortization of intangibles	–	135,946	135,946	–	–
Net income	369,277	(111,762)	257,515	272,992	177,485

	Year ended April 30, 2000			Year end April 30, 1999	Seven months ended April 30, 1998
	Consulting services $	Media $	Total $	Consulting services $	Consulting services $
Revenue					
Canada	16,944,945	665,702	17,610,647	14,065,533	6,466,419
United States	2,921,326	–	2,921,326	2,364,561	1,055,067
	19,866,271	665,702	20,531,973	16,430,094	7,521,486
Major Customers					
Government of Canada	11,500,000	–	11,500,000	8,872,000	4,700,000

13 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.

14 Subsequent events

a) Acquisition of Silvan Communications Inc.

On May 5, 2000, the Company acquired all of the issued and outstanding shares of Silvan Communications Inc., a company producing business journals in Ottawa, Toronto, Calgary and Vancouver, for total consideration of $1,618,100 comprising 500,000 Common Shares valued at $1,450,000 issued May 5, 2000, 50,000 Common Shares valued at $147,500 issued June 15, 2000 and cash of $20,600. In addition, the Company may be required to issue up to a maximum of 150,000 Common Shares calculated according to a formula based on the weighted average trading price of the Common Shares following December 29, 2000.

Total consideration paid and net liabilities acquired are as follows:

	Silvan $
Working capital deficiency	(294,939)
Capital and other assets	45,267
Long-term debt and obligations	(73,472)
Net liabilities acquired	(323,144)
Intangibles	1,941,244
Purchase price	1,618,100
Purchase price comprised of:	
Common shares	1,597,500
Cash	20,600
	1,618,100

b) Grant of employee stock options

On June 29, 2000, the Company granted 1,122,000 additional stock options under the stock option plan, subject to shareholder approval, to various directors, officers, employees and consultants. Included in this grant are 250,000 stock options committed to an officer and director as part of his employment agreement of May 5, 2000.

c) Special Warrants

Pursuant to a prospectus dated July 13, 2000, the Company qualified for distribution the Common Shares, Regular Warrants, Regular Warrant Shares, Brokers' Warrant and Brokers' Option Share and Brokers' Option Warrant discussed in note 8.

F I N A N C I A L   S T A T E M E N T S

For

THE BUSINESS MEDIA NETWORK INC.

For year ended

DECEMBER 31, 1999

AUDITORS' REPORT

To the shareholders of

THE BUSINESS MEDIA NETWORK INC.

We have audited the balance sheet of The Business Media Network Inc. as at December 31, 1999 and the statements of income and deficit and cash flow for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1999 and the results of its operations and cash flow for the year then ended in accordance with generally accepted accounting principles.

(Signed) "Welch & Company LLP"

CHARTERED ACCOUNTANTS

Ottawa, Ontario
February 1, 2000.

THE BUSINESS MEDIA NETWORK INC.

BALANCE SHEET

DECEMBER 31, 1999

	1999	1998
ASSETS		
CURRENT ASSETS		
Cash	$ 181,735	$ 42,260
Short-term investments - note 2	281,170	409,700
Accounts receivable	628,602	545,757
Prepaid expenses	22,080	400
	1,113,587	998,117
FUTURE INCOME TAX ASSETS - note 3	118,500	123,000
CAPITAL ASSETS - note 4	200,664	186,099
INTELLECTUAL PROPERTY - note 5	16,605	-
TRADE SHOW RIGHTS - note 6	210,001	237,501
DEFERRED DEVELOPMENT COSTS - note 7	87,575	148,184
	$ 1,746,932	$ 1,692,901
LIABILITIES AND NET DEFICIT		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 601,028	$ 459,796
Current portion of long-term debt	27,084	27,091
Current portion of capital lease obligations	8,433	7,086
	636,545	493,973
LONG-TERM DEBT - note 8	1,169,649	1,196,733
CAPITAL LEASE OBLIGATIONS - note 9	15,917	22,600
	1,822,111	1,713,306
NET DEFICIT		
Capital stock - note 10	465,970	465,970
Deficit	(541,149)	(486,375)
	(75,179)	(20,405)
	$ 1,746,932	$ 1,692,901

Approved by the Board:

DAVID LUXTON
. . . . Director

(See accompanying notes)

THE BUSINESS MEDIA NETWORK INC.

STATEMENT OF INCOME AND DEFICIT

YEAR ENDED DECEMBER 31, 1999

	1999				1998
	Publishing	Events	Other	Total	Total
Revenues	$ 2,450,267	$ 1,607,878	$ 234,322	$ 4,292,467	$ 2,472,077
Direct costs	963,143	920,973	7,674	1,891,790	832,619
Selling and marketing	620,668	251,808	-	872,476	733,382
Direct overhead	118,680	249,431	9,578	377,689	262,560
	1,702,491	1,422,212	17,252	3,141,955	1,828,561
Gross margin	$ 747,776	$ 185,666	$ 217,070	1,150,512	643,516
Corporate overhead				642,187	491,490
Income before financing costs and amortization				508,325	152,026
Financing costs and amortization					
Interest - long-term debt				175,351	98,593
- capital lease obligations				2,705	2,912
- other				-	75,661
Amortization - capital assets				53,882	62,100
- intellectual property				2,519	-
- trade show rights				27,500	25,000
- development costs				220,506	-
				482,463	264,266
Less:					
Investment and other income				(12,956)	(74,161)
				469,507	190,105
Income (loss) before future income taxes and discontinued operations				38,818	(38,079)
Future income taxes (recovery)				16,100	(4,500)
Income (loss) before discontinued operations				22,718	(33,579)
Discontinued operations					
Net cost of discontinued publications - note 11				53,450	115,303
Future income tax recovery				(11,600)	(25,500)
Net loss from discontinued operations				41,850	89,803
Net loss				(19,132)	(123,382)
Deficit, beginning of year				(486,375)	(362,993)
				505,507	(486,375)
Dividends				(35,642)	-
Deficit, end of year				$ (541,149)	$ (486,375)

(See accompanying notes)

THE BUSINESS MEDIA NETWORK INC.

STATEMENT OF CASH FLOW

YEAR ENDED DECEMBER 31, 1999

	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (19,132)	$ (123,382)
Adjustments for:		
Amortization - capital assets	53,882	62,100
- intellectual property	2,519	-
- trade show rights	27,500	25,000
- development costs	220,506	-
Future income tax expense (recovery)	4,500	(30,000)
	289,775	(66,282)
Changes in non-cash working capital components:		
Accounts receivable	(82,845)	(329,640)
Prepaid expenses	(21,680)	(400)
Accounts payable and accrued liabilities	141,232	(14,486)
Cash flows from operating activities	326,482	(410,808)
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal (purchase) of investments	128,530	(53,794)
Purchase of capital assets	(66,071)	(73,595)
Purchase of intellectual property	(19,124)	-
Purchase of trade show rights	-	(25,000)
Development expenditures incurred	(159,897)	(37,415)
Cash flows from investing activities	(116,562)	(189,804)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments to shareholders and related parties	-	(5,000)
Related party debt converted to equity	-	(958,920)
Shareholder loan forgiven	-	(50,000)
Proceeds received from long-term debt	-	1,196,000
Repayments of long-term debt	(27,091)	(25,446)
Capital lease repayments	(7,712)	(8,614)
Capital stock issued	-	1,108,970
Dividends paid	(35,642)	-
Redemption of capital stock	-	(643,002)
Cash flows from financing activities	(70,445)	613,988
INCREASE IN CASH	139,475	13,376
CASH, beginning of year	42,260	28,884
CASH, end of year	$ 181,735	$ 42,260

-

Other information		
Interest paid	$ 173,904	$ 151,907

(See accompanying notes)

1. SIGNIFICANT ACCOUNTING POLICIES

Capital assets and amortization

Capital assets are stated at acquisition cost.

Amortization is generally provided on a declining basis at the following annual rates for the following capital assets:

Office equipment	30%
Computer equipment	30%
Furniture and fixtures	20%
Distribution racks	20%

Additions in the year are amortized at one-half these rates.

Leasehold improvements are amortized on a straight line basis over the period of the lease.

Capital leases

Equipment leased by the company under agreements which transfer substantially all of the benefits and risks of ownership to the company are accounted for as capital leases. Accordingly, at the inception of the leases, the equipment and related lease obligations are recorded at an amount equal to the present value of the future lease payments. Amortization is provided on the same basis as with other equipment owned by the company.

Intellectual property

The rights to the intellectual property are amortized on a straight line basis over the term of the rights which is usually a maximum of two years.

Trade show rights

Cost of trade show rights purchased are amortized on a straight line basis over the period of ten years.

Income taxes

The company follows the asset and liability method for accounting for income taxes. Under this method, the change in the future income tax asset or liability is to be included in income. Future income tax assets or liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled.

Financial instruments

The company's financial instruments consist of cash, short-term investments, accounts receivable, accounts payable, long-term debt and capital lease obligations. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

. . ./2

2. SHORT-TERM INVESTMENTS

Short-term investments are carried at cost which approximates fair value. Included in this amount is $129,391 held by Hot Pack Enterprises Inc. ("HPE") in trust for The Business Media Network Inc. to guarantee the availability and delivery of 30,000 hot pack meals relating to The Hot Pack Food Bank Program by the end of February 2000. The Armiger Corporation, related company controlled by the controlling shareholder of The Business Media Network Inc., has entered into an agreement with HPE to purchase hot pack meals to be donated to a local charity. The Armiger Corporation has engaged The Business Media Network Inc. to provide event management services and collect corporate sponsorship to cover the cost of the hot pack meals. For their services, The Business Media Network Inc. is entitled to a minimum fee of $30,000 that has been recognized in full in 1999 and is included in event revenue on the statement of income and deficit. The monies held in trust by HPE have been fully guaranteed by The Armiger Corporation.

3. FUTURE INCOME TAX ASSETS

Future income tax assets represent the benefit of income tax loss carry-forwards recognized for accounting purposes. At December 31, 1999, the company has losses available for income tax purposes of approximately $536,000, of which a benefit of $118,500 has been recorded. These losses have a limited life and will expire as follows:

Year	Amount
2002	$ 40,000
2003	290,000
2004	42,000
2005	136,000
2006	28,000
	$ 536,000

4. CAPITAL ASSETS

Capital assets consist of the following:

	1999		1998	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Office equipment	$ 16,275	$ 11,759	$ 15,473	$ 10,073
Computer equipment	155,782	66,594	100,618	43,551
Furniture and fixtures	108,700	54,025	98,595	42,205
Distribution racks	40,823	17,438	40,823	11,592
Leasehold improvements	15,147	7,574	15,147	4,544
Office equipment under capital lease	40,676	19,349	38,300	10,892
	377,403	$ 176,739	308,956	$ 122,857
Less accumulated amortization	176,739		122,857	
	$ 200,664		$ 186,099	

5. INTELLECTUAL PROPERTY

Intellectual property consists of the following:

	1999	1998
Domaine names	$ 19,124	$ -
Less accumulated amortization	2,519	-
	$ 16,605	$ -

6. TRADE SHOW RIGHTS

	1999	1998
Trade show rights	$ 275,001	$ 275,001
Less accumulated amortization	65,000	37,500
	$ 210,001	$ 237,501

7. DEFERRED DEVELOPMENT COSTS

The development of a new internet site has continued in 1999 with the commercial production and utilization being partially realized in the year. The company initially commenced the development of this site in 1996.

Annual amortization of these costs has been recognized in an amount equal to the direct contribution generated from the internet site. Should any balance remain unamortized, five years subsequent to capitalization, it will be expensed in the sixth year.

	1999	1998
Deferred development costs	$ 308,081	$ 148,184
Less accumulated amortization	220,506	-
	$ 87,575	$ 148,184

8. LONG-TERM DEBT

	1999	1998
Toronto Dominion Bank (TD) - secured promissory note with monthly interest payments of 13%, principal due 2003	$ 600,000	$ 600,000
Sirrom Capital Corporation (SCC) - secured promissory note with monthly interest payments of 13%, principal due 2003	400,000	400,000
1146418 Ontario Inc. - interest calculated at an annual rate of 1% net sales payable on a semi-annual basis on June 30 and December 31 and shall be paid on August 15 and February 15 respectively, principal due 2001	150,000	150,000
Canadian Imperial Bank of Commerce (CIBC) - business improvement loan repayable in monthly principal instalments of $958 plus interest at prime + 3%, due 2002	25,879	37,375
Canadian Imperial Bank of Commerce (CIBC) - demand loan repayable in monthly principal instalments of $1,299 plus interest at prime + 1.5%, due 2001	20,854	36,449
	1,196,733	1,223,824
Less current portion	27,084	27,091
	$ 1,169,649	$ 1,196,733

Principal repayments over the next five years are as follows:

2000	$ 27,084
2001	166,762
2002	2,887
2003	1,000,000
	$ 1,196,733

As security for the notes held by TD and SCC, there is a general security agreement representing a first floating charge over all of the company's assets and a limited personal guarantee by the controlling shareholder. In 1998, options were granted to TD and SCC to purchase 10,889 Class A common shares. Additional options have been granted to 1146418 Ontario Inc. The specifics associated with these options have been outlined in note 10.

As security for the CIBC loans, the bank holds a chattel mortgage over certain equipment of the company, an assignment of fire insurance and a personal guarantee from the controlling shareholder.

9. OBLIGATIONS UNDER CAPITAL LEASE

Future lease payments under capital leases in existence at December 31, 1999 are due as follows:

2000	$ 10,416
2001	8,565
2002	7,542
2003	1,614
	28,137
Less amount representing deemed interest	3,787
Balance of obligation	24,350
Less current portion	8,433
Long-term portion	$ 15,917

The leases bear interest at rates between 7% and 10.5% per annum and are due over varying periods extending to the year 2003.

. . ./5

10. CAPITAL STOCK

The company is authorized to issue the following classes of shares in unlimited numbers:

Class A common - voting, dividends at discretion of directors
Class B common - non-voting, dividends at discretion of directors, redeemable and retractable at amount paid thereon
Class C preferred - non-voting, no dividends, redeemable and retractable at amount paid thereon
Class E - non-voting, 8% dividends, redeemable and retractable at the fair market value at date of issuance

The issued and fully paid-up capital stock is as follows:

		1999	1998
Class A common	- 100,000 shares	$ 50	$ 50
Class B common	- 2 shares	150,000	150,000
Class C - preferred	- 32,956 shares	315,920	315,920
		$ 465,970	$ 465,970

As part of a share subscription agreement with the holders of Class B common shares, they each are entitled to received dividends calculated at an annual rate of ½% of net sales. The dividends are to be calculated on a semi-annual basis on June 30 and December 31 and shall be paid on August 15 and February 15 respectively. On February 15, 2000, a total dividend in the amount of $18,370 is to be paid to the holders of the Class B shares. These shares are redeemable in 2001. The holders of the Class B common shares also each currently hold an option to purchase a number of Class A common shares equal, on the date of exercise, to ½% of the issued and outstanding Class A common shares at an option price of $20.00. This option expires February 25, 2003. Should controlling interest of The Business Media Network Inc. change before the option expiry date, the options shall be deemed to have been exercised.

The Toronto Dominion Bank (TD) and Sirrom Capital Corporation (SCC) currently hold options to purchase Class A common shares at an option price of $0.01. TD has the option to purchase 6,316 Class A common shares while SCC has the option to purchase 4,573 Class A common shares. The options can be exercised at any time up to June 29, 2003. If the debt held by TD and SCC is still outstanding on May 29, 2002 and May 29, 2003, TD receives additional options in the amount of 8,120 and 10,031, respectively, and SCC receives additional options in the amount of 5,880 and 7,263, respectively.

1146418 Ontario Inc. currently holds an option to purchase a number of shares of each class equal, on the exercise date, to 1% of the shares of each issued class for the aggregate price of $20.00. This option expires February 15, 2003. However, should controlling interest of The Business Media Network Inc. change or the company repay the outstanding debt on or before June 30, 2001, 1146418 Ontario Inc. is entitled to purchase 1.5% of a number of shares of each for the aggregate price of $20.00.

11. DISCONTINUED OPERATIONS

During the year, the company started and ceased to produce two magazines entitled Money and Internet Directory. The 1998 net cost related to a weekly publication entitled Metro.

The net cost of these discontinued publications are as follows:

	1999	1998
Revenues	$ -	$ 65,262
Expenses	53,450	180,565
Net cost of discontinued publications	$ 53,450	$ 115,303

12. COMMITMENTS

The following amounts represent minimum lease payments for operating leases for the company's operating premises, automotive vehicles and computer equipment:

	Premises	Vehicles	Computer equipment	Total
2000	$ 97,127	$ 18,543	$ 8,424	$ 124,094
2001	100,575	16,083	702	117,360
2002	86,207	1,540	-	87,747
Total	$ 283,909	$ 36,166	$ 9,126	$ 329,201

13. 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. The effects of the year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the year 2000 issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

F I N A N C I A L S T A T E M E N T S

For

THE BUSINESS MEDIA NETWORK INC.

(Formerly The Business Press Group Inc.)

For the year ended

DECEMBER 31, 1998

AUDITORS' REPORT

To the shareholders of

THE BUSINESS MEDIA NETWORK INC.

We have audited the balance sheet of The Business Media Network Inc. (formerly The Business Press Group Inc.) as at December 31, 1998 and the statements of income and deficit and cash flow for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1998 and the results of its operations and cash flow for the year then ended in accordance with generally accepted accounting principles.

(Signed) "Welch & Company LLP"

CHARTERED ACCOUNTANTS

Ottawa, Ontario
January 22, 1999.

THE BUSINESS MEDIA NETWORK INC.

(Formerly The Business Press Group Inc.)

(Incorporated under the laws of Canada)

BALANCE SHEET

DECEMBER 31, 1998

	1998	1997
ASSETS		
CURRENT ASSETS		
Cash	$ 42,260	$ 28,884
Short-term investments	409,700	355,906
Accounts receivable	546,157	216,117
	998,117	600,907
FUTURE INCOME TAX ASSETS - note 3	123,000	93,000
CAPITAL ASSETS - note 4	186,099	136,304
TRADE SHOW RIGHTS - note 5	237,501	237,501
DEFERRED DEVELOPMENT COSTS - note 6	148,184	110,769
	$ 1,692,901	$ 1,178,481
LIABILITIES AND NET DEFICIT		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 459,796	$ 474,282
Owing to shareholders and related parties - note 7	-	1,013,920
Current portion of long-term debt	27,091	15,591
Current portion of capital lease obligations	7,086	-
	493,973	1,503,793
LONG-TERM DEBT - note 8	1,196,733	37,679
CAPITAL LEASE OBLIGATIONS - note 9	22,600	-
	1,713,306	1,541,472
NET DEFICIT		
Capital stock - note 10	465,970	2
Deficit	(486,375)	(362,993)
	(20,405)	(362,991)
	$ 1,692,901	$ 1,178,481

Approved by the Board:

DAVID LUXTON
. . . . Director

(See accompanying notes)

THE BUSINESS MEDIA NETWORK INC.

(Formerly The Business Press Group Inc.)

STATEMENT OF INCOME AND DEFICIT

YEAR ENDED DECEMBER 31, 1998

	1998 Publishing	1998 Events	1998 Total	1997
Revenues	$ 1,795,989	$ 676,088	$ 2,472,077	$ 1,561,757
Direct costs	678,516	154,103	832,619	775,227
Selling and marketing	613,717	119,665	733,382	345,610
Direct overhead	103,533	159,027	262,560	199,015
	1,395,766	432,795	1,828,561	1,319,852
Gross margin	$ 400,223	$ 243,293	643,516	241,905
Corporate overhead			491,490	260,546
Income (loss) before financing costs and amortization			152,026	(18,641)
Financing costs and amortization				
Interest - long-term debt			77,847	-
- other			99,319	15,794
Amortization - capital assets			62,100	30,787
- trade show rights			25,000	12,500
			264,266	59,081
Less investment and other income			(24,161)	(36,568)
Less forgiveness of debt			(50,000)	-
			190,105	22,513
Loss before future income taxes and discontinued operations			(38,079)	(41,154)
Future income tax recovery			4,500	9,000
Loss before discontinued operations			(33,579)	(32,154)
Discontinued operations				
Net cost of discontinued publication - note 11			115,303	-
Future income tax recovery			25,500	-
Net loss from discontinued operations			89,803	-
Net loss			(123,382)	(32,154)
Deficit, beginning of year as restated - note 2			(362,993)	(330,839)
Deficit, end of year			$ (486,375)	$ (362,993)

(See accompanying notes)

THE BUSINESS MEDIA NETWORK INC.

(Formerly The Business Press Group Inc.)

STATEMENT OF CASH FLOW

YEAR ENDED DECEMBER 31, 1998

	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (123,382)	$ (32,154)
Adjustments for:		
Amortization - capital assets	62,100	30,787
- trade show rights	25,000	12,500
Future income tax recovery	(30,000)	(9,000)
	(66,282)	2,133
Changes in non-cash working capital components:		
Accounts receivable	(330,040)	(182,562)
Accounts payable and accrued liabilities	(14,486)	353,999
Cash flows from operating activities	(410,808)	173,570
CASH FLOWS FROM INVESTING ACTIVITIES		
Development expenditures incurred	(37,415)	(38,485)
Purchase of capital assets	(111,895)	(70,041)
Purchase of trade show rights	(25,000)	(250,001)
Cash flows from investing activities	(174,310)	(358,527)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from (repayments to) shareholders and related parties	(5,000)	633,696
Related party debt converted to equity	(958,920)	-
Shareholder loan forgiven	(50,000)	-
Proceeds received from long-term debt	1,196,000	-
Repayments of long-term debt	(25,446)	(19,460)
Capital lease obligations assumed - net	29,686	-
Capital stock issued	1,108,970	-
Redemption of capital stock	(643,002)	-
Cash flows from financing activities	652,288	614,236
INCREASE IN CASH	67,170	429,279
CASH (BANK INDEBTEDNESS), beginning of year	384,790	(44,489)
CASH, end of year	$ 451,960	$ 384,790
Cash is comprised as follows		
Cash	$ 42,260	$ 28,884
Short-term investments	409,700	355,906
	$ 451,960	$ 384,790

(See accompanying notes)

THE BUSINESS MEDIA NETWORK INC.

(Formerly The Business Press Group Inc.)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1998

1. **SIGNIFICANT ACCOUNTING POLICIES**

Capital assets and amortization

Capital assets are stated at acquisition cost.

Amortization is generally provided on a declining basis at the following annual rates for the following capital assets:

Office equipment	30%
Computer equipment	30%
Furniture and fixtures	20%
Distribution racks	20%

Additions in the year are amortized at one-half these rates.

Leasehold improvements are amortized on a straight line basis over the period of the lease.

Capital leases

Equipment leased by the company under agreements which transfer substantially all of the benefits and risks of ownership to the company are accounted for as capital leases. Accordingly, at the inception of the leases, the equipment and related lease obligations are recorded at an amount equal to the present value of the future lease payments. Amortization is provided on the same basis as with other equipment owned by the company.

Trade show rights

Cost of trade show rights purchased are amortized on a straight line basis over the period of ten years.

Income taxes

The company follows the asset and liability method for accounting for income taxes. Under this method, the change in the future income tax asset or liability is to be included in income. Future income tax assets or liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled.

Financial instruments

The company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, long-term debt and capital lease obligations. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

. . ./2

2. CHANGE IN ACCOUNTING POLICY

During the year, the company retroactively adopted new accounting standards for the accounting of income taxes. The new standard requires the use of the asset and liability method for accounting for income taxes. Future income tax assets are evaluated and if realization is more likely than not, the benefit is recorded.

Previously, the company followed the deferral method of accounting for income taxes which related the provision for income taxes to the accounting income for the period. Under the deferral method, tax benefits related to accounting losses could only be recognized in the period the loss was incurred if there was virtual certainty of realizing these benefits.

As a result of this change in accounting policy, the deficit balance at January 1, 1998 has been reduced by $93,000 representing the benefit of income tax loss carry-forwards from previous years recorded. Of the $93,000, the loss for 1997 was reduced by $9,000, the remaining $84,000 is applicable to years prior to January 1, 1997 and the deficit balance at that date has been restated.

3. FUTURE INCOME TAX ASSETS

Future income tax assets represent the benefit of income tax loss carry-forwards recognized for accounting purposes. At December 31, 1998, the company has losses available for income tax purposes of approximately $558,000, of which a benefit of $123,000 has been recorded. These losses have a limited life and will expire as follows:

Year	Amount
2002	$ 90,000
2003	290,000
2004	42,000
2005	136,000
	$ 558,000

4. CAPITAL ASSETS

Capital assets consist of the following:

	1998		1997	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Office equipment	$ 15,473	$ 10,073	$ 15,473	$ 7,757
Computer equipment	100,618	43,551	54,049	19,095
Furniture and fixtures	98,595	42,205	94,766	28,106
Distribution racks	40,823	11,592	17,626	4,284
Leasehold improvements	15,147	4,544	15,147	1,515
Office equipment under capital lease	38,300	10,892	-	-
	308,956	$ 122,857	197,061	$ 60,757
Less accumulated amortization	122,857		60,757	
	$ 186,099		$ 136,304	

5. TRADE SHOW RIGHTS

	1998	1997
Trade show rights	$ 275,001	$ 250,001
Less accumulated amortization	37,500	12,500
	$ 237,501	$ 237,501

6. DEFERRED DEVELOPMENT COSTS

During the past three years, the corporation incurred costs in the development of a new publication and a related internet site. Commercial production and utilization is anticipated in 1999.

Annual amortization of these costs will be recognized in an amount equal to the gross revenue generated from the publication and internet site. Should any balance remain unamortized, five years subsequent to their capitalization, it will be expensed in the sixth year.

7. OWING TO SHAREHOLDERS AND RELATED PARTIES

	1998	1997
Due to The Armiger Corporation - converted to equity in year	$ -	$ 958,920
Due to S. Caron - non-interest bearing shareholder loan repayable at a rate of $5,000 per month, loan forgiven in year	-	55,000
	$ -	$ 1,013,920

The Armiger Corporation is controlled by the controlling shareholder of The Business Media Network Inc.

8. LONG-TERM DEBT

	1998	1997
Toronto Dominion Bank (TD) - secured promissory note with monthly interest payments of 13%, principal due 2003	$ 600,000	$ -
Sirrom Capital Corporation (SCC) - secured promissory note with monthly interest payments of 13%, principal due 2003	400,000	-
134988 Canada Inc. - interest calculated at an annual rate of 1% of net sales payable on a semi-annual basis on June 30 and December 31 and shall be paid on August 15 and February 15 respectively, principal due 2001	150,000	-
Canadian Imperial Bank of Commerce (CIBC) - business improvement loan repayable in monthly principal instalments of $958 plus interest at prime + 3%, due 2002	37,375	53,270
Canadian Imperial Bank of Commerce (CIBC) - demand loan repayable in monthly principal instalments of $1,299 plus interest at prime + 1.5%, due 2001	36,449	-
	1,223,824	53,270
Less current portion	27,091	15,591
	$ 1,196,733	$ 37,679

Principal repayments over the next five years are as follows:

1999	$ 27,091
2000	27,091
2001	166,767
2002	2,875
2003	1,000,000
	$ 1,223,824

As security for the notes held by TD and SCC, there is a general security agreement representing a first floating charge over all of the company's assets and a limited personal guarantee by the controlling shareholder. During the year, options were granted to TD and SCC to purchase 10,889 Class A common shares. The specifics associated with these options have been outlined in note 10.

As security for the CIBC loans, the bank holds a chattel mortgage over certain equipment of the company, an assignment of fire insurance and a personal guarantee from the controlling shareholder.

9. OBLIGATIONS UNDER CAPITAL LEASE

Future lease payments under capital leases in existence at December 31, 1998 are due as follows:

1999	$ 9,593
2000	9,593
2001	7,972
2002	7,063
2003	1,496
	35,717
Less amount representing deemed interest	6,031
Balance of obligation	29,686
Less current portion	7,086
Long-term portion	$ 22,600

The leases bear interest at rates between 7% and 10.5% per annum and are due over varying periods extending to the year 2003.

10. CAPITAL STOCK

The company is authorized to issue the following classes of shares in unlimited numbers:

Class A common - voting, dividends at discretion of directors
Class B common - non-voting, dividends at discretion of directors, redeemable and retractable at amount paid thereon
Class C preferred - non-voting, no dividends, redeemable and retractable at amount paid thereon
Class E - non-voting, 8% dividends, redeemable and retractable at the fair market value at date of issuance

The issued and fully paid-up capital stock is as follows:

	1998	1997
Class A common - 100,000 shares (1997 - 2 shares)	$ 50	$ 2
Class B common - 2 shares	150,000	-
Class C - preferred - 32,956 shares	315,920	-
	$ 465,970	$ 2

During the year, the following share transactions occurred:

	Class A Common		Class B Common		Class C Preferred	
	Number	Amount	Number	Amount	Number	Amount
Balances, December 31, 1997	2	$ 2	-	$ -	-	$ -
Shares issued before stock split	97	6	-	-	100	958,920
Shares redeemed before stock split	(1)	(1)	-	-	(16)	(150,000)
Stock split - received 1,000 shares for every share held	97,902	-	-	-	84,276	-
Shares issued subsequent to stock split	3,000	44	2	150,000	-	-
Shares redeemed after stock split	(1,000)	(1)	-	-	(51,404)	(493,000)
Balances, December 31, 1998	100,000	$ 50	2	$ 150,000	32,956	$ 315,920

During the year, the company filed articles of amendment to amend its authorized capital stock. At the time of the amendments, any holders of Class A common and Class C preferred shares received 1,000 shares for every share held. In addition, the attributes associated with Class C preferred shares were amended such that these shares were non-voting and redeemable at the amount paid thereon. In addition, the company is no longer permitted to issue Class D preferred shares.

As part of a share subscription agreement with the holders of Class B common shares, they each are entitled to received dividends calculated at an annual rate of ½% of net sales. The dividends are to be calculated on a semi-annual basis on June 30 and December 31 and shall be paid on August 15 and February 16 respectively. On February 15, 1999, a total dividend in the amount of $14,219 is to be paid to the holders of the Class B shares. These shares are redeemable in 2001.

The company also granted options to Toronto Dominion Bank (TD) and Sirrom Capital Corporation (SCC) to purchase Class A common shares at an option price of $0.01. TD has the option to purchase 6,316 Class A common shares while SCC has the option to purchase 4,573 Class A common shares. The options can be exercised at any time up to June 29, 2003. If the debt held by TD and SCC is still outstanding on May 29, 2002 and May 29, 2003, TD receives additional options in the amount of 8,120 and 10,031, respectively, and SCC receives additional options in the amount of 5,880 and 7,263, respectively.

. . ./6

11. DISCONTINUED OPERATIONS

During the year, the company started and ceased to produce a weekly publication entitled Metro. The net cost of this discontinued publication is calculated as follows:

Revenues	$ 65,262
Expenses	180,565
Net cost of discontinued publication	$ 115,303

12. LEASE COMMITMENTS

The company has entered into a lease agreement for office premises at minimal annual base rent plus operating costs. The lease expires November 1, 2002. The annual base rent commitment is as follows:

1999	$ 93,391
2000	96,839
2001	100,287
2002	94,828

13. 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. The effects of the Year 2000 issue may be experienced before, on or after January 1, 2000.

If the year 2000 issue is not addressed by the company and its major customers, suppliers and other third party business associates, the impact on the company's operations and financial reporting may range from minor errors to significant system failures which could affect the company's ability to conduct normal business operations. It is not possible to be certain that all aspects of the year 2000 issue affecting the company, including those related to the efforts of customers, suppliers or other third parties will be fully resolved.

14. COMPARATIVE FIGURES

Comparative figures were prepared without audit and have been reclassified where necessary to conform to the presentation adopted for the current year.

Consolidated
Financial Statements of

SILVAN COMMUNICATIONS INC.

June 13, 2000

AUDITORS' REPORT

To the Shareholders of
Silvan Communications Inc.:

We have audited the consolidated balance sheet of Silvan Communications Inc. as at May 5, 2000 and at December 31, 1999 and the consolidated statements of income and deficit and cash flows for the year ended December 31, 1999. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 May 5, 2000 and at December 31, 1999, and the results of its operations and its cash flows for the year ended December 31, 1999 in accordance with generally accepted accounting principles.

(Signed) "PATERSON HENDRY"
Chartered Accountants
Ottawa, Ontario

SILVAN COMMUNICATIONS INC.

Consolidated Balance Sheet

May 5, 2000, with comparative figures for December 31, 1999, 1998 and 1997

	May 5 2000	December 31 1999	December 31 1998	December 31 1997
			(Unaudited)	(Unaudited)
Assets				
Current assets				
Cash	$ -	$ -	$ -	$175,282
Accounts receivable	407,420	289,445	297,445	255,237
Prepaid expenses	10,866	1,811	2,088	2,187
Income taxes recoverable	-	-	1,040	7,691
	418,286	291,256	300,573	440,397
Due from shareholder (Note 2)	-	-	5,000	10,000
Capital assets (Note 3)	45,267	49,929	57,210	62,421
Other assets (Note 4)	8,360	10,103	15,154	20,205
	$471,913	$351,288	$377,937	$533,023
Liabilities and Capital Deficiency				
Current liabilities				
Bank indebtedness (Note 5)	$211,967	$89,925	$213,601	$ -
Accounts payable and accrued charges	396,016	269,201	209,924	91,168
Deferred revenue	105,242	150,774	54,024	64,792
Current portion of long-term debt	30,343	583,072	34,628	53,017
	743,568	1,092,972	512,177	208,977
Due to shareholder (Note 6)	1,250	2,500	6,250	10,000
Long-term debt (Note 7)	41,879	52,984	136,669	77,683
	786,697	1,148,456	655,096	296,660
Capital deficiency				
Share capital (Note 8)	994,984	444,984	444,984	444,984
Deficit	(1,309,768)	(1,242,152)	(722,143)	(208,621)
	(314,784)	(797,168)	(277,159)	236,363
	$471,913	$351,288	$377,937	$533,023

Commitments (Note 8)

Approved on behalf of the Board:

(Signed) "Mark Quigg"
Director

(Signed) "Patrick Power"
Director

See accompanying notes to the consolidated financial statements.

SILVAN COMMUNICATIONS INC.

Consolidated Statement of Loss and Deficit

4 month period ended May 5, 2000, with comparative figures

	May 5 2000	December 31 1999	December 31 1998	December 31 1997
	(4 months) (Unaudited)		(Unaudited)	(Unaudited)
Sales (Schedule A)	$835,439	$2,045,667	$1,371,790	$925,912
Cost of sales (Schedule A)	481,490	1,230,311	896,634	589,264
Gross profit	353,949	815,356	475,156	336,648
Expenses				
Amortization	1,743	5,051	5,051	5,051
Bad debts	6,300	21,940	11,517	21,824
Bank charges and interest	4,456	28,798	10,629	9,345
Business development	94,180	357,610	154,234	49,547
Business and property taxes	1,255	5,512	2,629	2,454
Call centre	-	-	14,122	-
Depreciation	4,662	17,560	20,367	18,048
Insurance	7,715	9,752	10,721	2,339
Interest on long-term debt	26,738	50,150	11,773	4,771
Office	18,518	56,515	54,694	39,793
Postage and courier	9,426	33,586	28,571	15,237
Printing	6,785	15,743	22,985	8,284
Professional fees	7,958	31,333	21,277	21,054
Reference materials	1,428	9,247	4,857	4,345
Rent	29,506	79,733	82,177	48,125
Salaries and benefits	151,682	420,331	375,758	227,611
Subcontracts	683	588	405	200
Telecommunications	23,319	68,349	72,627	41,905
Training	-	10,198	29,360	-
Travel	25,211	112,329	55,359	57,086
	421,565	1,334,325	989,113	577,019
Loss before income taxes	(67,616)	(518,969)	(513,957)	(240,371)
Income taxes (recovery)	-	1,040	(435)	(7,691)
Net loss	(67,616)	(520,009)	(513,522)	(232,680)
(Deficit) retained earnings, beginning of period	(1,242,152)	(722,143)	(208,621)	24,059
Deficit, end of period	$(1,309,768)	$(1,242,152)	$(722,143)	$(208,621)

See accompanying notes to the consolidated financial statements.

SILVAN COMMUNICATIONS INC.

Consolidated Cash Flow Statement

4 month period ended May 5, 2000, with comparative figures

	May 5 2000	December 31 1999	December 31 1998	December 31 1997
	(4 months) (Unaudited)		(Unaudited)	(Unaudited)
Operating activities				
Net loss	$(67,616)	$(520,009)	$(513,522)	$(232,680)
Items not affecting cash				
Amortization	1,743	5,051	5,051	5,051
Depreciation	4,662	17,560	20,367	18,048
Changes in working capital balances (Note 10)	(45,747)	165,344	72,530	(56,809)
Cash used in operating activities	(106,958)	(332,054)	(415,574)	(266,390)
Investing activities				
Purchase of capital assets	-	(10,279)	(15,156)	(40,905)
Cash used in investing activities	-	(10,279)	(15,156)	(40,905)
Financing activities				
(Repayments to) advances from shareholder	(1,250)	1,250	(3,750)	(3,750)
Advances of long-term debt	-	501,313	75,000	125,144
Repayments of long-term debt	(563,834)	(36,554)	(34,403)	(6,666)
Repayments from (advances to) employees	-	-	5,000	(10,000)
Issuance costs	-	-	-	(25,256)
Issuance of share capital	550,000	-	-	372,804
Cash (used in) provided by financing activities	(15,084)	466,009	41,847	452,276
Increase in cash	(122,042)	123,676	(388,883)	144,981
(Bank indebtedness) cash, beginning of period	(89,925)	(213,601)	175,282	30,301
(Bank indebtedness) cash, end of period	$(211,967)	$(89,925)	$(213,601)	$175,282

See accompanying notes to the consolidated financial statements.

1. Significant accounting policies

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles and reflect the following policies:

Basis of presentation

These consolidated financial statements are prepared under the assumption that the Company will continue to operate as a going concern. The Company has sustained operating losses for 1997, 1998, 1999 and the period ended May 5, 2000 and as at May 5, 2000 had a net working capital deficiency of $394,939. The Company may require additional capital to fund its obligations as they come due. If the Company is unable to operate as a going concern, it may not be able to realize its assets and settle its liabilities at the amounts recorded.

These consolidated financial statements include Silvan Communications Inc. and its wholly owned subsidiaries, Silvan Communications (ALTA) Inc., Silvan Communications (Toronto) Inc. and Silvan Communications (Ottawa) Inc. Intercompany balances and transactions within the corporate group have been eliminated in these consolidated financial statements.

Capital assets

Capital assets are stated at cost and depreciated annually as follows:

Asset	Basis	Rate
Furniture	Declining balance	20%
Display equipment	Declining balance	20%
Computer hardware	Declining balance	30%
Computer software	Declining balance	100%

One-half of the annual amount is claimed in the year of acquisition.

Other asset

Other asset consists of debt and equity issuance costs which are being amortized on a straight line basis over a five year period.

2. Due from shareholder

This loan is non-interest bearing and represents funds loaned to an employee in order to purchase treasury shares of the Company in accordance with section 15(2) of the Income Tax Act.

SILVAN COMMUNICATIONS INC.

Notes to the Consolidated Financial Statements, page 2

May 5, 2000, with comparative figures for December 31, 1999, 1998 and 1997

3. Capital assets

			May 5 2000	Dec 31 1999	Dec 31 1998 (Unaudited)	Dec 31 1997 (Unaudited)
	Cost	Accum Dep'n	Net Book Value	Net Book Value	Net Book Value	Net Book Value
Furniture	$	$ 3,980	$ 9,114	$ 9,385	$ 4,984	$ 6,230
Display equipment	8,324	3,352	4,972	5,371	4,492	5,615
Computer hardware	85,661	54,480	31,181	35,173	47,734	49,788
Computer software	3,884	3,884	-	-	-	788
	$ 110,963	$ 65,696	$ 45,267	$ 49,929	$ 57,210	$ 62,421

4. Other asset

			May 5 2000	Dec 31 1999	Dec 31 1998 (Unaudited)	Dec 31 1997 (Unaudited)
	Cost	Accum Dep'n	Net Book Value	Net Book Value	Net Book Value	Net Book Value
Issuance costs	$ 25,256	$ 16,896	$ 8,360	$ 10,103	$ 15,154	$ 20,205

See accompanying notes to the consolidated financial statements.

5. Bank indebtedness

At May 5, 2000 short-term bank credit facilities consisted of operating lines of credit with banks in the aggregate amount of $250,000. At May 5, 2000 there was $93,000 outstanding under these lines of credit. Bank indebtedness is secured by accounts receivable and a general security agreement that includes assets that are not otherwise pledged as security. At the each balance sheet date, the Company's net bank indebtedness consisted of:

	May 5 2000	December 31 1999	December 31 1998	December 31 1997
			(Unaudited)	(Unaudited)
Drawings against lines of credit	$(93,000)	$(38,000)	$(184,000)	$(11,000)
Bank (overdrafts) balances and cash hand, net of outstanding items	(118,967)	(51,925)	(29,601)	186,282
	$(211,967)	$(89,925)	$(213,601)	$175,282

6. Due to shareholder

This amount represents a New Ventures Loan that was obtained by a shareholder on behalf of the corporation. Payments are made to the shareholder on a basis consistent with the repayment provision of the loan. The loan, bearing interest at prime plus 1%, is repayable in monthly principal instalments of $313 plus interest and is due August 2000.

7. Long-term debt

	May 5 2000	Dec 31 1999	Dec 31 1998 (Unaudited)	Dec 31 1997 (Unaudited)
4.75% Business Development Bank loan, repayable in monthly principal instalments at $1,700 plus interest, due October 2002, secured by a general security agreement and the personal guarantee of a shareholder for $50,000.	$51,000	$57,800	$75,700	$85,000
Demand loan, bearing interest at prime plus 1.75%, repayable in monthly instalments of principal and interest of $766, due August 2000, secured by assets of the corporation and a general security agreement.	3,555	6,620	14,904	22,509
Interest bearing term and small business loans, repayable in monthly principal instalments plus interest, secured by geenral security agreements.	-	-	5,693	23,191
Convertible 12% revolving loan, collateralized by a general security agreement with the Corporation and by guarantees of the subsidiary companies.	-	550,000	75,000	-
8.25% Loan, repayable in monthly instalments of principal and interest of $634, due March 2003.	17,667	21,636	-	-
	72,222	636,056	171,297	130,700
Less amounts due within one year	30,343	583,072	34,628	53,017
	$41,879	$52,984	$136,669	$77,683

See accompanying notes to the consolidated financial statements.

7. **Long-term debt (continued)**

Principal repayments required over the next four years are as follows:

2000	$30,343
2001	25,150
2002	13,571
2003	3,158
	$72,222

8. Share capital

Authorized
An unlimited number of Common shares

Issued and fully paid

	May 5 2000	December 31 1999	December 31 1998	December 31 1997
			(Unaudited)	(Unaudited)
168,729 Common shares (December (December 31, 1999: 140,608)	$994,984	$444,984	$444,984	$444,984

On May 5, 2000, the Corporation issued 28,121 Common shares for gross proceeds of $550,000. These shares were subscribed to by the holder of the convertible loan. The Company used the gross proceeds to repay the convertible loan.

9. Commitments

Future minimum rental payments required under operating leases for premises that have initial or remaining lease terms in excess of one year at May 5, 2000, are as follows:

	Expiration	2000	2001
408 West Pender, Vancouver, BC	June 2001	$8,400	$4,200
201 - 623 4th Street, SE, Medicine Hat, AB	April 2001	3,335	1,112
		$11,735	$5,312

See accompanying notes to the consolidated financial statements.

10. Changes in working capital balances

Changes in working capital balances have provided (used) cash as follows:

	May 5 2000	December 31 1999	December 31 1998	December 31 1997
	(4 months) (Unaudited)		(Unaudited)	(Unaudited)
Accounts receivable	$(117,975)	$8,000	$(42,208)	$(160,687)
Prepaid expenses	(9,055)	277	99	(2,187)
Accounts payable and accrued	126,815	59,277	118,756	56,655
Deferred revenue	(45,532)	96,750	(10,768)	64,792
Income taxes	-	1,040	6,651	(15,382)
	$(45,747)	$165,344	$72,530	$(56,809)

11. **Subsequent events**

Subsequent to May 5, 2000, Silvan Communications Inc. amalgamated with its wholly owned subsidiary companies. As these financial statements have been prepared on a consolidated basis, the amalgamation has no impact on the financial statements as presented.

SILVAN COMMUNICATIONS INC.

Schedule A
Schedule of Consolidated Sales and Cost of Sales

4 month period ended May 5, 2000, with comparative figures

	May 5 2000	December 31 1999	December 31 1998	December 31 1997
	(4 months) (Unaudited)		(Unaudited)	(Unaudited)
Sales				
Advertising	$754,901	$1,687,225	$1,230,799	$891,902
Advertising - contra	68,303	299,623	114,892	-
Other	1,634	26,378	3,493	1,500
Publishing	1,672	12,275	14,374	25,419
Subscriptions	8,929	20,166	8,232	7,091
	$835,439	$2,045,667	$1,371,790	$925,912
Cost of Sales				
Advertising	$149,252	$408,997	$272,771	$95,506
Distribution	84,650	163,738	137,844	104,851
Editorial	119,470	290,352	217,295	187,480
Production	128,118	367,224	268,724	201,427
	$481,490	$1,230,311	$896,634	$589,264

See accompanying notes to the consolidated financial statements.

CERTIFICATE OF COMPANY

Dated: July 13, 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 9 of the Securities Act (British Columbia), Part 8 of the Securities Act (Alberta)and Part XV of the Securities Act (Ontario) and the respective regulations thereunder.

(Signed) "Mark Quigg" Mark Quigg President and Chief Executive Officer	(Signed) "Richard Clements" Richard Clements Chief Financial Officer

on behalf of the Board of Directors

(Signed) "Patrick J. Power" Patrick J. Power Chairman	(Signed) "David Luxton" David Luxton Director

CERTIFICATE OF PROMOTERS

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by Part 9 of the Securities Act (British Columbia), Part 8 of the Securities Act (Alberta)and Part XV of the Securities Act (Ontario) and the respective regulations thereunder.

(Signed) "Mark Quigg" Mark Quigg	(Signed) "Frank Post" Frank Post

CERTIFICATE OF THE AGENT

Dated: July 13, 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 9 of the Securities Act (British Columbia), Part 8 of the Securities Act (Alberta) and Part XV of the Securities Act (Ontario), and the respective regulations thereunder.

YORKTON SECURITIES INC.

By: (Signed) "Elias Fostolos"
Elias Fostolos