THIS IS A PRELIMINARY PROSPECTUS RELATING TO THESE SECURITIES, A COPY OF WHICH HAS BEEN FILED WITH THE SECURITIES COMMISSIONS IN EACH OF THE PROVINCES OF ONTARIO AND ALBERTA, BUT WHICH HAS NOT YET BECOME FINAL FOR THE PURPOSE OF A DISTRIBUTION OR A DISTRIBUTION TO THE PUBLIC. INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. THESE SECURITIES MAY NOT BE SOLD TO, NOR MAY OFFERS TO BUY BE ACCEPTED FROM, RESIDENTS OF SUCH JURISDICTION PRIOR TO THE TIME A RECEIPT IS OBTAINED FOR THE FINAL PROSPECTUS FROM THE APPROPRIATE SECURITIES COMMISSION OR ANY OTHER REGULATORY AUTHORITY OF SUCH PROVINCE.

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 qualified by this prospectus have not been and will not be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold within the United States of America. See "Plan of Distribution".

New Issue February 21, 2000

MedcomSoft

$2,550,000

563,750 Common Shares
issuable upon the exercise of 512,500 previously issued Initial Special Warrants
and
220,000 Common Shares and 20,000 Common Share Purchase Warrants
issuable upon the exercise of 200,000 previously issued Second Special Warrants
and
625,000 Common Shares
issuable upon the exercise of 625,000 previously issued Third Special Warrants
and
1,850,000 Common Shares and 222,000 Common Share Purchase Warrants
issuable upon the exercise of 1,850,000 previously issued Fourth Special Warrants

This prospectus is being filed in connection with the distribution of (i) 563,750 common shares (the "Common Shares") of MedcomSoft Inc. (the "Company") to be issued without additional payment upon the exercise of 512,500 previously issued special warrants (the "Initial Special Warrants"); (ii) 220,000 Common Shares and 20,000 common share purchase warrants (the "Second Purchase Warrants") of the Company to be issued without additional payment upon the exercise of 200,000 previously issued special warrants (the "Second Special Warrants"); (iii) 625,000 Common Shares to be issued without additional payment upon the exercise of 625,000 previously issued special warrants (the "Third Special Warrants"); and (iv) 1,850,000 Common Shares and 222,000 common share purchase warrants (the "Fourth Purchase Warrants") of the

Company to be issued without additional payment upon the exercise of 1,850,000 previously issued special warrants (the "Fourth Special Warrants").

A total of 512,500 Initial Special Warrants were issued by the Company on a private placement basis on June 18, 1999 and July 23, 1999 pursuant to an agency agreement (the "Goepel Agency Agreement") dated June 18, 1999 between the Company and Goepel McDermid Inc. ("Goepel"). The Initial Special Warrants were sold to investors at a price of $0.80 per Initial Special Warrant pursuant to prospectus exemptions under applicable securities legislation. The price of the Initial Special Warrants was determined by negotiation between the Company and Goepel.

The Initial Special Warrants are evidenced and governed by certificates (the "Initial Special Warrant Certificates") dated June 18, 1999 and July 23, 1999. The Special Warrants are exercisable by the holders thereof at any time (each time, respectively, being defined as an "Initial Expiry Time") before 5:00 p.m. (Toronto time) on the earlier of (i) the day which is seven business days after the day on which a receipt for this (final) prospectus is issued by the Ontario Securities Commission; and (ii) eighteen months from the respective dates of the closing of the sale of the Initial Special Warrants (each date, respectively, being defined as an "Initial Special Warrant Closing Date"). Subject to the terms of the Initial Special Warrant Certificates, each Initial Special Warrant entitles the holder thereof to acquire, without additional payment and subject to adjustment pursuant to the Initial Special Warrant Certificates, one Common Share. All Initial Special Warrants not previously exercised will be deemed, immediately prior to the respective Initial Expiry Time, to be exercised by the holder thereof without any further action on the part of the holder. As a receipt had not been issued for this (final) prospectus by the Ontario Securities Commission prior to 5:00 p.m. (Toronto time) on the date which was 120 days after the respective Initial Special Warrant Closing Date (being October 15, 1999 for the 312,500 Initial Special Warrants sold on June 18, 1999 and November 19, 1999 for the 200,000 Initial Special Warrants sold on July 23, 1999), each Initial Special Warrant entitles the holder thereof to acquire, without additional consideration, 1.1 Common Shares (in lieu of one Common Share). See "Plan of Distribution".

A total of 200,000 Second Special Warrants were issued by the Company on a private placement basis on September 17, 1999. The Second Special Warrants were sold to investors directly by the Company without the appointment of an agent at a price of $0.80 per Second Special Warrant pursuant to prospectus exemptions under applicable securities legislation. The price of the Special Warrants was determined by the Company based upon the price of the Initial Special Warrants.

The Second Special Warrants are evidenced and governed by certificates (the "Second Special Warrant Certificates") dated September 17, 1999. The Special Warrants are exercisable by the holders thereof at any time (the "Second Expiry Time") before 5:00 p.m. (Toronto time) on the earlier of: (i) the day which is seven business days after the day on which a receipt for this (final) prospectus is issued by the Alberta Securities Commission; and (ii) eighteen months from the date of the closing of the sale of the Second Special Warrants. Subject to the terms of the Second Special Warrant Certificates, each Second Special Warrant entitles the holder thereof to acquire, without additional payment and subject to adjustment pursuant to the Second Special Warrant Certificates, one Common Share and 1/10th of one Second Purchase Warrant. All Second Special Warrants not previously exercised will be deemed, immediately prior to the Second Expiry Time, to be exercised by the holder thereof without any further action on the part of the holder. As a receipt had not been issued for this (final) prospectus by the Alberta Securities Commission prior to 5:00 p.m. (Toronto time) on the date which was 90 days after the closing date of the sale of the Second Special Warrants (the "Second Special Warrant Closing Date") (being December 16, 1999), each Second Special Warrant entitles the holder thereof to acquire, without additional consideration, 1.1 Common Shares and 1/10th of one Second Purchase

Warrant (in lieu of one Common Share and 1/10th of one Second Purchase Warrant). See "Plan of Distribution".

Upon issue, the Second Purchase Warrants will be evidenced and governed by common share purchase warrant certificates (the "Second Purchase Warrant Certificates"). Each whole Second Purchase Warrant will entitle the holder thereof to acquire, subject to adjustment pursuant to the terms of the Second Purchase Warrant Certificate, one Common Share at a price equal to $1.03 per share at any time after the Second Special Warrant Closing Date and before 5:00 p.m. (Toronto time) on the date which is two years from the Second Special Warrant Closing Date.

A total of 625,000 Third Special Warrants were issued by the Company on a private placement basis on December 16, 1999 pursuant to an agency agreement (the "Agency Agreement") dated December 16, 1999 between the Company and Dominick & Dominick Securities Inc. ("Dominick"). The Third Special Warrants were sold to investors at a price of $0.80 per Third Special Warrant pursuant to prospectus exemptions under applicable securities legislation. The price of the Third Special Warrants was determined by negotiation between the Company and Dominick.

The Third Special Warrants are evidenced and governed by certificates (the "Third Special Warrant Certificates") dated December 16, 1999. The Third Special Warrants are exercisable by the holders thereof at any time (each time, respectively, being defined as a "Third Expiry Time") before 5:00 p.m. (Toronto time) on the earlier of (i) the day which is seven business days after the day on which a receipt for this (final) prospectus is issued by the Ontario Securities Commission; and (ii) eighteen months from the closing of the sale of the Third Special Warrants (the "Third Special Warrant Closing Date"). Subject to the terms of the Third Special Warrant Certificates, each Third Special Warrant entitles the holder thereof to acquire, without additional payment and subject to adjustment pursuant to the Third Special Warrant Certificates, one Common Share. All Third Special Warrants not previously exercised will be deemed, immediately prior to the Third Expiry Time, to be exercised by the holder thereof without any further action on the part of the holder. If a receipt has not been issued for this (final) prospectus by the Ontario Securities Commission prior to 5:00 p.m. (Toronto time) on the date which is 120 days after the Third Special Warrant Closing Date (being April 14, 2000), each Third Special Warrant exercised after such time will entitle the holder thereof to acquire, without additional consideration, 1.1 Common Shares (in lieu of one Common Share). See "Plan of Distribution".

A total of 1,850,000 Fourth Special Warrants were issued by the Company on a private placement basis on December 16, 1999 and December 21, 1999. The Fourth Special Warrants were sold to investors directly by the Company without the appointment of an agent at a price of $0.80 per Fourth Special Warrant pursuant to prospectus exemptions under applicable securities legislation. The price of the Fourth Special Warrants was determined by the Company based upon the price of the Third Special Warrants.

The Fourth Special Warrants are evidenced and governed by certificates (the "Fourth Special Warrant Certificates") dated December 16, 1999 and December 21, 1999. The Fourth Special Warrants are exercisable by the holders thereof at any time (each time, respectively, being defined as a "Fourth Expiry Time") before 5:00 p.m. (Toronto time) on the earlier of: (i) the day which is seven business days after the day on which a receipt for this (final) prospectus is issued by the Ontario Securities Commission; and (ii) eighteen months from the respective dates of the closing of the sale of the Fourth Special Warrants (each date, respectively, being defined as a "Fourth Special Warrant Closing Date"). Subject to the terms of the Fourth Special Warrant Certificates, each Fourth Special Warrant entitles the holder thereof to acquire, without additional payment and subject to adjustment pursuant to the Fourth Special Warrant Certificates, one

Common Share and 0.12 of one Fourth Purchase Warrant. All Fourth Special Warrants not previously exercised will be deemed, immediately prior to the respective Fourth Expiry Time, to be exercised by the holder thereof without any further action on the part of the holder. If a receipt has not been issued for this (final) prospectus by the Ontario Securities Commission prior to 5:00 p.m. (Toronto time) on the date which is 120 days after the respective Fourth Special Warrant Closing Date (being April 14, 2000 for the 600,000 Fourth Special Warrants sold on December 16, 1999 and April 19, 2000 for the 1,250,000 Fourth Special Warrant sold on December 21, 1999), each Fourth Special Warrant exercised after such time will entitle the holder thereof to acquire, without additional consideration, 1.1 Common Shares and 0.12 of one Fourth Purchase Warrant (in lieu of one Common Share and 0.12 of one Fourth Purchase Warrant). See “Plan of Distribution”.

Upon issue, the Fourth Purchase Warrants will be evidenced and governed by common share purchase warrant certificates (the “Fourth Purchase Warrant Certificates”). Each whole Fourth Purchase Warrant will entitle the holder thereof to acquire, subject to adjustment pursuant to the terms of the Fourth Purchase Warrant Certificate, one Common Share at a price equal to $0.80 per share at any time after the respective Fourth Special Warrant Closing Date and before 5:00 p.m. (Toronto time) on the date which is two years from the respective Fourth Special Warrant Closing Date.

	Price to Public of Special Warrants	**Agents' Fees (1)(2)**	**Proceeds to the Company (3)**
Per Initial Special Warrant . . .	$0.80	$0.046	$0.754
Totals	$410,000	$23,700	$386,300
Per Second Special Warrant .	$0.80	n/a	$0.80
Totals	$160,000	n/a	$160,000
Per Third Special Warrant . . .	$0.80	$0.04	$0.76
Totals	$500,000	$25,000	$475,000
Per Fourth Special Warrant . .	$0.80	n/a	$0.80
Totals	$1,480,000	n/a	$1,480,000

Notes:

(1) As additional compensation, the Company has granted to Goepel non-assignable and non-transferable broker's special warrants (the “Goepel Broker's Warrants”) which entitle Goepel to acquire compensation options (the “Goepel Compensation Options”) without payment of any additional consideration, at any time before 5:00 p.m. (Toronto time) on the date which is two years from the earlier of: (i) the date on which a receipt for this (final) prospectus is issued to the Company by the Ontario Securities Commission; and (ii) 120 days from the respective Initial Special Warrant Closing Date. The Goepel Compensation Options will entitle Goepel to purchase up to 51,250 Common Shares at an exercise price of $0.80 per share at any time on or before 5:00 p.m. (Toronto time) on the date which is two years from the earlier of: (i) the date on which a receipt for this (final) prospectus is issued to the Company by the Ontario Securities Commission; and (ii) 120 days from the respective Initial Special Warrant Closing Date. This prospectus also qualifies the distribution to Goepel of 100% of the Goepel Compensation Options.

(2) As additional compensation, the Company has granted to Dominick non-assignable and non-transferable broker's special warrants (the "Dominick Broker's Warrants") which entitle Dominick to acquire compensation options (the "Dominick Compensation Options") without payment of any additional consideration, at any time before 5:00 p.m. (Toronto time) on the date which is two years from the earlier of: (i) the date on which a receipt for this (final) prospectus is issued to the Company by the Ontario Securities Commission; and (ii) 120 days from the Third Special Warrant Closing Date. The Dominick Compensation Options will entitle Dominick to purchase up to 62,500 Common Shares at an exercise price of $0.80 per share at any time on or before 5:00 p.m. (Toronto time) on the date which is two years from the Third Special Warrant Closing Date. This prospectus also qualifies the distribution to Dominick of 100% of the Dominick Compensation Options.

(3) Before deducting certain expenses of the offering of the Initial Special Warrants, the Second Special Warrants, the Third Special Warrants and the Fourth Special Warrants, estimated to be an aggregate of $130,000, which expenses will be paid by the Company out of its general funds.

An investment in the securities of the Company should be considered speculative due to the nature of the Company's business and its present stage of development. An investment should be considered only by those investors able to sustain the total loss of their investment. See "Risk Factors".

The Common Shares are quoted for trading on the Canadian Dealing Network Inc. ("CDN"). The closing prices of the Common Shares on CDN on June 17, 1999, July 22, 1999, September 16, 1999, December 15, 1999 and December 20, 1999 (being the trading days immediately prior to the sale of the Initial Special Warrants, the Second Special Warrants, the Third Special Warrants and the Fourth Special Warrants, respectively) were $0.98, $0.85, $1.03, $1.60 and $1.55, respectively, and on February 18, 2000 (being the trading day immediately prior to the date of this prospectus) was $24.00 per share. **The issue price per Common Share issuable upon the exercise of the Initial Special Warrants of $0.80 exceeds the net tangible book value per Common Share as at June 30, 1999 (after giving effect to the issue of such Common Shares) by $0.7919 per share or 99.0%. The issue price per Common Share issuable upon the exercise of the Second Special Warrants of $0.80 exceeds the net tangible book value per Common Share as at June 30, 1999 (after giving effect to the issue of such Common Shares and to the issue of the Common Shares issuable upon the exercise of the Initial Special Warrants) by $0.7851 per share or 98.1%. The issue price per Common Share issuable upon the exercise of the Third Special Warrants of $0.80 exceeds the net tangible book value per Common Share as at June 30, 1999 (after giving effect to the issue of such Common Shares and to the issue of the Common Shares issuable upon the exercise of the Initial Special Warrants and the Second Special Warrants) by $0.7627 per share or 95.3%. The issue price per Common Share issuable upon the exercise of the Fourth Special Warrants of $0.80 exceeds the net tangible book value per Common Share as at June 30, 1999 (after giving effect to the issue of such Common Shares and to the issue of the Common Shares issuable upon the exercise of the Initial Special Warrants, the Second Special Warrants and the Third Special Warrants) by $0.6975 per share or 87.2%. See "Dilution".**

Definitive certificates representing the Common Shares, the Second Purchase Warrants and the Fourth Purchase Warrants will be available for delivery upon the exercise of the Initial Special Warrants, the Second Special Warrants, the Third Special Warrants and the Fourth Special Warrants, as the case may be. Certain legal matters relating to the securities offered hereunder will be passed upon on behalf of the Company by Aird & Berlis, Toronto, and on behalf of Goepel and Dominick by Cassels Brock & Blackwell, Toronto.

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SUMMARY OF PROSPECTUS

The following summary must be read in conjunction with, and is qualified in its entirety by reference to, the more detailed information and financial statements appearing elsewhere in this prospectus. Capitalized terms appearing herein and not otherwise defined have the respective meanings ascribed thereto elsewhere in this prospectus.

The Company: MedcomSoft Inc. (the "Company") is a healthcare efficiency company that specializes in the design, development, marketing and implementation of healthcare provider information systems. The Company was formed specifically to address the service delivery and cost containment needs of the healthcare industry through the development of electronic patient medical record systems and implementation of community healthcare information networks ("CHINs") by leveraging Internet technology. The Company's products communicate and integrate with each other, creating the foundation for CHINs and telemedicine. The Company's products focus on streamlining and automating business processes across the industry in an effort to improve efficiency, reduce administrative costs, and improve the quality of medical care through instant access to medical information.

Offering: (i) 563,750 common shares (the "Common Shares") in the capital of the Company to be issued without additional payment upon the exercise of 512,500 previously issued special warrants (the "Initial Special Warrants"); and (ii) 220,000 Common Shares and 20,000 common share purchase warrants (the "Second Purchase Warrants") of the Company to be issued without additional payment upon the exercise of 200,000 previously issued special warrants (the "Second Special Warrants"); (iii) 625,000 Common Shares to be issued without additional payment upon the exercise of 625,000 previously issued special warrants (the "Third Special Warrants"); and (iv) 1,850,000 Common Shares and 222,000 common share purchase warrants (the "Fourth Purchase Warrants") of the Company to be issued without additional payment upon the exercise of 1,850,000 previously issued special warrants (the "Fourth Special Warrants").

Initial Special Warrant Price: $0.80 per Initial Special Warrant.

Initial Special Warrants: The Initial Special Warrants are evidenced and governed by certificates (the "Initial Special Warrant Certificates") dated June 18, 1999 and July 23, 1999. The Special Warrants are exercisable by the holders thereof at any time (each time, respectively, being defined as an "Initial Expiry Time") before 5:00 p.m. (Toronto time) on the earlier of: (i) the day which is seven business days after the day on which a receipt for this (final) prospectus is issued by the Ontario Securities Commission; and (ii) eighteen months from the date of the closing of the sale of the Initial Special Warrants (each date, respectively, being defined as an "Initial Special Warrant Closing Date"). Subject to the terms of the Initial Special Warrant Certificates, each Initial Special Warrant entitles the holder thereof to acquire, without additional payment and subject to adjustment pursuant to the Initial Special Warrant Certificates, one Common Share. All Initial Special Warrants not previously exercised will be deemed, immediately prior to the respective Initial Expiry Time, to be exercised by the holder thereof without any further action on the part of the holder. As a receipt had not been issued for this (final) prospectus by the Ontario Securities Commission prior to 5:00 p.m. (Toronto time) on the date which was 120 days after the respective Initial Special Warrant Closing Date (being October 15, 1999 for the 312,500 Initial Special Warrants sold on June 18, 1999 and November 19, 1999 for the 200,000 Initial Special Warrants sold on July 23, 1999), each Initial Special Warrant entitles the holder thereof to acquire, without additional consideration, 1.1 Common Shares (in lieu of one Common Share). See "Plan of Distribution".

Second Special Warrant Price: $0.80 per Second Special Warrant.

Second Special Warrants: The Second Special Warrants are evidenced and governed by certificates (the "Second Special Warrant Certificates") dated September 17, 1999. The Special Warrants are exercisable by the holders thereof at any time (the "Second Expiry Time") before 5:00 p.m. (Toronto time) on the earlier of (i) the day which is seven business days after the day on which a receipt for this prospectus is issued by the Alberta Securities Commission; and (ii) eighteen months from the date of the closing of the sale of the Second Special Warrants. Subject to the terms of the Second Special Warrant Certificates, each Second Special Warrant entitles the holder thereof to acquire, without additional payment and subject to adjustment pursuant to the Second Special Warrant Certificates, one Common Share and 1/10th of one Second Purchase Warrant. All Second Special Warrants not previously exercised will be deemed, immediately prior to the Second Expiry Time, to be exercised by the holder thereof without any further action on the part of the holder. As a receipt had not been issued for this (final) prospectus by the Alberta Securities Commission prior to 5:00 p.m. (Toronto time) on the date which was 90 days after the closing date of the sale of the Second Special Warrants (the "Second Special Warrant Closing Date") (being December 16, 1999) each Second Special Warrant entitles the holder thereof to acquire, without additional consideration, 1.1 Common Shares and 1/10th of one Second Purchase Warrant (in lieu of one Common Share and 1/10th of one Second Purchase Warrant). See "Plan of Distribution".

Second Purchase Warrants: Upon issue, the Second Purchase Warrants will be evidenced and governed by common share purchase warrant certificates (the "Second Purchase Warrant Certificates"). Each whole Second Purchase Warrant will entitle the holder thereof to acquire, subject to adjustment pursuant to the terms of the Second Purchase Warrant Certificate, one Common Share at a price equal $1.03 per share at any time after the Second Special Warrant Closing Date and before 5:00 p.m. (Toronto time) on the date which is two years from the Second Special Warrant Closing Date. See "Plan of Distribution".

Third Special Warrant Price: $0.80 per Third Special Warrant.

Third

Special Warrants: The Third Special Warrants are evidenced and governed by certificates (the "Third Special Warrant Certificates") dated December 16, 1999. The Third Special Warrants are exercisable by the holders thereof at any time (each time, respectively, being defined as a "Third Expiry Time") before 5:00 p.m. (Toronto time) on the earlier of (i) the day which is seven business days after the day on which a receipt for this (final) prospectus is issued by the Ontario Securities Commission; and (ii) eighteen months from the closing of the sale of the Third Special Warrants (the "Third Special Warrant Closing Date"). Subject to the terms of the Third Special Warrant Certificates, each Third Special Warrant entitles the holder thereof to acquire, without additional payment and subject to adjustment pursuant to the Third Special Warrant Certificates, one Common Share. All Third Special Warrants not previously exercised will be deemed, immediately prior to the Third Expiry Time, to be exercised by the holder thereof without any further action on the part of the holder. If a receipt has not been issued for this (final) prospectus by the Ontario Securities Commission prior to 5:00 p.m. (Toronto time) on the date which is 120 days after the Third Special Warrant Closing Date (being April 14, 2000), each Third Special Warrant exercised after such time will entitle the holder thereof to acquire, without additional consideration, 1.1 Common Shares (in lieu of one Common Share). See "Plan of Distribution".

Fourth Special Warrant Price: $0.80 per Fourth Special Warrant.

Fourth Special Warrants: The Fourth Special Warrants are evidenced and governed by certificates (the "Fourth Special Warrant Certificates") dated December 16, 1999 and December 21, 1999. The Fourth Special Warrants are exercisable by the holders thereof at any time (each time, respectively, being defined as a "Fourth Expiry Time") before 5:00 p.m. (Toronto time) on the earlier of: (i) the day which is seven business days after the day on which a receipt for this (final) prospectus is issued by the Ontario Securities Commission; and (ii) eighteen months from the respective dates of the closing of the sale of the Fourth Special Warrants (each date, respectively, being defined as a "Fourth Special Warrant Closing Date"). Subject to the terms of the Fourth Special Warrant Certificates, each Fourth Special Warrant entitles the holder thereof to acquire, without additional payment and subject to adjustment pursuant to the Fourth Special Warrant Certificates, one Common Share and 0.12 of one Fourth Purchase Warrant. All Fourth Special Warrants not previously exercised will be deemed, immediately prior to the respective Fourth Expiry Time, to be exercised by the holder thereof without any further action on the part of the holder. If a receipt has not been issued for this (final) prospectus by the Ontario Securities Commission prior to 5:00 p.m. (Toronto time) on the date which is 120 days after the respective Fourth Special Warrant Closing Date (being April 14, 2000 for the 600,000 Fourth Special Warrants sold on December 16, 1999 and April 19, 2000 for the 1,250,000 Fourth Special Warrant sold on December 21, 1999), each Fourth Special Warrant exercised after such time will entitle the holder thereof to acquire, without additional consideration, 1.1 Common Shares and 0.12 of one Fourth Purchase Warrant (in lieu of one Common Share and 0.12 of one Fourth Purchase Warrant). See "Plan of Distribution".

Fourth Purchase Warrants: Upon issue, the Fourth Purchase Warrants will be evidenced and governed by common share purchase warrant certificates (the "Fourth Purchase Warrant Certificates"). Each whole Fourth Purchase Warrant will entitle the holder thereof to acquire, subject to adjustment pursuant to the terms of the Fourth Purchase Warrant Certificate, one Common Share at a price equal to $0.80 per share at any time after the respective Fourth Special Warrant Closing Date and before 5:00 p.m. (Toronto time) on the date which is two years from the respective Fourth Special Warrant Closing Date.

Use of Proceeds: The net proceeds from the sale of the Initial Special Warrants, the Second Special Warrants, the Third Special Warrants and the Fourth Special Warrants are estimated to be $2,371,300 after deduction of Goepel's and Dominick's fees and certain expenses of the offering (estimated to be $130,000). These proceeds will be used to fund the Company's expansion into the United States (as to $1,778,475) and for general working capital needs (as to $592,825).

Risk Factors: An investment in the securities of the Company is subject to a number of risk factors that potential investors should consider. The Company has a limited operating history upon which to base an evaluation of the Company and its business and future prospects. The Company has not earned profits to date, and there is no assurance that it will earn profits in the future or that profitability, if achieved, will be sustained. The Company's anticipated growth will place demands on its managerial and operations resources. There is no assurance that future revenues will be sufficient to generate the required funds to continue the business development and marketing activities of the Company. There can be no assurance that additional funding will be available to the Company or, if available, that it will be on commercially reasonable terms to finance its growth objectives. The loss of one or more of the Company's executive officers could have a material adverse effect on the Company's financial condition and results of operations. There can be no assurance that wide spread acceptance of the Company's products will occur or that new markets will adopt the Company's products and processes. Management of the Company believes that the Company's principal competitors pose a significant risk to the Company. There can be no assurance that the steps taken by the Company will prevent misappropriation of its technology or that agreements entered into for that purpose will be enforceable. There can be no assurance that the Company would be able to replace the functionality provided by third-party software currently offered in conjunction with the Company's products in the event that such third-party software becomes unavailable to the Company or obsolete or incompatible with future versions of the Company's products. There can be no assurance that an active trading market for the Common Shares will be sustained or that the market price of the Common Shares will not decline. Holders of Initial Special Warrants, Second Special Warrants, Third Special Warrants and Fourth Special Warrants will suffer an immediate dilution of their investment based upon the net tangible book value of the Common Shares as at June 30, 1999. Dr. Sami Aita, Chief Executive Officer, President and Treasurer of the Company, and Lea Aita, if acting jointly and in concert, have a significant influence on the determination of the outcome of any matters submitted to a vote of the shareholders of the Company. There can be no assurance that the Company's security measures will prevent security breaches and protect the Company from any resulting risk of loss. There can be no assurance that new legislation or regulations will not be enacted nor that the application of laws or regulations from jurisdictions whose laws do not currently apply to the Company's business will subsequently become applicable. International sales are subject to certain inherent risks including trade barriers, staffing and operating foreign sales service operations. See "Risk Factors".

SELECTED FINANCIAL INFORMATION

The operating results of the Company during the six months ended December 31, 1999 and the three years ended June 30, 1999, 1998 and 1997 can be summarized below.

STATEMENT OF OPERATIONS DATA

	Six months ended Dec. 31 1999 (unaudited)	Years ended June 30 (audited)		
		1999	1998	1997
SOFTWARE AND RELATED SERVICES	$199,346	$223,239	$32,713	$6,206
SALES OF HARDWARE	10,109	24,843	8,158	375
	209,455	248,082	40,871	6,581
COST OF SALES	16,433	19,492	9,521	924
GROSS PROFIT	193,022	228,590	31,350	5,657
EXPENSES				
Salaries and subcontracting	736,215	1,255,355	592,475	362,211
Sales and marketing	50,141	255,618	183,283	203,223
General and administrative	277,383	506,373	246,854	100,934
Philippine office	4,690	58,083	63,201	50,333
Interest expense	14,604	18,219	10,294	1,553
Depreciation and amortization	58,778	98,887	32,095	—
	1,141,811	2,192,535	1,128,202	718,254
Less investment tax credits	—	58,702	66,640	119,228
TOTAL EXPENSES	1,141,811	2,133,833	1,061,562	599,026
LOSS FROM OPERATIONS	(948,789)	(1,905,243)	(1,030,212)	(593,369)
INTEREST INCOME	1,469	25,748	2,721	3,253
NET LOSS FOR THE YEAR	$(947,320)	$(1,879,495)	$(1,027,491)	$(590,116)

BALANCE SHEET DATA

	As at December 31, 1999 (unaudited)	As at June 30 (audited)	
		1999	1998
CURRENT ASSETS	$1,777,902	$241,513	$155,017
TOTAL ASSETS	$2,095,862	$491,008	$403,991
CURRENT LIABILITIES	$366,411	$413,518	$534,316
LONG TERM LIABILITIES	$91,985	$69,080	—
SHAREHOLDERS' EQUITY /(DEFICIENCY)	$1,637,556	$8,410	$(130,325)

See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Financial Statements".

THE COMPANY

MedcomSoft Inc. (the "Company") was incorporated under the *Business Corporations Act* (Ontario) on June 23, 1994. The registered address and principal executive office of the Company is located at Suite 900, 1200 Eglinton Avenue East, Toronto, Ontario, Canada, M3C 1H9.

The Company owns 100% of the issued and outstanding shares of MedcomSoft Corporation, a corporation incorporated on July 7, 1999 pursuant to the Delaware General Corporation Law in the State of Delaware in the United States.

COMPANY BACKGROUND

The Company was founded to address the service and cost-containment needs of the healthcare industry through the development and implementation of software solutions for wide-area community health information networks ("CHINs").

Management's strategy has been to deliver tools that will help healthcare providers and administrators create, analyze and communicate information and to facilitate the processes of accessing, distributing and analyzing all healthcare information, in order to help the effort of managed care and cost-containment.

The Company has developed a number of unique products and service applications that are now commercially available and are being sold to the Canadian and U.S. markets. The Company's core products and applications consist of DB Glue©, MedWorks™ and EPMR2000™, Specialty Modules and EPMR2000 Web Viewer™.

MARKET OPPORTUNITY

The healthcare efficiency market consists of companies which provide software solutions, enabling technologies, databases, outsourcing, transaction processing and demand management to healthcare industry stakeholders such as providers, payors and patients to help reduce costs and improve the quality of outcomes through the use of technology.

Management believes that the healthcare industry currently faces a number of challenges such as efficiency, cost control and outcome analysis that offer opportunities to healthcare efficiency companies like the Company.

Industry Overview

Although healthcare is primarily an information-based business, the information necessary to make healthcare service decisions is fragmented, if it is available at all. During a typical patient admission to a hospital there are numerous physicians, nurses, technologists, pharmacists and other healthcare workers involved in providing patient care. Each provider gathers information that may be useful or even critical to the others but that is often documented in a mix of disconnected paper and electronic systems. One of the major criticisms of the healthcare system is the potential discontinuity of record-keeping among providers. Management of the Company believes that communications and information access are essential components of increasing the efficiency and effectiveness of the healthcare industry.

Cost Control

The healthcare market is facing increasing pressure to contain rising costs. Payors are under pressure to curtail escalating costs and are forcing providers to accept and manage risk. Both public and private sector payors are reducing the funding available for healthcare services while insisting that the same or even higher levels of service are provided to patients.

This pressure has led to the growth in managed care organizations and health maintenance organizations ("HMOs") in the United States. These organizations negotiate contracts with providers on behalf of payors, including an increasing number of capitation contracts where providers assume some of the financial risk associated with patient treatment. As these contracts typically provide that healthcare providers are to be paid a flat yearly fee based on the number of patients under their responsibility (regardless of the number of patient visits), a transfer of some of the financial risk has shifted to healthcare providers.

Healthcare providers who bill based on a traditional fee-for-service basis are also under increased pressure to accept and manage risk. The United States Health Care Financing Administration ("HCFA") has introduced guidelines to improve the documentation of patient care and is rewarding healthcare providers who maximize it while penalizing those providers who do not document properly. Healthcare providers must justify the level of their documentation using a coding system designed by HCFA called Evaluation and Management ("E&M") and must submit these codes for payment. Management has identified coding accuracy as a key area that can be automated by software and that further justifies the use of patient record management systems in medical practice by providing compelling compensation benefits to healthcare providers.

This model of increasing the financial risk for providers is not limited to the United States. The Ontario Ministry of Health is the main payor of healthcare services in Ontario. The Primary Care Reform pilot project between the Ontario Ministry of Health and the Ontario Medical Association, announced in mid-1998, focuses on the creation of a patient-centered network and service coordinated approach with an emphasis on illness prevention, health promotion, cost control and community-based care. The network will allow patients to enroll with an affiliated physician who will provide primary healthcare services to the patients. Enrolled physicians are then able to electronically access patient medical records and receive information electronically and securely from other healthcare service suppliers. The focus of the Primary Care Reform pilot is to explore different compensation models such as capitated payments for registered patient rosters.

This risk sharing by providers has required them to become more efficient in their operations in order to maintain their profitability. Workflow processes are being re-engineered to optimize productivity. Providers and healthcare organizations are increasingly looking at information technology as a tool to support their re-engineered process and provide them with the data necessary to manage risk.

Industry Infrastructure

Despite the growing need for information technology in the healthcare industry, management of the Company believes that it remains one of the most under-serviced industries in terms of infrastructure. A survey indicated that the average expenditure on information technology in hospitals surveyed represented 0.7% of their annual operating budget as compared to a 6.0% expenditure for companies in the banking and financial services industry (Source: Deloitte & Touche, Emerging Trends in Information Technology, 1995). It is estimated that only 5-10% of U.S. healthcare records are maintained electronically (Source: Encyclopaedia Britannica, Inc. Medical and Health Annual, 1996).

Management of the Company believes this percentage of expenditures on information technology will increase in the future, based on private and public sector initiatives such as HCFA E&M coding which place increasing pressure on providers to computerize their medical records. As pressures to contain costs increase, providers will need to look to distributed information technology solutions to increase their efficiency and integrate information from disparate sources. Independent information system vendors are expected to grow more quickly than the industry average (Source: Needham & Company, Inc., Investment Analysis, April 1996). Management of the Company believes that the current under-utilization of technology tools in the healthcare industry offers the Company the opportunity to establish itself as a leader in a rapidly growing healthcare efficiency market. In addition, the Internet has emerged as an infrastructure to economically integrate disparate systems and communicate encrypted clinical data across all healthcare industry sectors. Management of the Company believes that making primary clinical data available securely on the Internet will add further reasons for healthcare providers and patients to adopt electronic medical records that are made available on a wide area.

BUSINESS OF THE COMPANY

Products and Related Services

The Company has developed a suite of products and service applications that mitigate many of the problems associated with the acquisition, storing and utilization of healthcare information. The Company's tools, products and services provide enterprise-wide integration of information systems, indexing of patient records, clinical information integration and decision support at the point-of-care. Management decision support systems can be based upon access to comprehensive enterprise-wide clinical and financial information. Management of the Company believes that the Company's solutions will enable its customers to reduce the cost of delivering healthcare through increased productivity and to improve the quality of care through enhanced analysis of outcomes and continuous improvement of patient care processes.

The Company has developed a number of unique products and service applications that have been introduced to the Canadian and American healthcare markets.

Products Overview

DB Glue©

Since its inception, the Company has utilized Microsoft Windows NT™ as its standard development environment and Microsoft Visual C++™ as its main application development tool. In order to ensure that it can recycle code and rapidly develop applications, the Company made the decision to focus its entire efforts in its first year of existence on the development of a generic data-driven engine to help achieve that goal. The Company's generic data-drive engine, DB Glue©, provides the possibility of retaining the power and flexibility of Visual C++™ to create applications with the ease of use of Microsoft Visual Basic™. DB Glue© is a technological breakthrough for the Company and represents its core technology for the rapid deployment of applications. It allows a speedy and powerful integration with Microsoft Corporation ("Microsoft") tools. Its main features include:

- binds Windows NT and Windows 95/98™ controls to database fields;
- automatically synchronizes record sets with one-to-many relationships;
- automatically assigns default values and counter fields to new records;

- links forms and dialogs to databases in minutes;
- record buffering for quick traversal and display;
- Open Database Connectivity ("ODBC") compliance, therefore no need for ODBC application programming interface knowledge; and
- reduces code necessary to view, create, update, or delete records.

MedWorks™ and EPMR2000™

MedWorks ™ and EPMR2000™ have been developed as healthcare provider workstation products to service the Canadian and United States markets, respectively. These products achieve efficiency by enabling healthcare providers to collect, analyze and communicate information easily and quickly at the point of care. They build longitudinal, multimedia electronic patient medical records that can be accessed from any point of care on a wide area. The accessible design of these products facilitates prompt delivery of clinical data from any service provider such as laboratories, pharmacies and radiology clinics. In addition, these products can accelerate billing claim submission, payment times and reconciliation with a great degree of accuracy.

EPMR2000 ™ has an integrated clinical decision support module and HCFA E&M coding system to improve the quality of patient care and document patient visits while maximizing billing levels. Supporting over 200,000 uniquely coded data elements, EPMR2000 ™'s clinical decision support system suggests appropriate tests, treatments and diagnoses. This integrated codified clinical database (or nomenclature) lends itself to the creation of consistent and researchable protocols that can be used for any type of patient visit.

Product Architecture

MedWorks™ and EPMR2000™ are designed using the following architectural features:

- Graphical user interface ("GUI") that is consistent with current Microsoft products. The MedWorks™ and EPMR2000™ GUI is built to look like a virtual filing cabinet which provides one-click access to complete logs of clinical data.
- DB Glue© data-driven system architecture enables rapid application development.
- Uses ODBC technology to provide database scalability.
- The software was designed to provide the flexibility to choose hardware that best fits workflows.
- Merges seamlessly with Microsoft Office applications to expedite the creation of mail-merged labels and letters, referral letters and transcription. Patient and resource scheduling is offered through the integration of Microsoft Outlook.

Electronic Patient Medical Record ("EPMR")

The following items describe features associated with the Company's EPMR:

- Comprehensive multimedia electronic medical records that can attach any file in the system. This design allows users to create patient records that compile data from many disparate sources, locally and on a wide area.
- Simplified free form and intelligent encounter types are available in the same encounter interface. Based on medicine's subjective, objective, assessment and plan model, the Company's encounter interface mirrors paper charts by storing data in logical areas according to the model.

- ! Cumulative patient profiles aggregate data collected in the encounter and medical history interfaces.
- ! Data elements are coded to industry standards (such as ICD9, CPT4 and MedcinID) for outcome and research purposes.
- ! Patient records can attach sound, scanned images and radiology results.
- ! Efficient management and integration of wide area service events. An integrated electronic prescription writer delivers prescription routing between physicians and pharmacies using Health Level Seven ("HL7") industry standards. Laboratory results are received electronically for review and authorization by healthcare providers and are eventually integrated into the patient record.
- ! Supports electronic billing claim submission, verification and reconciliation functionality.
- ! Integrated search engine capabilities provide research of clinical data and improve patient outcomes through enabling preventative care recalls.

MedWorks™ and EPMR2000™ Specialty Modules

MedWorks™ and EPMR2000™ base products support the integration of specific modules that are tailored to specific types of practices. Through the standardization of clinical findings within the integrated clinical nomenclature, the Company has developed accelerator modules for the rapid capture of specialized clinical information. These user-friendly modules rapidly capture normalized and codified results for aggregation and research purposes.

Specialists such as orthopedic surgeons can reduce their physical examination times significantly through the use of these specialty accelerator modules. The Company's radiology modules were created for ordering the entire spectrum of radiology tests and for receiving multimedia results in a variety of formats for easy viewing and attachment to the patient record. Special Microsoft Word™ templates are used to provide customized, high quality referral reporting.

MedWorks™ and EPMR2000™ Web Viewer™

As patient records continue to become more distributed by aggregating data from various sources, the global availability of primary care managed data becomes increasingly important. The Company has introduced secure viewing of electronic patient medical records using the Internet as an infrastructure. Configured to operate as a 3-tier application with "thin" clients, including Internet browsers, the Web Viewer™ can present views of patient records that attending physicians decide to reveal to a secure source. Confidential information relating to examinations, diagnoses and treatments can be shielded from view.

Patients can also gain access to their medical records outside of the doctor's office, thus making it possible to receive better care when travelling or visiting other healthcare providers. Immunization, drug allergy and other essential data is also available online.

Services

The Company offers a complete package of professional services to support clients implementing the Company's products. These services include:

- Business Consulting, including Year 2000 issues
- Requirements Definition and Analysis
- Software Customization
- Installation and Implementation Services
- Customer Training
- Customer Support and Help Desk Services

Technology

The Company has focused on the development of specific proprietary software technologies to allow it to customize products and develop additional MedWorks™ and EPMR2000™ application modules while maintaining open connectivity to Microsoft products. The Company developed DB Glue© as an easily customizable and deployable framework for the creation of all of its future applications.

Based on current market trends towards increased connectivity, wide area networks including the Internet, dominance of Microsoft tools and Windows NT and 98 operating systems, the Company has opted for the development of open applications that combine a consistent and intuitive graphical user interface with the power and security of the Microsoft Windows NT operating system.

In keeping with Microsoft's application development philosophy, the Company's MedWorks™, EPMR2000™, Specialty Modules and Web Viewer™ applications are full 32-bit, client-server 2 and 3-tier applications. The Company's development efforts take advantage of the latest performance, architectural, and user interface standards developed by Microsoft.

The following sections provide some detail regarding the Company's core technologies used for developing the Company's client server solutions for healthcare including the Internet.

Microsoft Visual C++™

Microsoft Visual C++™ is the most productive tool for creating the highest-performance applications for Microsoft Windows. Nearly all world-class software, ranging from the leading Web browsers to mission-critical corporate applications, is built using the Microsoft Visual C++™ development system. The Company employs Visual C++ 6.0™ as its development system to create applications without compromising flexibility, performance or control.

Microsoft Windows NT Operating System™

All of the Company's applications are developed to run on Microsoft's operating systems. The Company's back-end server solutions and office departmental servers are configured on the Microsoft Windows NT Operating System™. Microsoft's Web-based products such as Internet Information Server ("IIS") and Microsoft Transaction Server™ ("MTS") are ideally suited for the Windows NT platform and are an integral part of the Company's 3-tier patient record management system applications.

Microsoft SQL Server™ / Oracle™

The Company's ODBC compliant database solutions range from using the Microsoft Access database via the Microsoft Jet engine for small offices to scalable and industrial strength Microsoft SQL Server™ or Oracle™ installations for medium to large environments. Microsoft SQL Server™ and Oracle™ give the

Company the ability to provide its larger clients with the secure database access, data redundancy and high performance that they come to expect from advanced mission critical systems.

Multithreading

Multithreading technology is extensively used within the Company's applications to provide seamless and integrated background communications solutions. When laboratory results become available once a file or transaction is received, the Company's multithreading takes over and notifies the user and makes the information available immediately. The Company's applications also use multithreading to verify and validate patient enrollment in health care plans in real time.

Open Database Connectivity

ODBC allows the Company's design staff and development team to architect solutions for the most difficult logistical installations. The Company's 2 and 3-tier client applications, through the use of ODBC, are capable of connecting to data sources in numerous, disparate ways.

OLE™ / ActiveX™

Microsoft Object Linking and Embedding ("OLE™") and ActiveX™ technology are used by the Company to quickly add tested functionality to its products and integrate them seamlessly to existing Microsoft products such as Outlook, Word and Excel with minimized programming effort.

Microsoft Transaction Server™

Microsoft Transaction Server™ is a 'middleware' component of the Company's 3-tier solution. This technology separates business logic from the client application and stores it in its database for maintaining consistent and extremely reliable communications with the backend database. Management of the Company believes that business logic centralization can minimize or avoid duplication of processes and the errors associated with such processes which are commonly found in many of the medical desktop applications in use today.

Hyper Text Markup Language ("HTML") Reporting

Dependence on report writers is an extremely labour intensive way of creating reports. Although the Company's applications provide its users with ad-hoc, custom and on-the-fly reporting capabilities, the advent of the Internet and the use of HTML enables the Company's developers to create reports that are less labour intensive, more extensible and beneficial to the user. HTML reports are an Internet standard, can be integrated into electronic mail messages for transmission across the Internet and viewed with Internet browsers and have the same appearance as sophisticated report writer generated reports.

Development Strategy

The Company's development strategy includes creating Internet-based products, standardizing clinical findings for research and reporting purposes, providing the most complete healthcare provider desktop solutions and creating back-end solutions that serve managed care organizations better. The Company has already developed core applications for the capture and integration of patient clinical data and is extending functionality across the continuum of healthcare.

Marketing Strategy

The Company will market its products primarily to physicians, clinics, hospitals, pharmacies and insurers including government payors, managed care organizations and employers. The overall goal of the Company is to achieve quick market penetration in North America and gain substantial market share on an international level.

The marketing strategy is designed to combine:

- direct marketing to large group and managed care organizations;
- reseller programs targeted to small and intermediate groups and hospital departments; and
- other equipment manufacturer ("OEM") partners.

Direct Marketing

It is expected that the Company's direct marketing strategy will focus on promoting the Company and its products through:

- advertising in healthcare journals;
- attending industry trade shows and conferences to demonstrate product;
- direct sales force; and
- the Company's corporate website.

Direct sales activity will be supported by extensive tele-marketing and fax broadcasts by the direct sales force. The Company continues to develop a comprehensive database of healthcare providers by region and specialty and continually focuses on recurrent contact with prospective customers.

Reseller Networks

The Company has created a comprehensive reseller program. Management of the Company believes that the biggest difference between successful and non-successful reseller networks is a unified and controlled message. Accordingly, the Company has introduced a full cooperative marketing package that includes a structured message for all resellers. The entire sales, training and support process is clearly documented and supported by the Company. The Company has a detailed reseller qualification process that ensures expert representation.

OEM Agreements

The Company intends to establish several OEM agreements with organizations and suppliers that offer products and services to the same target market. Such organizations may include pharmaceutical manufacturers and suppliers of equipment to medical specialties such as Orthopedics, Cardiology, Ophthalmology, OB/GYN, Pediatrics and Surgery.

Advertising and Promotion

The Company intends to support its direct sales effort and reseller program with a strategic advertising and promotional campaign. Direct mail, telemarketing, magazine advertisements and trade shows will be used to generate national leads, while technical presentations by direct sales and resellers will promote the Company's concept of large healthcare networks.

The Company's website, www.medcomsoft.com, is regularly updated and is a significant promotional tool used primarily for providing Company information, product information and lead generation. Product downloads, demonstrations and contact information are all available on the Company's website and streamline the marketing effort. The information available through the website reduces lead administration thereby ensuring that prospective clients understand the Company's solutions and offer significant product differentiation. Management of the Company believes that the Company's website should therefore generate significant sales and partnership opportunities for the Company.

Sales Strategy

The Company has extensive experience in the implementation of three different sales strategies during the course of operation. These strategies are developed for different market sectors and can be adjusted to fit any unique customer needs.

Although all three models could be used together in certain situations, they will normally be implemented as follows:

Sales Strategy	**Target Organization**
Perpetual licensing	Small organizations
Recurrent licensing	Medium to large organizations
Transaction fees	Ancillary service providers and virtual health information networks

Perpetual Licensing

Perpetual licensing is attractive to small medical organizations such as primary care practices and specialty practices that can lease a license of a Company product at a reduced rate factored over an industry standard period (usually five years). The Company and channel distribution partners including billing/clearing houses and software resellers benefit through large up-front payments and the customer benefits from low monthly payments through long-term leases.

The price for each license is tailored to each project and is based on the quantity of modifications or customization that may be necessary.

The Company has implemented a perpetual licensing scheme in Canada and the United States for small providers and has incorporated software-locking mechanisms that eliminate the transfer or copying of software to unauthorized users.

Recurrent Licensing

Managed care organizations typically manage large numbers of provider populations. These organizations often benefit from the utilization of strategies that license the Company's products as perpetual licenses, the monthly price of which has been factored across thousands of users over a predetermined period of time. Managed care organizations can license the software by component, usually demographics, eligibility, charting and billing, incorporate their charges in provider maintenance fees and aggregate monthly payments to the Company and distribution channel partners.

Recurrent licensing can be a better alternative to perpetual licensing alone since certain large managed care organizations would rather pay a nominal monthly rate rather than a large up-front perpetual license fee. Individual providers and provider groups within the organization can, however, pay for specialty components on a perpetual basis over and above the base product that the managed care organization is only interested in providing to their members.

The Company has implemented recurrent pricing in the Province of Ontario where physicians pay a fixed amount per month based on the number of modules being used.

The Company's products have authorization keys that control software access and require user renewal of licenses on a recurrent basis through authorization key expiry at login.

Transaction Fees

Billing clearing houses, who service all billing requirements on behalf of providers by interacting with payors, can benefit from the Company's experience in managing a transaction-based claim processing collector network. The Company's products operate at a transactional level and can be structured to calculate fees based on the number of processed claims. Clearing houses that have traditionally had to pay for products on an annual maintenance or perpetual license basis can now move in favour of a more economical pay-per-use model.

The Company's solutions for large payors or suppliers benefit from the transactional model where providers can subscribe to online services on a per transaction basis. Delivery of lab data, billing claim batch transmissions and patient medical record transmission can all be billed by transaction. Providers only pay for what they use, resulting in optimal customer satisfaction and loyalty.

Additional Services

The Company software customization is normally billed to the customer as a one time charge that can be segmented in smaller, easier to pay, amounts. The management and marketing staff scrutinize each custom development effort, assess the benefit of the modifications to the overall product and introduce enhancements globally in exchange for attractive and compelling reductions in the cost of development to the customer.

Strategic Alliances

Microsoft Corporation

The Company is a registered Microsoft Solution Provider. As such, it obtains privileged and early access to latest technologies developed by Microsoft , the largest software company in the world, and it maintains a pool of highly specialized and Microsoft certified professionals in software development ensuring that the Company remains at the forefront of technological developments.

Today all of the Company's products are built with the latest Microsoft tools and are designed to integrate seamlessly with all of Microsoft's applications and operating systems.

Medicomp Systems, Inc.

Medicomp Systems, Inc. ("Medicomp") the publisher of Medcin™, has worked for 20 years with practicing physicians and clinicians at Cornell University, Harvard College, Johns Hopkins University and other major medical centers to develop a documentation engine for use at the point-of care. Medcin™, which provides an extensive database of clinical findings with links to thousands of diagnoses, is quickly becoming a standard for the acquisition of medical information by physicians.

The Company and Medicomp have entered into a license agreement dated September 17, 1998 whereby Medicomp has granted to the Company a non-exclusive license to incorporate, market, distribute and sublicense the Medcin™ software programs, data files and related documentation in connection with the Company's products. The Company is to pay a set yearly royalty fee to Medicomp per clinical user who utilizes the Medcin™ clinical data elements in patient charts. The term of this license agreement is ten years and shall be automatically renewed for one year renewal periods unless terminated by either party in accordance with the provisions of the agreement.

The Company and Medicomp have also entered into an additional license agreement dated September 17, 1998 whereby Medicomp has granted to the Company a non-exclusive license for the use of Medcin software programs known as Medcin ActiveX Control and Medcin DLL. In consideration of this license, the Company paid Medicomp a one-time license fee and will be required to pay yearly fees for any updates to the software programs. The term of this license agreement is 99 years.

All new releases of the Company's products are shipped with integrated Medcin™ functionality, allowing physicians to easily code electronic medical records, to generate full narrative text in English or other languages and to access its clinical decision support tools seamlessly from within the application. The Company has undertaken extensive research and development to add Medcin™ to its core patient medical record encounter-based products.

Oasis Technology Ltd.

Oasis Technology Ltd. ("Oasis") is a Canadian software company that develops and supplies e-payment/transactional switching solutions on both UNIX and NT platforms. It has established a strong position in several industries as a worldwide supplier of solutions for Master Card, VISA International, certain major banks, retailers and third-party providers. In addition, the Oasis information switching technology e-payment products drive a wide range of payment channel networks, including electronic fund transfers, automatic teller machines and point of sale systems.

The Company and Oasis entered into an agreement dated April 3, 1997 pursuant to which the two companies have agreed to jointly develop a new transactional medical switch based on Oasis technology. Upon the successful development of this medical switch, the Company has agreed to sign an OEM agreement with Oasis defining the terms and conditions for licensing Oasis' products used in this switch. The Company has also agreed to retain Oasis as the Company's subcontractor for any contracts relating to the implementation of institutional health information networks awarded to the Company in the Philippines.

SofTech Medical Services Inc.

SofTech Medical Services Inc. ("SofTech"), a subsidiary of Kaleida Health, Western New York's largest healthcare network, is a physician management services organization. SofTech provides management, billing and information systems to hundreds of physicians, medical groups and hospital departments.

The Company and SofTech have entered into an agreement dated August 30, 1999 pursuant to which SofTech has agreed to purchase from the Company a minimum of 100 licenses of the Company's United States electronic patient medical record software, EPMR2000™, for use by SofTech's own physician clients that have contracted SofTech's billing services. The Company has also agreed to provide training programs to SofTech's employees to familiarize them with the use of EPMR2000™. In consideration of the grant of these licences, SofTech has agreed to pay a licence fee for the 100 licenses over a five year period.

The Company and SofTech have also entered into a non-exclusive distribution agreement dated August 30, 1999 whereby SofTech will distribute the Company's products, and more specifically, EPMR2000™ and related products to other physician group practices, networks and health maintenance organizations in the United States. Pursuant to the provisions of the distribution agreement, SofTech shall pay to the Company a percentage of the suggested retail price for each product of the Company ordered for distribution by SofTech. SofTech will also pay to the Company annual support and maintenance fees for any products purchased from the Company based upon a percentage of the suggested list price of such products. The term of this agreement is for six years unless terminated by either party upon providing 90 days' written notice.

Competition

At the present time, management of the Company believes that the Company's principal competitors are large hospital management system suppliers which market proprietary systems, primarily to tertiary and secondary care facilities. Management believes that its primary competition includes companies such as Cerner Corp., HBO & Company, Medical Information Technology Inc. (MEDITECH) and IDX Systems Corporation who are attempting to reposition themselves as providers of CHINs through the expansion of their proprietary tertiary care systems to include close-proximity primary and secondary care institutions. These competitors pose a significant risk to the Company since they are well entrenched in important markets, possess vast resources, and are capable of maintaining intensive marketing and public relations campaigns. Management believes that the weakness of these competitors is that their products are designed for an automation specific facility. Therefore, modifications of these products to respond to the needs of an entire community with several different types of healthcare providers and facilities are difficult, lengthy and expensive.

Management of the Company believes that the Company is positioned to respond to this competitive threat by offering a more affordable and comprehensive range of highly specialized products for the CHIN market. These products provide rapid solutions for automating specific business processes horizontally without the need to transform the entire information technology infrastructure of the facility. Management of the Company believes MedWorks™ and EPMR2000™ solutions not only satisfy the needs of tertiary, secondary and primary care institutions, but also those of clinics, individual or group physician practices, pharmacies and laboratories.

The primary care provider practice management system market is comprised of over 900 companies supplying over 2,500 products in North America (Source: Healthcare Informatics, December 1998, Special Edition, 1999 Resources Guide) that compete for clinic, individual or group physician practice, pharmacy and laboratory implementations. Companies such as Medical Manager Corp. currently have extensive market penetration in small provider practices through an extensive distribution channel. However, most of these products are still character-based and lack features made possible through the implementation of GUI, SQL and advanced communication capabilities. Many of these products continue to be based on older operating systems, outdated programming languages and databases, lack comprehensive medical records and the necessary security features to function in a distributed wide area network environment which management believes is the path of future implementation of electronic patient medical records. Most systems also lack clinical decision support features through integrated clinical nomenclatures for data research and communications purposes. MedWorks™ and EPMR2000™ both are very well positioned technologically for use in these small to medium environments.

Transaction-based system companies have been recently introduced products that function on the Internet to provide niche market back-end solutions. Companies such as Healtheon Corporation/WebMD and Abaton.com provide orphan solutions (i.e. single-function solutions which do not integrate with other programs) that do not provide complete clinical data management. They only address parts of the healthcare delivery process such as health transactions and need to convince healthcare providers to store their patient data on remote data repositories. The Company has both desktop practice management and Web-based health transaction solutions to meet the emerging needs of healthcare providers.

Intellectual Property

The Company has filed applications with the Canadian Intellectual Property Office (Trade Marks) for the trademarks MEDCOMSOFT, MEDWORKS and MEDWORKS & DESIGN.

The application for the trademark MEDCOMSOFT has been allowed by the Canadian Intellectual Property Office (Trade Marks) and the applicable registration fee has been paid. The Company is currently awaiting confirmation that the trademark has been granted.

With respect to the application for MEDWORKS and MEDWORKS & DESIGN, 1044150 Ontario Inc. ("1044150"), a company which had previously filed Canadian trade mark applications for MED WORKS and MED WORKS ASSESSMENT, opposed the Company's application. Pursuant to an agreement dated April 18, 1999 between 1044150 and the Company, 1044150 has withdrawn its opposition and agreed not to further challenge the Company's use of such trademarks provided that the Company did not challenge 1044150's use of MED WORKS or MED WORKS ASSESSMENTS in association with rehabilitation and assessment services, occupational health medicine and executive health management. The application for such trademarks has now been allowed by the Canadian Intellectual Property Office (Trade Marks) and the trademarks shall be granted upon payment of the applicable registration fee. The Company is now awaiting notification of the grant of such trademarks.

The Company anticipates filing trademark applications by the end of the second calendar quarter of 2000 with the United States Patent and Trademark Office for the trademarks for EPMR2000 and MEDCOMSOFT EPMR2000.

Facilities

The Company operates in an 8,000 square foot leased facility in Toronto, Ontario, protected by a monitored three layered security system. All programming activities are performed in a separate access-controlled area of the facility. Access to the facility by the employees is monitored by card entry systems with different time zones according to security clearance. Reports on personnel access to the facility after hours is printed and monitored on a daily basis. Access to the Internet is centralized and protected through firewall systems. In addition, the Company performs regularly scheduled back-ups on all its corporate data (including all source code) and maintains copies of these back-ups off premises for disaster recovery.

Personnel

In its Toronto head office, the Company has 19 full time employees and consultants, divided into research and development, customer support and sales and administration. The Company has a full-time research and development team and a full-time customer support and help desk team whose activities include software support, trouble shooting, installation and training. The Company engages consultants from time to time to meet its growth objectives. In addition, the Company has four full-time senior sales employees in its United States subsidiary operating out of New York.

MANAGEMENT OF THE COMPANY

Directors and Officers

The names, municipality of residence, positions held with the Company and principal occupations within the previous five years of the current directors and officers of the Company are as follows:

Name and Municipality of Residence	Positions Held	Principal Occupation
Sami Aita, MD Thornhill, Ontario	Chief Executive Officer, President, Treasurer and Director(2)(3) of the Company	1994 - present: Chief Executive Officer, President and Treasurer of the Company
Kimberly Stevenson, C.A. Toronto, Ontario	Vice President, Finance, and Chief Financial Officer of the Company	1998 - present: Vice President, Finance, and Chief Financial Officer of the Company 1995 - 1998: Vice President and Director, Deloitte & Touche Corporate Finance Inc. 1994 - 1995: Assistant Manager, Price Waterhouse
Kevin Boyle, B.A. Toronto, Ontario	Vice President, Research and Development of the Company	1998 - present: Vice President, Research and Development of the Company 1994 - 1998: Senior software engineer and developer of the Company 1994 - present: President, Contour Software Inc. (computer software development consulting company)

Name and Municipality of Residence	Positions Held	Principal Occupation
Bill Cornelius, B. Sc. Henreitta, New York	Vice President, Sales and Marketing, MedcomSoft Corporation	1999 - present: Vice President, Sales and Marketing, MedcomSoft Corporation 1997 - 1999: Regional Manager and National Sales Manager, Electronic Healthcare Systems Inc. (medical software development company) 1994 - 1997: Regional Sales Manager, Medical Manager Corp.(medical software development company)
Bryan Nelson Toronto, Ontario	Director(1)(3)	1994 - present: Retired
Andre Claire, P.Eng. Toronto, Ontario	Director	1998 - present: President, Heso Engineering Inc. 1994 - 1998: Vice President, Research and Development of the Company
Lea Aita Thornhill, Ontario	Director(1)	1994 - 1999: Manager of the Company
Nabil Harfoush, Ph.D. Thornhill, Ontario	Director	1994 - present: President, BNK Informatics Canada Inc. (IT system integrators and consultants)
Peter Aldor, D.D.S. Toronto, Ontario	Director(2)	1994 - present: Dentist (self-employed)
Peter Langer Toronto, Ontario	Director(2)(3)	1995 - present: Vice President, PMA Brethour Group and President, Viceregal Developments Limited (real estate marketing, research and management companies) 1994 - 1995: Divisional Vice President, Markborough Properties Inc. (real estate development and investment company)
Heather A. Gordon, C.A. Toronto, Ontario	Director(1)	1999 - present: Senior Vice President and Chief Financial Officer, Balmur Entertainment Ltd. (entertainment company) 1995 - 1999: Vice President, Finance, Canbras Communications Corp. (cable and telecommunications company) 1994 - 1997: Vice President, Finance, P.S. Production Services Limited (television and motion picture rental company)
Samer Chebib, P. Eng. Richmond Hill, Ontario	Director	1998 - present: Vice President and General Manager, Toromont Energy Ltd. 1995 - 1998: General Manager, Energy Services Division, Toromont Industries Ltd. 1994 - 1995: Power Generation Manager, Toromont Caterpillar Ltd.

Notes:

(1) Member of the Audit Committee.
(2) Member of the Compensation Committee.

(3) Member of the Nomination Committee.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table is a summary of the compensation paid by the Company to its: (i) Chief Executive Officer, President and Treasurer; (ii) Vice President, Finance, and Chief Financial Officer; and (iii) Vice President, Research and Development (collectively, the "Named Executive Officers") for the financial years ended June 30, 1999, 1998 and 1997. The Company has three "executive officers" within the meaning of the *Securities Act* (Ontario) whose compensation must be disclosed for the fiscal year ended June 30, 1999 and only one executive officer for the fiscal years ended June 30, 1998 and 1997.

		Annual Compensation			Long-term Compensation			
					Awards		Payouts	
Name and Principal Position	**Financial Year Ended June 30**	**Salary ($)**	**Bonus ($)**	**Other Annual Compen-sation ($)**	**Securities Under Option/ SARs[1] Granted (#)**	**Restricted Shares or Restricted Share Units ($)**	**LTIP Payouts ($)**	**All other Compen-sation ($)**
Dr. Sami Aita Chief Executive Officer, President and Treasurer	1999	$187,833	-	-	290,000 / -	-	-	-
	1998	$175,000	-	-	-	-	-	-
	1997	$111,200	-	-	-	-	-	-
Kimberly Stevenson Vice President, Finance and Chief Financial Officer	1999	$94,295	-	-	35,000 / -	-	-	$15,000[2]
Kevin Boyle Vice President, Research and Development	1999	$117,500	-	-	120,000 / -	-	-	-

Notes:

(1) "SAR" means a stock appreciation right.

(2) Ms. Stevenson received such bonus subsequent to the completion of the Company's initial public offering.

Long-term Incentive Plan Awards during the Financial Year Ended June 30, 1999

No Long-term Incentive Plan Awards were made to the Named Executive Officers during the financial year ended June 30, 1999.

Option/SAR Grants during the Financial Year Ended June 30, 1999

During the financial year ended June 30, 1999, the following incentive stock options were granted to the Named Executive Officers:

Name	Securities Under Options/SARs Granted (#)	% of Total Options/SARs Granted to Employees in Financial Year	Exercise or Base Price ($/Security)	Market Value of Securities Underlying Options/SARs on the Date of Grant ($/Security)	Expiration Date
Dr. Sami Aita Chief Executive Officer, President and Treasurer	285,000(1)/- 5,000(2)/-	41.2%/- 0.7%/-	$1.20 $1.20	$0.95/- $0.95/-	Aug. 24, 2005 Sept. 24, 2005
Kimberly Stevenson Vice President, Finance and Chief Financial Officer	35,000(2)/-	5.1%/-	$1.20	$0.95/-	Aug. 5, 2003
Kevin Boyle Vice President, Research and Development	120,000(3)/-	17.3%/-	$1.20	$0.45/-	Jan. 29, 2006

Notes:

(1) Of these options, 199,500 options have vested as of the date of this prospectus and the remaining 85,500 shall vest on November 30, 2000.

(2) All of such options have fully vested as of the date of this prospectus.

(3) Of these options, 60,000 options have vested as of the date of this prospectus and the remaining 60,000 shall vest as to 30,000 on each of November 30, 2000 and November 30, 2001.

Aggregated Option/SAR Exercises during the most recently completed Financial Year and Financial Year-end Option/SAR Values.

The Named Executive Officers did not exercise any options/SARs during the financial year ended June 30, 1999. The following table sets out the financial year-end value of options held by the Named Executive Officers:

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized ($)	Unexercised Options/SARs at FY-End (#) Exercisable/ Unexercisable	Value of Unexercised in-the-money Options/SARs at FY-End ($)(2) Exercisable/ Unexercisable
Dr. Sami Aita Chief Executive Officer, President and Treasurer	nil	nil	290,000/- 119,000/171,000(1)	-/-
Kimberly Stevenson Vice President, Finance and Chief Financial Officer	nil	nil	35,000/- -/35,000(1)	-/-
Kevin Boyle Vice President, Research and Development	nil	nil	120,000/- 30,000/90,000(1)	-/-

Notes:

(1) These options were not yet exercisable as the vesting dates had not yet been reached as of June 30, 1999.

(2) Based upon a closing price of $0.95 for the Common Shares on CDN on June 30, 1999.

Compensation Agreements

On June 24, 1998, Dr. Aita entered into an employment agreement with the Company in his capacity as President, Chairman and Chief Executive Officer. Pursuant to the terms of the agreement, Dr. Aita will receive an annual base salary of $189,000. Dr. Aita may also receive stock options and a bonus to be determined by the board of directors of the Company. The bonus amount will be calculated by reference to the number arising from multiplying Dr. Aita's base salary by a proportion of the Company's revenue and earnings for any given year relative to goals contained in a pre-determined business plan. The term of the agreement is for five years unless terminated earlier by the Company as a result of material breach, incapacity or insolvency of Dr. Aita or by Dr. Aita in the event of a material breach by the Company of the terms of the agreement. The agreement also contains certain confidentiality, non-solicitation and non-competition provisions.

On May 27, 1998, the Company entered into an agreement with Contour Software Inc. ("Contour"), the principal of which is Kevin Boyle, Vice President, Research and Development of the Company. The initial term of the agreement was for six months and has since been mutually renewed by the parties on an ongoing basis. The agreement provides payment of fees of $10,000 per month (plus applicable tax) to Contour. The agreement contains provisions generally restricting Contour from soliciting customers of the Company for a period of one year following completion of the term of the agreement. No other cash remuneration is paid by the Company to Mr. Boyle in connection with his position as Vice President, Research and Development of the Company.

On August 5, 1998, the Company entered into an employment agreement with Ms. Kimberly Stevenson, Vice President, Finance, and Chief Financial Officer. The agreement provides for Ms. Stevenson to be paid an annual base salary of $110,000 as well as a car allowance of $500 (plus applicable taxes) per month. Subsequent to the Company's initial public offering, Ms. Stevenson received a one-time signing bonus of $15,000 and options to purchase up to 35,000 Common Shares. Ms. Stevenson may also receive stock options and a bonus to be determined by the board of directors of the Company. The term of the agreement is for three years unless terminated earlier by the Company as a result of material breach, incapacity or insolvency of Ms. Stevenson or by Ms. Stevenson in the event of a material breach by the Company of the terms of the agreement. In the event that the Company terminates its agreement with Ms. Stevenson prior to expiry of the three year term, a buy-out by the Company will be made which could result in a maximum payment of five months' salary and car allowance. The agreement also contains certain provisions generally restricting Ms. Stevenson from soliciting employees or customers of the Company for a period of one year following the termination of the agreement.

Key Man Life Insurance

The Company maintains key man life insurance for Dr. Aita in the amount of up to $2,250,000 with the Company as the named beneficiary under the policy.

Compensation of Directors

Each director of the Company is paid a fee of $4,000 per year for serving as a director and a fee of $500 for attending each meeting of the Company's Board of Directors. Directors are eligible for participation in the Company's stock option plan. See "Options to Purchase Securities - Incentive Stock Option Plan."

Directors and Officers Insurance

The Company maintains liability insurance for the directors and officers of the Company acting in such capacities in the amount of up to $1,000,000.

INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS

No director, executive officer or senior officer of the Company or proposed nominee for election as a director of the Company, or any associate of any such director, officer or proposed nominee is, or at any time since the beginning of the most recently completed financial year ended June 30, 1999 has been, indebted to the Company or is, or another entity which indebtedness is or has been the subject of guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company.

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

The following discussion and analysis of the Company's financial condition and results of operation is qualified by and should be read in conjunction with the financial statements of the Company and the notes thereto contained elsewhere in this prospectus.

Overview

The Company was incorporated under the laws of the Province of Ontario on June 23, 1994. Until July 1999, the Company focused its activities on the design and the development of its suite of healthcare related software products that was initially released for commercial sale in September 1997 under the name MedWorks™. As a result, the Company's major sources of revenue up to December 31, 1999 were from one-time training, installation and customization fees related to the licensing of MedWorks™ to health care providers in the Province of Ontario. The Company experienced a reduction of expenses through research and development tax recoveries and interest earned from such payments.

Results of Operations

Six months ended December 31, 1999 compared to six months ended December 31, 1998

During the six months ended December 31, 1999, the Company had revenue from software and related services of $199,346 compared to $49,853 in the six months ended December 31, 1998. This amount represented $83,370 (1998 - $28,908) for one-time MedWorks™ and EPMR2000™ license, training, customization and installation fees in connection with the MedWorks™ and EPMR2000™ contracts, and $115,976 (1998 - $20,945) in utilization fee income derived from the 259 MedWorks™ contracts (1998 – 71). The MedWorks™ contracts are on a month-to-month basis, cancellable at the request of the user, for the use of software, which includes support services. The EPMR2000™ product was released for commercial sale commencing October 1999. The increase is attributable principally to the increase in the number of healthcare providers entering into Medworks™ contracts and EPMR2000™ contracts with the Company. In addition, the Company had computer hardware sales of $10,109 (1998 - $5,527) and these hardware sales are used to support software sales. In relation to this increase in total sales, cost of sales increased to $16,433 in 1999 from $7,486 in 1998. The increase is principally attributable to the cost of travel associated with the sale of EPMR2000™ of $7,618 (1998 - Nil). During the six months ended December 31, 1999, the Company incurred expenses of $1,141,811 compared to $997,256 in the six months ended December 31, 1998, representing an increase of approximately 15%. The increase is attributable principally to salaries and subcontracting expenses associated with the addition of management, administrative, sales, training, and support personnel, which increased to $736,215 from $550,488 in connection with the commercial sale of MedWorks™ and EPMR2000™. The Company's general and administrative costs increased to $277,383 from $234,668 reflecting additional expenses incurred in connection with the increased business activity. The increase in total expenses also reflects an increase in depreciation and amortization expense to $58,778 (1998 – $37,552), which is due to an increase in the acquisition of capital assets during the eighteen month period ended December 31, 1999 of $374,760 (1998 – $282,517).

During the six months ended December 31, 1999, the Company raised net proceeds of $348,508 through the issuance of Common Shares, the proceeds of which were mainly used to allow the Company to fund expansion of its management team and research and development initiatives and to execute its sales and marketing plan. In addition, the Company issued special warrants with net proceeds of $2,227,958, the proceeds of which were used to fund the initial expansion into the United States of EMPR2000™ and other working capital requirements. At December 31, 1999, the cash position of the Company was $1,707,406 compared to $783,390 on December 31, 1998.

Year ended June 30, 1999 compared to year ended June 30, 1998

During the year ended June 30, 1999, the Company had revenue from software and related services of $223,239 compared to $32,713 in the year ended June 30, 1998. This amount represented $128,238 (1998 - $22,330) for one-time MedWorks™ training, customization and installation fees in connection with the MedWorks™ contracts, and $95,001 (1998 - $10,383) in utilization fee income derived from the 201 MedWorks™ contracts (1998 – 22). The contracts are on a month-to-month basis, cancellable at the request of the user, for the use of software, which includes support services. The increase is attributable principally to the increase in the number of healthcare providers entering into Medworks™ contracts with the Company. In addition, the Company had computer hardware sales of $24,843 (1998 - $8,158) and these hardware sales are used to support software sales. In relation to this increase in total sales, cost of sales increased to $19,492 in 1999 from $9,521in 1998. The increase is principally attributable to the cost of hardware included in sales $19,226 (1998 - $6,774). During the year ended June 30, 1999, the Company incurred expenses of $2,192,535 compared to $1,128,202 in the year ended June 30, 1998, representing an increase of approximately 94%. The increase is attributable principally to salaries and subcontracting expenses associated with the addition of management, administrative, sales, training, and support personnel, which increased to $1,255,355 from $592,475 in connection with the commercial sale of MedWorks™. The Company's general and administrative costs increased to $506,373 from $246,854 reflecting additional expenses incurred in connection with the increased business activity. The increase in total expenses also reflects an increase in depreciation and amortization expense to $98,887 (1998 – $32,095), which is due to an increase in the acquisition of capital assets during 1999 of $293,651 (1998 - $22,520). During the year ended June 30, 1999, there was $58,702 of investment tax credits recognized against expenses, compared to $66,640 recognized in 1998. The Company follows the accounting policy of recording investment tax credits when there is reasonable assurance that the credits will be received and the Company considers that to be when the claims are approved by Revenue Canada. Subsequent to June 30, 1999, the Company submitted claims to Revenue Canada relating to the June 30, 1999 fiscal year in the amount of $326,000, which has yet to be approved.

During the year ended June 30, 1999, the Company raised net proceeds of $1,806,080 through the issuance of Common Shares, the proceeds of which were mainly used to allow the Company to fund expansion of its management team and research and development initiatives and to execute its sales and marketing plan. In addition, the Company issued special warrants with net proceeds of $212,150, the proceeds of which were used to fund the initial expansion into the United States of EMPR2000™ and other working capital requirements. At June 30, 1999, the cash position of the Company was $174,546 compared to $48,862 on June 30, 1998.

Year ended June 30, 1998 compared to year ended June 30, 1997

During the year ended June 30, 1998, the Company had revenue from software and related services of $32,713 compared to $6,206 in the year ended June 30, 1997. This amount represented $22,330 (1997 - $4,944) for one time MedWorks™ training, customization and installation fees in connection with MedWorks™ contracts, and $10,383 (1997 - $1,262) in utilization fee income derived from the 22 MedWorks™ contracts. The contracts are on a month-to-month basis, cancellable at the request of the user, for the use of software, which includes support services. The increase is attributable principally to the further commercialization of the MedWorks™ product, which was released for commercial sale commencing September 1997. In addition, the Company had computer hardware sales of $8,158 (1997 - $375) and these hardware sales are used to support software sales. In relation to this increase in sales, cost of sales increased to $9,521 in 1998 from $924 in 1997. The increase is principally attributable to the cost of hardware included in sales. During the year ended June 30, 1998, the Company incurred expenses of $1,128,202 compared to

$718,254 in the year ended June 30, 1997, representing an increase of approximately 57%. The increase is attributable principally to the addition of management, administrative, training and support personnel, which increased to $592,475 from $362,211 in connection with the initial commercial sale of MedWorks™. The Company's general and administrative costs increased to $246,854 from $100,934, reflecting additional expenses incurred in connection with increased business activity. This increase in total expenses also reflects the calculation of amortization that began in fiscal 1998 and was equal to $32,095 for the period ending June 30, 1998. During the year ended June 30, 1998, there was $66,640 of investment tax credits recognized against expenses, compared to $119,228 recognized in 1997. The difference relates to the Company beginning to focus research and development on product enhancement rather than pure research and development efforts.

During the year ended June 30, 1998, the Company raised $891,718 through the issuance of Common Shares, the proceeds of which were mainly used to retire all existing debt and current liabilities of the Company. In addition, the Company issued special warrants with net proceeds of $628,650, the proceeds of which were used to fund the initial Ontario marketing campaign of MedWorks™ and other working capital requirements. At June 30, 1998, the cash position of the Company was $48,862, compared to ($3,072) on June 30, 1997.

Liquidity and Capital Resources

Since its inception, the Company has primarily financed its working capital requirements through proceeds received from debt and equity financing. The Company has not utilized bank financing to fund its activities to date. As at December 31, 1999 the Company had cash and short term investments of $1,707,406. The Company had positive working capital as at December 31, 1999 of $1,411,491.

The Company's principal cash requirements for the next year will be primarily to finance the expansion of its management team, the marketing and sale of its MedWorks™, Web Multimedia EPMR and EPMR2000™ suites of healthcare related software products and research and development. This will be partially financed from the proceeds of this offering and cash generated from operations. A portion of the proceeds of this offering will be used for general working capital purposes. See "Use of Proceeds".

The Company's only committed expenditures relate to lease payments for equipment and premises. These payments are approximately $30,000 per month.

The Company expects that the proceeds of this offering and cash generated from its operations will be sufficient to fund its current objectives described under "Use of Proceeds". In approximately three to six months, the Company expects the sale and marketing strategy to be fully implemented, and that the cash flow from operations should be sufficient to fund its ongoing operations. Should the proceeds from this offering not be sufficient to fund its ongoing operations, the Company would seek out other sources of capital or debt financing. See "Risk Factors - Additional Financing Requirements".

Outlook

The Company expects to incur net additional expenditures of between $500,000 and $1,000,000 in connection with the United States and international commercialization of the EPMR2000™ system. These expenditures represent the net proceeds of this offering except those which are being used to fund general working capital needs. The Company has commenced commercial production of EPMR2000™ and the Company expects EPMR2000™ to be in full commercial production and sale by April 2000. Upon the completion of this offering, the Company anticipates that its current cash resources will be sufficient, in conjunction with cash generated from ongoing operations, to finance the Company's planned expenditures and operating losses through the initial marketing launch and commercial production. See "Risk Factors - Additional Financing Requirements".

DESCRIPTION OF SHARE CAPITAL

The following is a summary of the principal attributes of the authorized share capital of the Company:

Common Shares

The holders of common shares are entitled to vote at all meetings of shareholders. Each Common Share ranks equally with all other issued Common Shares. Subject to prior to rights attached to any preferred or special class of shares which may have been created, in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, holders of Common Shares would be entitled to share equally in the balance of assets, if any, remaining after payment of all debts and liabilities.

SHARE AND LOAN CAPITAL STRUCTURE

The following table sets forth the capitalization of the Company as at December 31, 1999, as at February 1, 2000 and as at February 1, 2000 after giving effect to this offering:

	Outstanding as at December 31, 1999 (unaudited)	Outstanding as at February 1, 2000 (unaudited)	Outstanding as at February 1, 2000 after giving effect to this offering (1)(2)(3) (unaudited)
DEBT	$156,201	$125,700	$125,700
SHAREHOLDERS' EQUITY			
Common Shares (Authorized: unlimited)	$4,113,417 (18,257,209 shares)	$4,415,790 (18,475,374 shares)	$6,787,090 (21,734,124 shares)
Special Warrants	$2,440,108	$2,371,300	nil
Deficit	($4,915,969)	($4,915,969)(5)	($4,915,969)(5)
TOTAL CAPITALIZATION	$1,793,757	$1,996,821	$1,996,821

Notes:

(1) After giving effect to the issue of the 3,258,750 Common Shares upon the exercise of 512,500 Initial Special Warrants, 200,000 Second Special Warrants, 625,000 Third Special Warrants and 1,850,000 Fourth Special Warrants and after deducting Goepel's and Dominick's commissions and the estimated expenses of the offering. See "Plan of Distribution".

(2) Excludes the possible issuance of up to:

(a) 242,000 Common Shares upon the exercise of 20,000 Second Purchase Warrants and 222,000 Fourth

Purchase Warrants; and

(b) 113,750 Common Shares upon the exercise of the Goepel Compensation Options and the Dominick Compensation Options. See “Plan of Distribution”.

(3) Excludes the possible issuance of up to:

(a) 1,892,125 Common Shares upon the exercise of stock options pursuant to the incentive stock option plan of the Company (see “Options to Purchase Securities - Incentive Stock Option Plan”); and

(b) 16,664 Common Shares upon the exercise of the remaining Series C Broker’s Warrants (see “Options to Purchase Securities - Warrants”).

(4) See Note 8 in the Financial Statements for details relating to the Company’s obligations pursuant to its leased premises.

(5) As at December 31, 1999, the Company had a deficit of $4,915,969.

PRIOR SALES OF SECURITIES

The following is a description of the issuances of Common Shares by the Company within the twelve months preceding the date of this prospectus:

(a) On December 31, 1999, the Company issued 53,333 Common Shares to Rampart Securities Inc. (formerly Merit Investment Corporation) (the “IPO Agent”) at a price of $0.75 per share pursuant to the exercise of broker’s warrants previously issued by the Company to the IPO Agent in connection with an agency agreement dated February 25, 1998 (the “1998 Initial Special Warrant Agency Agreement”).

(b) On December 31, 1999, the Company issued 46,666 Common Shares to the IPO Agent at a price of $0.75 per share pursuant to the exercise of broker’s warrants previously issued by the Company to the IPO Agent in connection with an agency agreement dated March 24, 1998 (the “1998 Second Special Warrant Agency Agreement”).

(c) On December 31, 1999, the Company issued 100,502 Common Shares to the IPO Agent at a price of $1.20 per share pursuant to the exercise of broker’s warrants (the “Series C Broker’s Warrants”) previously issued by the Company to the IPO Agent in connection with an agency agreement dated dated July 24, 1998 (the “1998 IPO Agency Agreement”).

(d) Between December 8, 1999 and January 27, 2000, the Company issued an aggregate of 375,375 Common Shares at prices ranging from $0.60 to $1.55 per share pursuant to exercises of stock options previously granted under the Company’s stock option plan. See “Options to Purchase Securities - Incentive Stock Option Plan”.

PRINCIPAL HOLDERS OF VOTING SECURITIES

The only persons holding, as of record, or known to the Company to beneficially own, directly or indirectly, more than 10% of the issued and outstanding Common Shares as of February 1, 2000 are as follows:

Name and Municipality of Residence	Type of Ownership	Number of Securities Owned on February 1, 2000	Percentage of Class on February 1, 2000	Percentage of Class After Giving Effect to this Offering(1)(2)(3)
Dr. Sami Aita Thornhill, Ontario	beneficially and of record	4,773,116	25.8%	22.0%
Lea Aita Thornhill, Ontario	beneficially and of record	2,386,558	12.9%	11.0%
Bryan Nelson Toronto, Ontario	beneficially and of record	1,717,481	9.3%	7.9%(4)

Notes:

(1) After giving effect to the issue of the 3,258,750 Common Shares upon the exercise of 512,500 Initial Special Warrants, 200,000 Second Special Warrants, 625,000 Third Special Warrants and 1,850,000 Fourth Special Warrants and after deducting Goepel's and Dominick's commissions and the estimated expenses of the offering. See "Plan of Distribution".

(2) Excludes the possible issuance of up to:
- (a) 242,000 Common Shares upon the exercise of 20,000 Second Purchase Warrants and 222,000 Fourth Purchase Warrants; and
- (b) 113,750 Common Shares upon the exercise of the Goepel Compensation Options and the Dominick Compensation Options. See "Plan of Distribution".

(3) Excludes the possible issuance of up to:
- (a) 1,892,125 Common Shares upon the exercise of stock options pursuant to the incentive stock option plan of the Company (see "Options to Purchase Securities - Incentive Stock Option Plan"); and
- (b) 16,664 Common Shares upon the exercise of the remaining Series C Broker's Warrants (see "Options to Purchase Securities - Warrants").

(4) Assumes the issuance of 220,000 Common Shares issuable upon the exercise of 200,000 Initial Special Warrants purchased by Mr. Nelson on July 23, 1999 and 600,000 Common Shares issuable upon the exercise of 600,000 Fourth Special Warrants purchased by Mr. Nelson on December 16, 1999. Excludes the possible issuance of Common Shares upon the exercise of Fourth Purchase Warrants issuable upon the exercise of the Fourth Special Warrants purchased by Mr. Nelson.

Prior to giving effect to the offering of the Initial Special Warrants, the Second Special Warrants, the Third Special Warrants and the Fourth Special Warrants, the directors and senior officers of the Company as a group, own an aggregate of 9,264,045 Common Shares, being 50.1% of the issued and outstanding common shares as of February 1, 2000 (42.6% after giving effect to the issue of the 3,258,750 Common Shares issuable upon the exercise of the Initial Special Warrants, the Second Special Warrants, the Third Special Warrants and the Fourth Special Warrants (including the exercise of the 200,000 Initial Special Warrants and the 600,000 Fourth Special Warrants purchased by Mr. Nelson) but without assuming the exercise of any Second Purchase Warrants, Fourth Purchase Warrants, Goepel Compensation Options, Dominick Compensation Options or other convertible securities of the Company).

OPTIONS TO PURCHASE SECURITIES

Warrants

Pursuant to the 1998 IPO Agency Agreement, on August 5, 1998, the Company issued to the IPO Agent Series C Broker's Warrants entitling the IPO Agent to acquire, at any time prior to 5:00 p.m. (Toronto time) on August 5, 2000, up to 166,667 Common Shares at a price of $1.20 per Common Share. As of the date of this prospectus, Series C Broker's Warrants entitling the IPO Agent to acquire up to 16,664 Common Shares remain outstanding. See "Prior Sales of Securities".

Incentive Stock Option Plan

The Company established an incentive stock option plan (the "Plan") on July 23, 1998, in order to encourage directors, officers, employees and service providers of the Company to acquire a proprietary interest in the Company and to provide an incentive to such persons related to the performance of the Company. The number of Common Shares reserved from time to time for issuance under the Plan shall not exceed 2,587,500 Common Shares.

The Plan is administered by the board of directors of the Company. At the time a stock option is granted, the directors shall determine the number of Common Shares exercisable under the option, the date when the option is to become effective and, subject to the other provisions of the Plan and subject to applicable laws and regulations, all other terms and conditions of the option.

The exercise price of each stock option shall be determined in the discretion of the directors of the Company at the time of the granting of the stock option, provided that any exercise price may not be less than the market price (being the closing price of the Common Shares as reported by the stock exchange or CDN, as the case may be, on which Common Shares are listed or quoted for trading) of the Common Shares at the time of grant.

All stock options shall be for a term and exercisable from time to time as determined in the discretion of the directors of the Company at the time of the granting of the stock options, provided that no stock option shall have a term exceeding seven years. An optionee's rights pursuant to such optionee's stock options terminate upon or within a certain limited time period upon the termination of such optionee's consulting arrangements or employment with the Company, whether by reason of resignation, retirement or for cause. Stock options are not assignable by the optionees except for a limited right of assignment to allow the exercise of stock options by an optionee's legal representative in the event of death or incapacity. No one optionee can receive stock options entitling the optionee to purchase more than 5% of the issued and outstanding Common Shares.

As at the date hereof, there are stock options outstanding under the Plan entitling the holders to acquire up to an aggregate of 1,892,125 Common Shares as set out below:

Name or Description of Option Holder	Date of Grant	Number of Common Shares Under Option [(1)]	Exercise Price per Common Share ($)	Market Value of Securities optioned at date of grant ($/share)	Expiration Date
Named Executive Officers	Aug. 5, 1998	35,000	$1.20	$1.20	Aug. 5, 2003
	Aug. 24, 1998	285,000	$1.20	$1.20	Aug. 24, 2005
	Sep. 24, 1998	5,000	$1.20	$1.35	Sep. 24, 2005
	Jan. 29, 1999	120,000	$1.20	$0.45	Jan. 29, 2006
	Aug. 30, 1999	387,500	$0.75	$0.75	Aug. 30, 2006
	Dec. 22, 1999	170,000	$1.75	$1.75	Dec. 22, 2006
Directors other than the Named Executive Officers	Aug. 24, 1998	125,000	$1.20	$1.20	Aug. 24, 2005
	Sep. 24, 1998	35,000	$1.20	$1.35	Sep. 24, 2005
	Aug. 30, 1999	123,000	$0.75	$0.75	Aug. 30, 2006
	Dec. 22, 1999	65,000	$1.75	$1.75	Dec. 22, 2006
Employees	Aug. 24, 1998	85,000	$1.20	$1.20	Aug. 24, 2005
	July 21, 1999	30,000	$1.20	$0.90	July 21, 2004
	Aug. 30, 1999	135,625	$0.75	$0.75	Aug. 30, 2006
	Dec. 22, 1999	43,000	$1.75	$1.75	Dec. 22, 2006
	Jan. 16, 2000	30,000	$2.20	$2.20	Jan. 16, 2007
Consultants	Jan. 29, 1999	5,000	$1.20	$0.45	Jan. 29, 2006
	Feb. 15, 1999	5,000	$1.20	$0.70	June 30, 2000
	Feb. 15, 1999	25,000	$1.20	$0.70	Sep. 30, 2000
	Feb. 15, 1999	25,000	$1.20	$0.70	Dec. 30, 2000
	Feb. 15, 1999	25,000[(2)]	$1.20	$0.70	Feb. 15, 2006
	Aug. 30, 1999	6,000	$0.75	$0.75	Aug. 30, 2006
	Dec. 22, 1999	27,000	$1.75	$1.75	Dec. 22, 2006
	Dec. 22, 1999	100,000[(2)]	$1.75	$1.75	Dec. 22, 2006
	Total	**1,892,125**			

Notes:

(1) Unless otherwise noted, all of such options will vest over time based on the number of years until the date of expiry. Of the 1,767,125 options subject to such vesting provisions, an aggregate of 996,500 options have vested as of the date of this prospectus.

(2) These options will vest upon the occurrence of certain performance-related milestones of the Company relating to market value of the Common Shares. Of the 125,000 options subject to such performance related provisions, none of such options have vested as of the date of this prospectus.

(3) The closing price of the Common Shares on CDN on February 18, 2000 was $24.00.

PRICE RANGE AND TRADING VOLUME OF COMMON SHARES

The Common Shares have been quoted for trading on CDN since August 24, 1998 under the trading symbol "MDCM". The following is a summary of the market price range and the volume traded for the Common Shares from August 24, 1998 to February 18, 2000:

	Price Range			
	High ($)	Low ($)	Close ($)	Volume
February 1, 2000 to February 18, 2000	26.00	8.25	24.00	7,224,269
January 2000	8.50	1.75	8.00	5,242,190
4th quarter 1999	2.65	0.65	1.75	4,154,200
3rd quarter 1999	1.10	0.65	0.85	1,320,500
2nd quarter 1999	1.05	0.50	0.95	713,400
1st quarter 1999	0.85	0.45	0.50	641,600
4th quarter 1998	1.05	0.40	0.70	269,394
3rd quarter 1998(1)	2.00	0.75	1.10	2,968,970

Note:

(1) For the period from August 24, 1998 to September 30, 1998.

DIVIDEND RECORD

Holders of Common Shares are entitled to receive such dividends as the Company's directors from time to time may declare out of funds legally available therefor. The Company has no fixed dividend policy and has not declared nor paid any dividends on its Common Shares since its incorporation. When circumstances permit, a dividend policy aimed at maximizing shareholder return, in compliance with all applicable laws and as funds permit, is planned to be instituted.

ESCROWED SHARES

Pursuant to Ontario Securities Commission Policy 5.9 and an escrow agreement (the "Escrow Agreement") dated July 24, 1998 among Dr. Sami Aita, Lea Aita, Bryan Nelson, the Company and Montreal Trust Company of Canada (the "Trustee"), as escrow agent, 9,511,590 Common Shares were deposited into escrow with the Trustee. To date, a total of 951,159 Common Shares have been released out of escrow. Of the remaining Common Shares held in escrow, 1,902,318 escrowed Common Shares are to be released on each of April 24, 2000, 2001 and 2002 with the remaining 2,853,477 escrowed Common Shares to be released on April 24, 2003.

None of the Common Shares so escrowed may be released from escrow or transferred within escrow without the prior written consent of the Ontario Securities Commission except for the purposes of tendering into a *bona fide* take-over bid where the offeror otherwise agrees to hold such shares under the same terms and conditions of escrow.

In addition to the Escrow Agreement, Dr. Sami Aita, Lea Aita, Bryan Nelson, Andre Claire and Ingrid Blot entered into an escrow agreement (the "Secondary Escrow Agreement") dated August 5, 1998 with the IPO Agent providing that such shareholders shall not, without the prior consent of the IPO Agent, sell, transfer or otherwise deal in any manner with an aggregate of 9,790,627 Common Shares until January 24, 2000 other than in certain limited circumstances as contemplated in the Secondary Escrow Agreement. All of such shares have now been released from such escrow.

PLAN OF DISTRIBUTION

Initial Special Warrants

Pursuant to an agency agreement (the "Goepel Agency Agreement") dated June 18, 1999 between the Company and Goepel McDermid Inc. ("Goepel"), Goepel agreed to offer, as agent of the Company, on a best efforts basis up to 1,250,000 special warrants (the "Initial Special Warrants") at a price of $0.80 per Initial Special Warrant upon the terms and subject to the conditions contained therein. On June 18, 1999 and July 23, 1999 (each, an "Initial Special Warrant Closing Date"), the Company sold an aggregate of 512,500 Initial Special Warrants at a price of $0.80 per warrant.

In accordance with the terms of the Goepel Agency Agreement, the Company has paid Goepel cash commissions equal to $23,700. As additional compensation, the Company has granted to Goepel non-assignable and non-transferable broker's special warrants (the "Goepel Broker's Warrants") which entitle Goepel to acquire compensation options (the "Goepel Compensation Options") without payment of any additional consideration, at any time before 5:00 p.m. (Toronto time) on the date which is two years from the earlier of: (i) the date on which a receipt for this (final) prospectus is issued to the Company by the Ontario Securities Commission; and (ii) 120 days from the respective Initial Special Warrant Closing Date. The Goepel Compensation Options will entitle Goepel to purchase, in the aggregate, up to 51,250 Common Shares at an exercise price of $0.80 per share at any time on or before 5:00 p.m. (Toronto time) on the date which is two years from the earlier of: (i) the date on which a receipt for this (final) prospectus is issued to the Company by the Ontario Securities Commission; and (ii) 120 days from the respective Initial Special Warrant Closing Date. The distribution of 100% of the Goepel Compensation Options pursuant to the exercise of the Goepel Broker's Warrants is also being qualified by this prospectus.

The Initial Special Warrants are evidenced and governed by certificates (the "Initial Special Warrant Certificates") dated June 18, 1999 and July 23, 1999. The Special Warrants are exercisable by the holders thereof at any time (each time, respectively, being defined as an "Initial Expiry Time") before 5:00 p.m. (Toronto time) on the earlier of (i) the day which is seven business days after the day on which a receipt for this (final) prospectus is issued by the Ontario Securities Commission; and (ii) eighteen months from the respective Initial Special Warrant Closing Date. Subject to the terms of the Initial Special Warrant Certificates, each Initial Special Warrant entitles the holder thereof to acquire, without additional payment and subject to adjustment pursuant to the Initial Special Warrant Certificates, one Common Share. All Initial Special Warrants not previously exercised will be deemed, immediately prior to the respective Initial Expiry Time, to be exercised by the holder thereof without any further action on the part of the holder. As a receipt had not been issued for a (final) Prospectus by the Ontario Securities Commission prior to 5:00 p.m. (Toronto time) on the date which was 120 days after the respective Initial Special Warrant Closing Date (being

October 15, 1999 for the 312,500 Initial Special Warrants sold on June 18, 1999 and November 19, 1999 for the 200,000 Initial Special Warrants sold on July 23, 1999), each Initial Special Warrant entitles the holder thereof to acquire, without additional consideration, 1.1 Common Shares (in lieu of one Common Share).

Pursuant to the Goepel Agency Agreement, the Company covenanted to, among other things, use its commercially reasonable efforts to prepare and file in a timely manner with the Ontario Securities Commission a preliminary prospectus and to finalize and file with the Ontario Securities Commission a (final) prospectus relating to the issue of the Common Shares issuable upon the exercise of the Initial Special Warrants.

Second Special Warrants

A total of 200,000 Second Special Warrants were issued by the Company on a private placement basis on September 17, 1999. The Second Special Warrants were sold to investors directly by the Company without the appointment of an agent at a price of $0.80 per Second Special Warrant pursuant to prospectus exemptions under applicable securities legislation. The price of the Special Warrants was determined by the Company based upon the price of the Initial Special Warrants.

The Second Special Warrants are evidenced and governed by certificates (the "Second Special Warrant Certificates") dated September 17, 1999. The Special Warrants are exercisable by the holders thereof at any time (the "Second Expiry Time") before 5:00 p.m. (Toronto time) on the earlier of (i) the day which is seven business days after the day on which a receipt for this (final) prospectus is issued by the Alberta Securities Commission; and (ii) eighteen months from the date of the closing of the sale of the Second Special Warrants. Subject to the terms of the Second Special Warrant Certificates, each Second Special Warrant entitles the holder thereof to acquire, without additional payment and subject to adjustment pursuant to the Second Special Warrant Certificates, one Common Share and 1/10th of one Second Purchase Warrant. All Second Special Warrants not previously exercised will be deemed, immediately prior to the Second Expiry Time, to be exercised by the holder thereof without any further action on the part of the holder. As a receipt had not been issued for this (final) prospectus by the Alberta Securities Commission prior to 5:00 p.m. (Toronto time) on the date which was 90 days after the closing date of the sale of the Second Special Warrants (the "Second Special Warrant Closing Date") (being December 16, 1999), each Second Special Warrant entitles the holder thereof to acquire, without additional consideration, 1.1 Common Shares and 1/10th of one Second Purchase Warrant (in lieu of one Common Share and 1/10th of one Second Purchase Warrant).

Upon issue, the Second Purchase Warrants will be evidenced and governed by common share purchase warrant certificates (the "Second Purchase Warrant Certificates"). Each whole Second Purchase Warrant will entitle the holder thereof to acquire, subject to adjustment pursuant to the terms of the Second Purchase Warrant Certificate, one Common Share at a price equal to $1.03 per share at any time after the Second Special Warrant Closing Date and before 5:00 p.m. (Toronto time) on the date which is two years from the Second Special Warrant Closing Date.

Upon the exercise of Second Special Warrants, the holder will be required to allocate the cost of each Second Special Warrant between the Common Shares and the Second Purchase Warrants on a reasonable basis in order to determine their respective costs for purposes of the *Income Tax Act* (Canada). The Company will allocate $0.80 to each Common Share underlying the Second Special Warrants and nil to the Second Purchase Warrants. The Company believes that such allocation is reasonable although, such allocation will not be binding on Revenue Canada. **Holders of Second Special Warrants should consult their own tax advisors.**

Third Special Warrants

Pursuant to an agency agreement (the "Dominick Agency Agreement") December 16, 1999 between the Company and Dominick & Dominick Securities Inc. ("Dominick"), Dominick agreed to offer, as agent of the Company, on a best efforts basis up to 625,000 special warrants (the "Third Special Warrants") at a price of $0.80 per Third Special Warrant upon the terms and subject to the conditions contained therein. On December 16, 1999 (the "Third Special Warrant Closing Date"), the Company sold an aggregate of 625,000 Third Special Warrants at a price of $0.80 per warrant.

In accordance with the terms of the Dominick Agency Agreement, the Company has paid Dominick cash commissions equal to $25,000. As additional compensation, the Company has granted to Dominick non-assignable and non-transferable broker's special warrants (the "Dominick Broker's Warrants") which entitle Dominick to acquire compensation options (the "Dominick Compensation Options") without payment of any additional consideration, at any time before 5:00 p.m. (Toronto time) on the date which is two years from the earlier of: (i) the date on which a receipt for this (final) prospectus is issued to the Company by the Ontario Securities Commission; and (ii) 120 days from the Third Special Warrant Closing Date. The Dominick Compensation Options will entitle Dominick to purchase, in the aggregate, up to 62,500 Common Shares at an exercise price of $0.80 per share at any time on or before 5:00 p.m. (Toronto time) on the date which is two years from the Third Special Warrant Closing Date. The distribution of 100% of the Dominick Compensation Options pursuant to the exercise of the Dominick Broker's Warrants is also being qualified by this prospectus.

The Third Special Warrants are evidenced and governed by certificates (the "Third Special Warrant Certificates") dated December 16, 1999. The Third Special Warrants are exercisable by the holders thereof at any time (each time, respectively, being defined as a "Third Expiry Time") before 5:00 p.m. (Toronto time) on the earlier of (i) the day which is seven business days after the day on which a receipt for this (final) prospectus is issued by the Ontario Securities Commission; and (ii) eighteen months from the Third Special Warrant Closing Date. Subject to the terms of the Third Special Warrant Certificates, each Third Special Warrant entitles the holder thereof to acquire, without additional payment and subject to adjustment pursuant to the Third Special Warrant Certificates, one Common Share. All Third Special Warrants not previously exercised will be deemed, immediately prior to the Third Expiry Time, to be exercised by the holder thereof without any further action on the part of the holder. If a receipt has not been issued for this (final) prospectus by the Ontario Securities Commission prior to 5:00 p.m. (Toronto time) on the date which is 120 days after the Third Special Warrant Closing Date (being April 14, 2000), each Third Special Warrant exercised after such time will entitle the holder thereof to acquire, without additional consideration, 1.1 Common Shares (in lieu of one Common Share).

Pursuant to the Dominick Agency Agreement, the Company covenanted to, among other things, use its commercially reasonable efforts to prepare and file in a timely manner with the Ontario Securities Commission a preliminary prospectus and to finalize and file with the Ontario Securities Commission a (final) prospectus relating to the issue of the Common Shares issuable upon the exercise of the Third Special Warrants.

Fourth Special Warrants

A total of 1,850,000 Fourth Special Warrants were issued by the Company on a private placement basis on December 16, 1999 and December 21, 1999. The Fourth Special Warrants were sold to investors directly by the Company without the appointment of an agent at a price of $0.80 per Fourth Special Warrant pursuant to prospectus exemptions under applicable securities legislation. The price of the Fourth Special Warrants was determined by the Company based upon the price of the Third Special Warrants.

The Fourth Special Warrants are evidenced and governed by certificates (the "Fourth Special Warrant Certificates") dated December 16, 1999 and December 21, 1999. The Fourth Special Warrants are exercisable by the holders thereof at any time (each time, respectively, being defined as a "Fourth Expiry Time") before 5:00 p.m. (Toronto time) on the earlier of: (i) the day which is seven business days after the day on which a receipt for this (final) prospectus is issued by the Ontario Securities Commission; and (ii) eighteen months from the respective dates of the closing of the sale of the Fourth Special Warrants (each date, respectively, being defined as a "Fourth Special Warrant Closing Date"). Subject to the terms of the Fourth Special Warrant Certificates, each Fourth Special Warrant entitles the holder thereof to acquire, without additional payment and subject to adjustment pursuant to the Fourth Special Warrant Certificates, one Common Share and 0.12 of one Fourth Purchase Warrant. All Fourth Special Warrants not previously exercised will be deemed, immediately prior to the respective Fourth Expiry Time, to be exercised by the holder thereof without any further action on the part of the holder. If a receipt has not been issued for this (final) prospectus by the Ontario Securities Commission prior to 5:00 p.m. (Toronto time) on the date which is 120 days after the respective Fourth Special Warrant Closing Date (being April 14, 2000 for the 600,000 Fourth Special Warrants sold on December 16, 1999 and April 19, 2000 for the 1,250,000 Fourth Special Warrant sold on December 21, 1999), each Fourth Special Warrant exercised after such time will entitle the holder thereof to acquire, without additional consideration, 1.1 Common Shares and 0.12 of one Fourth Purchase Warrant (in lieu of one Common Share and 0.12 of one Fourth Purchase Warrant).

Upon issue, the Fourth Purchase Warrants will be evidenced and governed by common share purchase warrant certificates (the "Fourth Purchase Warrant Certificates"). Each whole Fourth Purchase Warrant will entitle the holder thereof to acquire, subject to adjustment pursuant to the terms of the Fourth Purchase Warrant Certificate, one Common Share at a price equal to $0.80 per share at any time after the respective Fourth Special Warrant Closing Date and before 5:00 p.m. (Toronto time) on the date which is two years from the respective Fourth Special Warrant Closing Date.

Upon the exercise of Fourth Special Warrants, the holder will be required to allocate the cost of each Fouth Special Warrant between the Common Shares and the Fourth Purchase Warrants on a reasonable basis in order to determine their respective costs for purposes of the *Income Tax Act* (Canada). The Company will allocate $0.80 to each Common Share underlying the Fourth Special Warrants and nil to the Fourth Purchase Warrants. The Company believes that such allocation is reasonable although, such allocation will not be binding on Revenue Canada. **Holders of Fourth Special Warrants should consult their own tax advisors.**

General

A holder of Initial Special Warrants, Second Special Warrants, Third Special Warrants and Fourth Special Warrants may exercise such special warrants for Common Shares and, if applicable, Second Purchase Warrants or Fourth Purchase Warrants by completing the notice of exercise accompanying the Initial Special Warrant Certificate, the Second Special Warrant Certificate, the Third Special Warrant Certificate and the Fourth Special Warrant Certificate, and mailing or delivering it to the Company at its principal office in the City of Toronto. The exercise rights in effect at any date attaching to the Initial Special Warrants, the Second Special Warrants, the Third Special Warrants and the Fourth Special Warrants are subject to adjustment in the event of the occurrence of any one of a number of events set out in the Initial Special Warrant Certificate, the Second Special Warrant Certificate, the Third Special Warrant Certificate and the Fourth Special Warrant Certificate, including a subdivision or consolidation of the Common Shares.

The Initial Special Warrants, the Second Special Warrants, the Third Special Warrants, the Fourth Special Warrants, the Common Shares issuable upon the exercise of the Initial Special Warrants, the Second Special Warrants, the Third Special Warrants and the Fourth Special Warrants, the Second Purchase Warrants and the Fourth Purchase Warrants issuable upon the exercise of the Second Special Warrants and the Fourth Special Warrants, respectively, and the Common Shares issuable upon the exercise of the Second Purchase Warrants and the Fourth Purchase Warrants have not been and will not be registered under the *United States Securities Act of 1933*, as amended. The Initial Special Warrant Certificates, the Second Special Warrant Certificates, the Third Special Warrant Certificates and the Fourth Special Warrant Certificates each provide that the Company shall not register a transfer of the Initial Special Warrants, the Second Special Warrants, the Third Special Warrants or the Fourth Special Warrants if the Company has reason to believe that the transferee is a person in the United States or is acquiring such special warrants for the account or benefit of a person in the United States or if the transfer is not in accordance with all applicable securities laws.

USE OF PROCEEDS

The net proceeds from the sale of the Initial Special Warrants, the Second Special Warrants, the Third Special Warrants and the Fourth Special Warrants are estimated to be $2,371,300 after deduction of Goepel's and Dominick's fees and certain expenses of the offering (estimated to be $130,000). These proceeds will be used to fund the Company's expansion into the United States (as to $1,778,475) and for general working capital needs (as to $592,825).

DILUTION

The following table sets forth the calculation of the dilution per Common Share, based upon the audited balance sheet of the Company as at June 30, 1999, (i) issuable upon exercise of the Initial Special Warrants (after giving effect to the issue of such Common Shares but without giving effect to the exercise of the Goepel Compensation Options); and (ii) issuable upon exercise of the Second Special Warrants (after giving effect to the issue of such Common Shares and to the issue of the Common Shares issuable upon the exercise of the Initial Special Warrants but without giving effect to the exercise of the Goepel Compensation Options); (iii) issuable upon the exercise of the Third Special Warrants (after giving effect to the issue of such Common Shares and to the issue of the Common Shares issuable upon the exercise of the Initial Special Warrants and the Second Special Warrants but without giving effect to the exercise of the Goepel Compensation Options or the Dominick Compensation Options); and (iv) issuable upon the exercise of the Fourth Special Warrants (after giving effect to the issue of such Common Shares and to the issue of the Common Shares issuable upon the exercise of the Initial Special Warrants, the Second Special Warrants and the Third Special Warrants but without giving effect to the exercise of the Goepel Compensation Options or the Dominick Compensation Options):

	Initial Special Warrants	Second Special Warrants	Third Special Warrants	Fourth Special Warrants
Purchase price per Special Warrant	$0.80	$0.80	$0.80	$0.80
Net tangible book value per share before this issue	$(0.0114)	$0.0081	$0.0149	$0.0373
Increase in net tangible book value per share attributable to this issue	$0.0195	$0.0067	$0.0225	$0.0652
Net tangible book value per share after giving effect to this issue	$0.0081	$0.0149	$0.0373	$0.1025
Dilution	$0.7919	$0.7851	$0.7627	$0.6975
Percentage dilution	99.0%	98.1%	95.3%	87.2%

RISK FACTORS

An investment in securities of the Company involves the following potential investment risks which prospective investors should carefully consider. An investment in the securities offered hereby should be regarded as speculative and suitable for investment by purchasers who are aware of such risks and who have the ability and willingness to accept the risk of total loss of their invested capital.

Limited Operating History

The Company has a limited operating history upon which to base an evaluation of the Company and its business and future prospects. The Company's business and prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of development, particularly companies in new and rapidly evolving markets. There can be no assurance that the Company will be successful in doing what is required to address such concerns.

Negative Cash Flow and Absence of Profits

The Company has not earned profits to date, and there is no assurance that it will earn profits in the future, or that profitability, if achieved, will be sustained. A significant portion of the Company's financial resources have been, and will continue to be, directed to the development of its systems and marketing activities. The success of the Company will ultimately depend on its ability to generate revenues from its operations, such that the business development and marketing activities may be financed by revenues from operations instead of external financing. There is no assurance that future revenues will be sufficient to generate the required funds to continue the business development and marketing activities. See "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Management of Growth

The Company's anticipated growth will place demands on its managerial and operational resources. If the Company is unable to manage its growth effectively or maintain its current level of growth, this could have a material adverse effect on its financial condition and results of operations.

Additional Financing Requirements

The Company anticipates that its current financial resources together with the proceeds from this offering will be sufficient to finance the Company's budgeted operating costs, system development and anticipated discretionary advertising expenditures over approximately the next three to six months as management of the Company believes that the Company expects to be in a positive cash flow position over this time period. The Company expects that in order to accelerate its growth objectives, it may need to raise additional funds from lenders and equity markets in the future. There can be no assurance that additional funding will be available or, if available, that it will be available on commercially reasonable terms to finance its growth objectives. See "Management's Discussion and Analysis of Financial Condition and Results of Operation - Liquidity and Capital Resources".

Attraction and Retention of Key Personnel

The Company's success depends on certain of its executive officers, the loss of one or more of whom could have a material adverse effect on the Company's financial condition and results of operations. Management of the Company believes that its future success will depend on its ability to attract and retain highly-skilled technical, managerial and marketing personnel, including, in particular, additional personnel in the areas of research and development and technical support. Competition for such personnel is intense. There can be no assurance that the Company will be successful in attracting and retaining the personnel it requires. See "Business of the Company - Personnel".

Developing Markets

The market for the Company's services has only recently begun to develop and is rapidly changing. As is typical for new and rapidly evolving industries, demand and market acceptance for recently introduced services and products is subject to a high level of uncertainty and there exists few proven services and products. There can be no assurance that wide spread acceptance of the Company's products will occur or that new markets will adopt the Company's products and processes. Moreover, the Company does not have extensive experience in successfully marketing its products and there can be no assurance that future efforts will be successful. See "Market Opportunity".

Competition

Management believes that its principal competitors are large hospital management system suppliers who pose a significant risk to the Company as they are well entrenched in important markets, possess vast resources, and are capable of maintaining intensive marketing and public relations campaigns. There can be no assurance that developments by competitors will not render the Company's products or technologies non-competitive. See "Business of the Company - Competition".

Protection of Intellectual Property

The Company's performance and ability to compete are dependent to a significant degree on its proprietary technology. The Company relies on a combination of patent, trademark, copyright and trade secret laws, as well as confidentiality agreements and technical measures to establish and protect its proprietary rights. The Company's proprietary software is protected by copyright laws. As part of its confidentiality procedures, the Company generally enters into agreements with its employees and consultants and limits access to and distribution of its software, documentation and other proprietary information. There can be no assurance that the steps taken by the Company will prevent misappropriation of its technology or that agreements entered into for that purpose will be enforceable. The laws of other countries may afford the Company little or no effective protection of its intellectual property.

Technological Change

The industry is characterized by rapid technological change, changes in user and customer requirements and new service or product introductions embodying new technologies that could render the Company's proprietary technology obsolete. The Company's performance will depend, in part, on its ability to enhance its existing services, develop new proprietary technology that addresses the increasingly sophisticated and varied needs of its prospective customers, and respond to technological advances and practices on a timely and cost-effective basis. The development of proprietary technology entails significant technical and business risks. There can be no assurance that the Company will be successful in using new technologies effectively or adapting proprietary technology to customer requirements. See "Business of the Company - Technology".

Reliance on Third-Party Software

Because certain of the Company's products incorporate software developed and maintained by third parties, the Company relies to a certain extent upon such third parties' ability to enhance their current products, to develop new products on a timely and cost effective basis that will meet changing customer needs and to respond to emerging industry standards and other technological changes. If the Company was to breach its license agreements or the license agreements were terminated, the Company could lose the right to use the licensed software. There can be no assurance that the Company would be able to replace the functionality provided by the third-party software currently offered in conjunction with the Company's products. The absence of, or any significant delay in, the replacement of that functionality could have a material adverse effect on the Company's financial condition or on the results of its respective operations. In addition, if any of this third-party software fails or fails to be supported by their vendors it could be necessary for the Company to redesign substantial portions of its product lines. The result of any of these events could have a material adverse effect on the Company's financial condition or on the results of its operations. Furthermore, should new releases of this third-party software prove to be incompatible with the current version of the Company's product line, the resulting decline in demand for the affected products could have a material adverse effect on the Company's financial condition or on the results of its operation.

Market Risk

The Common Shares are speculative securities. There can be no assurance that an active trading market for the Common Shares will be sustained or that the market price of the Common Shares will not decline. The trading price of the Common Shares could also be subject to significant fluctuations. Accordingly, this investment should be considered only by those investors who are able to make a long term investment and can afford to suffer a total loss of their investment in the Common Shares. An investor should consider the merits of an investment in these securities and should consult professional advisers to assess income tax, legal and other aspects of such an investment.

Dividends

The Company does not anticipate paying any dividends in the foreseeable future. See "Dividend Record".

Dilution

Holders of Initial Special Warrants, Second Special Warrants, Third Special Warrants and Fourth Special Warrants will suffer an immediate dilution of their investment based upon the difference between the issue price per Common Share issuable upon the exercise of the Initial Special Warrants, the Second Special Warrants, the Third Special Warrants or the Fourth Special Warrants, as the case may be, and the net tangible book value per Common Share as at June 30, 1999. See "Dilution".

Principal Shareholders

After the completion of this offering, Dr. Sami Aita will directly and indirectly hold 22.0% of the Common Shares while Lea Aita will directly and indirectly hold 11.0% of the outstanding Common Shares. Accordingly, Dr. Aita and Lea Aita, if acting jointly and in concert, have a significant influence on the determination of the outcome of any matters submitted to a vote of the shareholders of the Company, excluding matters requiring a special resolution. See "Principal Holders of Voting Securities".

Security

A significant barrier to online communications is the secure transmission of confidential information over public networks. There can be no assurance that the advances in computer capabilities, new discoveries in the field of cryptography (i.e. the field of encrypting or decrypting information) or other events or developments will not result in a compromise or breach of the encryption technology used by the Company to protect patient data. There can be no assurance that the Company's security measures will prevent security breaches and protect the Company from any resulting risk of loss.

Government Regulation

The Company is not currently subject to direct regulation by any government agency, other than applicable securities laws and regulations applicable to business generally. However, it is possible that a number of laws and regulations may be adopted with respect to regulating user privacy, pricing and consumer protection which may impose additional burdens on companies in this industry conducting business and thus increase the Company's cost of doing business. There can be no assurance that any such new legislation or regulation will not be enacted nor that the application of laws or regulations from jurisdictions whose laws do not currently apply to the Company's business will subsequently become applicable.

Risk of Change in Foreign Regulations

The Company markets its products to customers outside of Canada and, accordingly, is exposed to the risks of international business operations, including unexpected changes in foreign and domestic regulatory requirements, possible foreign currency controls, uncertain ability to protect and utilize its intellectual property in foreign jurisdictions, tariffs or other barriers, difficulties in staffing and managing foreign operations, difficulties in obtaining and managing vendors and distributors and potentially negative tax consequences. International sales are subject to certain inherent risks including trade barriers, staffing and operating foreign sales and service operations. There can be no assurance that any of these factors will not have a material adverse effect on the Company's business, financial condition or on the results of its operations.

Year 2000

The Company is currently utilizing systems, equipment and operations which can effectively process Year 2000 transactions. While the Company is not aware of any problems incurred as a result of the Year 2000 by any of the systems of other companies and other agencies on which the Company's systems rely, there can be no assurance that such other systems will not incur any related problems in the future.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Dr. Aita, Lea Aita and André Claire collectively own 87.5% of the voting shares of Advanced Medical Computer Systems & Management Inc ("AMCS"). The Company and AMCS entered into an agreement dated March 20, 1997 pursuant to which AMCS transferred its network switching technology, EDT and healthcard validation technology, in addition to its market know-how and marketing information, to the Company in exchange for the Company providing upgraded MedWorks™ to all of AMCS's customers and a MedWorks™ license to all AMCS customers that were then using certain AMCS software products for a period of five years from the date of the agreement. AMCS is responsible for support of its customers and has the right to receive any maintenance, support or utilization fees from its customers related to the use of the MedWorks™ software.

Bryan Nelson, a director of the Company, purchased from the Company 200,000 Initial Special Warrants on July 23, 1999 and 600,000 Fourth Special Warrants on December 16, 1999. The purchase price, terms and conditions of the Initial Special Warrants and the Fourth Special Warrants were in all material respects identical to the purchase price, terms and conditions of the remaining Initial Special Warrants and Fourth Special Warrants sold by the Company. See "Plan of Distribution".

The Company has entered into a non-binding letter of intent dated as of December 1, 1999 with the shareholders of BNK Informatics Canada Inc. ("BNK"), the president and principal shareholder of which is Nabil Harfoush, a director of the Company. Pursuant to the terms of the letter of intent, the Company has agreed, subject to a number of conditions including the completion of due diligence satisfactory to the Company and the receipt of appropriate regulatory and board approvals, to acquire all of the issued and outstanding shares of BNK in consideration of the issuance of 250,000 Common Shares. BNK is a knowledge-based company offering technology and information solutions as well as worldwide consulting services. BNK provides services ranging from strategic information planning and business analysis to design, system integration, implementation and post-implementation support. Subject to the satisfaction of the conditions set out in the letter of intent, it is anticipated that the closing of the acquisition of the shares of BNK will take place at the end of February, 2000.

Other than the transactions referred to above, within the three years prior to the date hereof, there have been no transactions or proposed transactions which have materially or will materially affect the Company in which any director or senior officer of the Company, any person or company who owns of record, or is known by the Company to own beneficially, directly or indirectly, more than 10 per cent of any class of securities of the

Company, or any associate or affiliate of any of the foregoing persons or companies has a direct or indirect interest.

AUDITORS

Fedder & Gurau, Chartered Accountants, Toronto, Ontario, were the auditors of the Company until the end of January, 1998, at which time Deloitte & Touche LLP, Chartered Accountants, Toronto, Ontario were appointed auditors of the Company.

REGISTRAR AND TRANSFER AGENT

Montreal Trust Company of Canada is the registrar and transfer agent for the Common Shares through its offices in Toronto.

LEGAL PROCEEDINGS

In the opinion of management of the Company, the following is the only claim against the Company which may be regarded as material:

Paul Gomes commenced an action in September, 1995 in the Ontario Court of Justice (General Division) against the Company and Dr. Sami Aita in the amount of approximately $20,000 alleging breach of contract. A trial date has been set for March 27, 2000. Management is of the opinion that the claim is unfounded.

PROMOTERS

No person or company is or has been a promoter of the Company within the five years immediately preceding the date of this prospectus.

LEGAL MATTERS

Certain matters relating to the Common Shares will be passed upon for the Company by Aird & Berlis, Toronto and for Goepel and Dominick by Cassels Brock & Blackwell LLP, Toronto.

MATERIAL CONTRACTS

The material contracts entered into by the Company out of the ordinary course of business within the two-year period prior to the date of this prospectus are as follows:

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

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

(c) the Goepel Agency Agreement described under “Plan of Distribution”;

(d) the Dominick Agency Agreement described under "Plan of Distribution";

(e) the Fiscal Agency Agreement dated July 24, 1998 between the Company and the IPO Agent. The term of this agreement expired on September 15, 1999 and was not renewed by the Company;

(f) the 1998 Initial Special Warrant Agency Agreement referred to under "Prior Sales of Securities";

(g) the 1998 Second Special Warrant Agency Agreement referred to under "Prior Sales of Securities";

(h) the IPO Agency Agreement referred to under "Prior Sales of Securities"; and

(i) the Fiscal Advisory Agreement dated December 9, 1999 between the Company and Dominick.

Copies of the material contracts may be inspected during business hours at the principal office of the Company during normal business hours.

PURCHASER'S STATUTORY RIGHTS

Securities legislation in Ontario and Alberta provides purchasers with a right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendments thereof. Securities legislation in Ontario and Alberta 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, provided that such remedies for rescission or damages are exercised by the purchaser within the time limits prescribed by the securities legislation of the purchaser's province. A purchaser should refer to the applicable provisions of the securities legislation of such purchaser's province for the particulars of these rights or consult with a legal advisor.

CONTRACTUAL RIGHTS OF RESCISSION

In the event that a holder of an Initial Special Warrant, Second Special Warrant, Third Special Warrant or Fourth Special Warrant who acquires Common Shares upon the exercise of the Initial Special Warrants, Second Special Warrants, Third Special Warrants or Fourth Special Warrants 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 Initial Special Warrants, Second Special Warrants, Third Special Warrants or Fourth Special Warrants but also of the private placement transaction pursuant to which the Initial Special Warrants, Second Special Warrants, Third Special Warrants or Fourth Special Warrants were 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 Initial Special Warrants, Second Special Warrants, Third Special Warrants or Fourth Special Warrants. In the event that such holder is a permitted assignee of the interest of the original subscriber of Initial Special Warrants, Second Special Warrants, Third Special Warrants or Fourth Special Warrants, such permitted assignee shall be entitled to exercise the right of rescission and refund granted hereunder as if such permitted assignee was the original subscriber. The foregoing is in addition to any other right or remedy available to a holder of the Initial Special Warrants, Second Special Warrants, Third Special Warrants or Fourth Special Warrants under section 130 of the *Securities Act* (Ontario), comparable provisions of other applicable securities laws or otherwise at law.

GLOSSARY

In this prospectus, the following terms have the meanings set forth herein:

32-bit	Length of data word used to represent information in a computer.
Application Programming Interface (API)	A specification defining how one program can access the services or functionality of another program.
Back-End System	A computer server that provides services, such as transaction processing or database access to one or more front-end (client) systems.
Clearing House	An intermediary that accepts electronic transmissions from other organizations, edits and processes the transmissions and reroutes and sends them electronically to the appropriate payors. In insurance, it is an intermediary that receives claims from healthcare providers or other claimants, edits the claims data for validity and accuracy, translates the data from a given format into one acceptable to the intended payor and forwards the processed claim to the appropriate payors.
Clinical Decision Support	Program output that suggests alternatives by providing lists of relevant clinical information based on input data relating to a patient visit or medical history.
Community Health Information Network (CHIN)	An organization that offers electronic connections that enable all providers, payors and purchasers of care to exchange financial, clinical and administrative information in a defined geographic region.
CPT4	Standard codes designed to uniquely identify medical test and procedure data.
Distributed Computing	A style of computing in which computing resources are spread throughout the organization, distributing data and processing chores to PCs, workstations, minicomputers and mainframes throughout an enterprise. Client/server systems typically are used to implement distributed computing, but distributed computing does not necessarily involve the use of client/server database systems. One use of distributed computing is to unify information stored on separate systems and displayed homogeneously in various ways as if the data was stored locally.

Electronic Data Transfer (EDT)	The electronic transmission of strategically important business data in a standard syntax by means of computer-to-computer exchange (either real-time or batch) via a standard on-line transmission method.
Electronic Patient Medical Record (EPMR)	Electronically maintained information about an individual's lifetime health status and healthcare. It replaces the paper medical record as the primary source of information for healthcare, meeting all clinical, legal and administrative requirements.
Electronic Data Interchange (EDI)	A specification developed to describe record formats for the standardized interchange of administrative information between disparate sources where no knowledge of one other's internal data structures exists.
Environment	Sum of all parameters under which any application is running such as the hardware or operating system.
Evaluation and Management (E&M)	Healthcare providers must justify the level of their encounter documentation using a coding system designed by HCFA called Evaluation and Management ("E&M") and must submit these codes for payment of rendered healthcare services.
Graphic User Interface (GUI)	A key component of client systems, the GUI, is the set of menus, windows, and control buttons and other standard screen devices that are intended to make using a computer as intuitive as possible.
Health Care Financing Administration (HCFA)	The United States Health Care Financing Administration. HCFA has introduced guidelines to improve the documentation of patient care and is rewarding healthcare providers who maximize it while penalizing those who do not document patient encounters properly.
Health Maintenance Organization (HMO)	An HMO is a managed care organization that contracts with medical facilities, physicians, employers and sometimes individual patients to provide medical care to a group of individuals. This care is usually paid for by an employer at a fixed price per patient. Patients generally do not have any significant "out-of-pocket" expenses.
Healthcare Efficiency Market	The healthcare efficiency market includes companies that help healthcare industry stakeholders such as providers,

payors and patients to reduce costs and improve the quality of outcomes through the use of technology.

Health Level Seven (HL7)	A specification developed to describe record formats for the standardized interchange of clinical information between disparate sources where no knowledge of one other's internal data structures exists.
Hypertext Markup Language (HTML)	A standard language that is used to display information on Internet browsers.
ICD9	Standard codes designed to uniquely identify diagnosis information.
Interface	An electronic connection between software programs operating on the same computer system or between two information systems. The term also is used to describe a software program that establishes or allows communication between otherwise incompatible programs or systems.
IT	Information technology.
Longitudinal Patient Medical Records	Patient medical records that are kept over the entire life of the patient.
Managed Care Organization	An organized system of managed care that provides, offers or arranges for coverage of designated healthcare services for plan members for a fixed, prepaid premium. Members are not reimbursed for care not provided or authorized by the organization. Participating healthcare providers may be paid in many ways, including discounted fee-for-service and capitation.
Medcin	A standard clinical nomenclature containing coded data elements (by MedcinID) that are used to encode and record clinical patient data such as symptoms, tests, medications and diagnoses.
Microsoft Transaction Server (MTS)	MTS is a 'middleware' component of MedcomSoft's 3-tier solution where business rules are stored in order to communicate to the database tier and report results to the requesting client tier.
Module	A self-contained component of software with a defined API.
Modular Application	Application constructed with modules as "building blocks."

Microsoft-Word	A Microsoft word processing software program.
Microsoft Solution Provider	Microsoft Solution Providers are in partnership with Microsoft to implement customer solutions, using or integrated with Microsoft technology and products.
Microsoft-Office	A collection of Microsoft software programs sold together to provide computer users with word processing, scheduling, spreadsheet, presentation and database functionality.
Microsoft-Outlook	A Microsoft scheduling software program.
Multimedia	Hardware and software that is capable of delivering not only text, but digitized voice, image and/or video presentations of information.
Multithreading	A programming technique that allows a single process to perform multiple simultaneous tasks by starting an independent "thread" for each task.
Object Linking & Embedding (OLE)	A Microsoft-developed standard for inter-process communications.
Object-Oriented	A computer programming approach that builds software applications through the repeated use of self-contained objects – bits of data that are surrounded with the program information needed to gain access to the data. Objects can perform certain computer functions when they receive messages to do that function.
On-Line	A communications terminal is on-line when it is connected via a communications link to a central computer during a transaction or operation. Also used to describe linkups that permit automated or interactive consummation of a transaction with an external source.
Open Database Connectivity (ODBC)	A Microsoft-developed API standard that allows generic access to different types of databases.
Open Solution/System	Systems based on technology and protocols that can be employed by multiple vendors. Standards-based open systems are based on publicly accepted conventions, available to all vendors. Open systems, in theory, can operate with any system that follows those conventions.

Operating System	Computer software that is responsible for controlling the allocation and use of hardware resources and the execution of application programs.
Outcomes	Result of medical treatment, generally measured in terms of a patient's ability to function, quality of life and length of life.
Patient Demographics	Record of all personal patient information, such as address, date of birth, etc.
Payors	Insurance companies, fiscal intermediaries, government agencies or individuals responsible for the payment of healthcare claims.
Platform	Operating system that a computer runs.
Point-of-Care	A location within the healthcare facility where patient examinations occur.
Point of Entry	Method by which information is entered.
Providers/Service Providers/Healthcare Providers	Person, organization, or institution that provides medical services or service related to medical treatment.
Rapid Application Development (RAD)	An application development framework that allows programmers to define the operation of common software objects through the specification of properties or database queries thereby minimizing programming and reducing debugging effort.
Real-Time Processing	A system that processes transactions fast enough to keep an operation going at the speed required. It also can mean simultaneous performance of an electronic counterpart to a real-world operation.
Scaleable	A system that can be incrementally expanded to meeting increasing processing and data volume requirements.
Stand-Alone	A computer that is not networked.
Telemedicine	The use of medical information exchanged from one site to another via electronic communications for the health and education of the patient or healthcare provider and for the purpose of improving patient care.

Third-Party Software/Vendors	Programs or providers of program modules and databases that are, in turn, built into a new application by another application developer.
Utilization Fee	Fee paid for usage of a software or network.
Visual Basic	Microsoft's object-oriented programming environment based on the Basic programming language. Known for easy user interface programming.
Visual C++	Microsoft's object-oriented programming environment based on the C programming language. Known for low-level system development and fast execution.
Windows NT	Microsoft developed operating system.

FINANCIAL STATEMENTS

AUDITORS' REPORT

To the Directors of MedcomSoft Inc.

We have audited the consolidated balance sheets of MedcomSoft Inc. as at June 30, 1999 and 1998 and the consolidated statements of operations and deficit and of cash flows for the years then ended. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in accordance with generally accepted accounting principles.

Chartered Accountants

Toronto, Ontario
September 3, 1999

AUDITORS' REPORT

To the Directors of MedcomSoft Inc.

We have audited the consolidated statements of operations and deficit and cash flows of MedcomSoft Inc. for the year ended June 30, 1997. 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 consolidated financial statements present fairly, in all material respects, the results of the Company's operations and its cash flows for the year ended June 30, 1997 in accordance with generally accepted accounting principles.

Chartered Accountants

Toronto, Ontario
November 26, 1997

MEDCOMSOFT INC.
Consolidated Balance Sheets

	December 31, 1999 (unaudited)	June 30, 1999	June 30, 1998
ASSETS			
CURRENT			
Cash and short term investment	$1,707,406	$174,546	$48,862
Accounts receivable	34,666	17,431	12,678
Income taxes recoverable	—	—	69,361
Inventory	2,073	2,388	—
Prepaid expenses and other assets	33,757	47,148	24,116
	1,777,902	241,513	155,017
DEFERRED FINANCING COSTS	46,131	—	194,243
CAPITAL ASSETS (Note 3)	271,829	249,495	54,731
	$2,095,862	$491,008	$403,991
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	$281,619	$358,470	$534,316
Customer deposits	20,486	13,539	—
Current portion of capital lease obligations (Note 4)	64,306	41,509	—
	366,411	413,518	534,316
CAPITAL LEASE OBLIGATIONS (Note 4)	91,895	69,080	—
	458,306	482,598	534,316
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital (Note 5)	4,113,417	3,764,909	1,330,179
Special warrants (Note 6)	2,440,108	212,150	628,650
Deficit	(4,915,969)	(3,968,649)	(2,089,154)
	1,637,556	8,410	(130,325)
	$2,095,862	$491,008	$403,991

On behalf of the Board:

"Bryan Nelson" (signed) BRYAN NELSON, Director

"Lea Aita" (signed) LEA AITA, Director

MEDCOMSOFT INC.
Consolidated Statement of Operations and Deficit

	Six months ended December 31, 1999 (unaudited)	Six months ended December 31, 1998 (unaudited)	Years ended June 30, 1999	Years ended June 30, 1998	Years ended June 30, 1997
REVENUE					
Software and related services	$ 199,346	$ 49,853	$ 223,239	$ 32,713	$ 6,206
Sales of hardware	10,109	5,527	24,843	8,158	375
	209,455	55,380	248,082	40,871	6,581
Cost of sales	16,433	7,486	19,492	9,521	924
	193,022	47,894	228,590	31,350	5,657
EXPENSES					
Salaries and subcontracting	736,215	550,488	1,255,355	592,475	362,211
Sales and marketing	50,141	134,594	255,618	183,283	203,223
General and administrative	277,383	234,668	506,373	246,854	100,934
Philippine office	4,690	36,038	58,083	63,201	50,333
Interest expense	14,604	3,916	18,219	10,294	1,553
Depreciation and amortization	58,778	37,552	98,887	32,095	—
	1,141,811	997,256	2,192,535	1,128,202	718,254
Less investment tax credits (Note 7)	—	—	58,702	66,640	119,228
	1,141,811	997,256	2,133,833	1,061,562	599,026
LOSS FROM OPERATIONS	(948,789)	(949,362)	(1,905,243)	(1,030,212)	(593,369)
INTEREST INCOME	1,469	20,130	25,748	2,721	3,253
NET LOSS FOR THE PERIOD	(947,320)	(929,232)	(1,879,495)	(1,027,491)	(590,116)
DEFICIT, BEGINNING OF PERIOD	(3,968,649)	(2,089,154)	(2,089,154)	(1,061,663)	(471,547)
DEFICIT, END OF PERIOD	$ (4,915,969)	$ (3,018,386)	$ (3,968,649)	$ (2,089,154)	$ (1,061,663)
BASIC AND FULLY DILUTED LOSS PER COMMON SHARE	$(0.05)	$(0.05)	$(0.11)	$(0.07)	$(0.04)

MEDCOMSOFT INC.

Consolidated Statement of Cash Flows

	Six months ended December 31, 1999 (unaudited)	Six months ended December 31, 1998 (unaudited)	Years ended June 30, 1999	Years ended June 30, 1998	Years ended June 30, 1997
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES					
OPERATING					
Net loss for the period	$ (947,320)	$ (929,232)	$(1,879,495)	$(1,027,491)	$(590,116)
Item not involving cash					
Depreciation and amortization	58,778	37,552	98,887	32,095	—
	(888,542)	(891,680)	(1,780,608)	(995,396)	(590,116)
Net change in operating working capital items (below)	(73,433)	(241,481)	(123,119)	284,120	102,241
	(961,975)	(1,133,161)	(1,903,727)	(711,276)	(487,875)
INVESTING					
Acquisition of capital assets	(9,952)	(123,454)	(157,108)	(22,520)	(18,732)
FINANCING					
Common shares issued net of financing costs	348,508	2,000,323	2,000,323	351,323	300,000
Special warrants issued net of financing costs	2,227,958	—	212,150	628,650	—
Deferred financing costs	(46,131)	—	—	(194,243)	—
Debenture payable	—	—	—	—	(200,000)
Capital lease obligation	(25,548)	(9,180)	(25,954)	—	—
Loan payable	—	—	—	—	220,000
Shareholders' loans payable	—	—	—	—	144,859
	2,504,787	1,991,143	2,186,519	785,730	464,859
INCREASE IN CASH POSITION	1,532,860	734,528	125,684	51,934	(41,748)
CASH AND SHORT TERM INVESTMENT, BEGINNING OF PERIOD	174,546	48,862	48,862	(3,072)	38,676
CASH AND SHORT TERM INVESTMENT, END OF PERIOD	$ 1,707,406	$ 783,390	$ 174,546	$ 48,862	$ (3,072)
Net change in operating working capital items represented by					
Accounts receivable	$(17,235)	$(9,208)	$(4,753)	$321	$(1,185)
Income taxes recoverable	—	69,361	69,361	(69,361)	—
Inventory	315	—	(2,388)	—	—
Prepaid expenses and other assets	13,391	(31,245)	(23,032)	(29,580)	431
Accounts payable and accrued liabilities	(76,851)	(270,389)	(175,846)	382,740	102,995
Customer deposits	6,947	—	13,539	—	—
	$ (73,433)	$ (241,481)	$ (123,119)	$ 284,120	$ 102,241

1. NATURE OF BUSINESS

MedcomSoft Inc. (the "Company") is incorporated under the laws of the Province of Ontario and carries on business as a developer and distributor of software. Activities to date have involved primarily product research and development, establishing facilities, hiring employees and market development.

MedcomSoft Corporation, the Company's wholly-owned subsidiary was incorporated on July 7, 1999 under the laws of the state of Delaware and carries on the business of selling, distributing and marketing the Company's software in the United States. Activities to date have involved primarily hiring employees and market development.

The Company has been in the development stage since its inception. The Company's successful completion of its development program, and its transition to the attainment of profitable operations, is ultimately dependent upon the Company's ability to achieve successful commercialization of its products and sales levels adequate to support the Company's cost structure. It is not possible at this time to predict with assurance the outcome of these activities.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary. All significant inter-company balances and transactions have been eliminated upon consolidation. The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada. They are as follows:

Revenue recognition

The Company recognizes revenue from support service agreements on a monthly basis over the term of the agreement. Revenue from the sale of software is recognized when the product is delivered to and accepted by the customer and upon fulfillment by the Company of all significant obligations under the terms of sale.

Capital assets

Capital assets are recorded at cost. Amortization is calculated at annual rates estimated to be sufficient to amortize the cost of the capital assets over their useful lives. The rates used are as follows:

Computer equipment	-	30% declining-balance basis
Office equipment	-	20% declining-balance basis
Furniture and fixtures	-	20% declining-balance basis
Leasehold improvements	-	20% straight-line basis
Software	-	100% straight-line basis
Assets under capital lease	-	20-30% declining-balance basis

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Research and development

The Company capitalizes costs incurred to develop its computer software products once technological feasibility has been established. All costs to establish the technological feasibility of computer software products are charged to operations as incurred.

Investment tax credits

Investment tax credits arising from qualifying scientific research and experimental development costs are recorded as a reduction of operating expenses when there is reasonable assurance that the credits will be received. The Company considers reasonable assurance to exist when the claims have been approved by Revenue Canada.

Foreign operations

The amounts of the Company's integrated foreign operation are translated into Canadian dollars using the temporal method. Under this method, monetary balance sheet items are translated at the rates of exchange in effect at year-end and non-monetary items are translated at historical exchange rates. Revenues and expenses (other than depreciation, which is translated at the same rates as the related fixed assets) are translated at the rates in effect on the transaction dates or at the average rates of exchange for the period. Translation gains or losses are included in the statement of operations.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles necessarily 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 balance sheet date and the reported amounts of revenues and expenses for the periods presented. Actual results may differ from such estimates.

3. CAPITAL ASSETS

	December 31, 1999 (unaudited)		
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	$78,204	$39,333	$38,871
Office equipment	16,594	3,775	12,819
Furniture and fixtures	1,191	226	965
Leasehold improvements	15,963	3,033	12,930
Software	141,931	108,725	33,206
Assets under capital lease	207,703	34,665	173,038
	$461,586	$189,757	$271,829

	36340		
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	$72,229	$33,304	$38,925
Office equipment	16,594	2,351	14,243
Furniture and fixtures	1,191	119	1,072
Leasehold improvements	15,963	1,596	14,367
Software	137,957	77,507	60,450
Assets under capital lease	136,543	16,105	120,438
	$380,477	$130,982	$249,495

3. CAPITAL ASSETS (continued)

	35975		
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	$66,102	$17,935	$48,167
Office equipment	3,667	406	3,261
Software	17,057	13,754	3,303
	$86,826	$32,095	$54,731

4. CAPITAL LEASE OBLIGATIONS

At December 31, 1999, the Company has entered into capital lease contracts for equipment with annual payments as follows:

2000	$83,451
2001	71,577
2002	24,151
	179,179
Less: interest at rates varying from 11.5% to 19.4%	22,978
	156,201
Current portion	64,306
Long-term portion	$91,895

Interest paid on these capital leases during the six-months ended December 31, 1999 amounted to $8,524 (unaudited) (year ended June 30, 1999 - $12,662, year ended June 30, 1998 - Nil).

During the six-months ended December 31, 1999, capital assets were acquired at an aggregate cost of $81,112 (unaudited) (year ended June 30, 1999 - $293,651, year ended June 30, 1998 - $22,520), of which $71,160 (unaudited) (year ended June 30, 1999 - $136,543, year ended June 30, 1998 - Nil) were acquired by means of capital leases.

5. SHARE CAPITAL

(a) Share Capital

	Number of Shares	Value
Common shares		
Authorized – an unlimited number of shares		
Balance – July 1, 1997	1,036	$438,461
Issued		
For cash	16	100,000
Upon conversion of shareholder loan	21	133,182
Upon conversion of loan payable	77	483,000
Upon conversion of AMCS advance	28	175,536
Share division	14,998,823	-
Balance – June 30, 1998	15,000,001	1,330,179
Issued		
For cash	1,833,333	1,746,680
Upon conversion of Special Warrants	999,999	628,650
Upon exercise of Broker's Warrants	49,500	59,400
Balance – June 30, 1999	17,882,833	3,764,909
Issued		
Upon exercise of Broker's Warrants	200,501	195,602
Upon exercise of stock options	173,875	152,906
Balance – December 31, 1999 (unaudited)	18,257,209	$4,113,417

On March 10, 1998, the Company divided the 1,178 issued and outstanding common shares on a 12,735.61-for-one basis into 15,000,001 common shares. The effect of this share division has been reflected retroactively in these financial statements.

5. SHARE CAPITAL (continued)

(a) Share Capital (continued)

During the year ended June 30, 1998, the Company converted a shareholder loan payable in the amount of $133,182 into 260,188.5 common shares at the rate of $0.51 per share. Further loan advances in the amount of $483,000 made by a director of the Company were converted into 984,207.9 common shares at the rate of $0.49 per share. A loan due to AMCS in the amount of $175,536 was converted into 357,743.3 common shares at the rate of $0.49 per share.

The Company completed its initial public offering on August 5, 1998. This resulted in the special warrants being converted to 999,999 common shares at no additional cost (Note 6), and 1,833,333 common shares being issued for proceeds of $1,746,680, net of issue costs and commissions of $453,320.

On September 16, 1998, Series C Broker's Warrants entitling the holder to acquire 49,500 common shares were exercised for cash proceeds of $59,400. On December 31, 1999, an additional 100,502 Series C Broker's Warrants were exercised for cash proceeds of $120,603. (Note 6)

On December 31, 1999, Series A Broker's Warrants entitling the agent to acquire 53,333 common shares and Series B Broker's Warrants entitling the holder to acquire 46,666 common shares were exercised for cash proceeds of $74,999. (Note 6)

FromJuly 1, 1999 to December 31, 1999, 173,875 options from the Company's stock option plan (the "Plan") were exercised for cash proceeds of $152,906.

(b) Options

On July 23, 1998, the shareholders approved the Plan and reserved a maximum of 2,587,500 common shares for options to be granted, net of forfeitures, under the Plan.

As at December 31, 1999, 2,063,625 options were outstanding under the Plan.

				December 31,1999 (unaudited)	
Granted	**Vesting Dates**	**Expiry Date**	**Exercise Price**	**Options Vested**	**Options Outstanding**
August 5, 1998	February 5, 2000	August 5, 2003	$1.20	-	35,000
August 24, 1998	November 30, 1998 to November 30, 2001	August 24, 2005	$1.20	327,500	495,000
September 24, 1998	June 30, 1999	September 24, 2005	$1.20	40,000	40,000
January 29, 1999	January 29, 1999	January 29, 2006	$1.20	65,000	130,000
February 15, 1999	June 30, 1999 to December 30, 1999 (1)	June 30, 2000 to February 15, 2006	$1.20	75,000	100,000
July 21, 1999	July 21, 1999	July 21, 2004	$1.20	30,000	30,000
August 30, 1999	August 30, 1999 to August 30, 2002	August 30, 2006	$0.75	289,000	678,625
December 9, 1999	December 9, 1999	June 9, 2000	$1.55	150,000	150,000
December 22, 1999	December 30, 1999 to June 30, 2001(2)	December 22, 2006	$1.75	221,500	405,000
		Average of	$1.19	1,198,000	2,063,625

Notes:

(1) The vesting of 25,000 of these options are performance related and may vest at any time prior to February 15, 2006.

(2) The vesting of 100,000 of these options are performance related and may vest at any time prior to December 22, 2006.

6. WARRANTS

(a) Special Warrants

	Number of Special Warrants	Value
Balance of Special Warrants – July 1, 1997	-	$ -
Issued		
Series A Special Warrants	533,333	319,000
Series B Special Warrants	466,666	309,650
Balance of Special Warrants – June 30, 1998	999,999	628,650
Converted into common shares	(999,999)	(628,650)
Issued		
For cash	312,500	212,150
Balance of Special Warrants – June 30, 1999	312,500	212,150
Issued		
For cash	2,875,000	2,227,958
Balance of Special Warrants – December 31, 1999 (unaudited)	3,187,500	$2,440,108

Upon completion of the initial public offering (Note 5), the 533,333 Series A Special Warrants and 466,666 Series B Special Warrants which were outstanding at June 30, 1998, were converted into 999,999 common shares at no additional cost.

On May 28, 1999, the Company engaged an agent to sell up to 1,250,000 Initial Special Warrants at a price of $0.80 per Special Warrant.

Each Initial Special Warrant issued entitles the holder to acquire 1.1 common shares at no additional cost. The Initial Special Warrants convert into common shares on the earlier of (a) seven business days following the date a receipt is issued for a prospectus qualifying the distribution of the common shares upon exercise of the Initial Special Warrants, and (b) eighteen months following the issue of the Initial Special Warrants.

On June 18, 1999, the Company completed a private placement of 312,500 Initial Special Warrants for net proceeds of $212,150 on the closing of the transaction.

6. WARRANTS (continued)

(a) Special Warrants (continued)

On July 23, 1999, the Company completed a private placement of 200,000 Initial Special Warrants, for net proceeds of $147,800 on the closing of the transaction.

On September 17, 1999, the Company issued 200,000 Second Special Warrants for net proceeds of $160,000 on the closing of the transaction. Each Second Special Warrant is exercisable into 1.1 common shares and one-tenth of one purchase warrant. Each whole purchase warrant entitles the holder to acquire, until September 17, 2001, one common share at a price per share equal to $1.03.

On December 16, 1999, the Company completed a private placement of 625,000 Third Special Warrants for net proceeds of $440,158 on the closing of the transaction. Each Third Special Warrant issued entitles the holder to acquire 1.0 common share at no additional cost. The Third Special Warrants convert into common shares on the earlier of (a) seven business days following the date a receipt is issued for a prospectus qualifying the distribution of the common shares upon exercise of the Third Special Warrants, and (b) eighteen months following the issue of the Third Special Warrants. If a receipt for the qualifying prospectus has not been issued prior to the qualification deadline, which is 120 days from the Third Special Warrant issue date, each Third Special Warrant converts into 1.1 common shares.

On December 16, 1999, the Company completed a private placement of 600,000 Fourth Special Warrants for net proceeds of $480,000 on the closing of the transaction. Each Fourth Special Warrant issued entitles the holder to acquire 1.0 common share and 0.12 of one purchase warrant at no additional cost. The Fourth Special Warrants convert into common shares on the earlier of (a) seven business days following the date a receipt is issued for a prospectus qualifying the distribution of the common shares upon exercise of the Fourth Special Warrants, and (b) eighteen months following the issue of the Fourth Special Warrants. If a receipt for the qualifying prospectus has not been issued prior to the qualification deadline, which is 120 days from the Forth Special Warrant issue date, each Fourth Special Warrant converts into 1.1 common shares. Each whole purchase warrant entitles the holder to acquire, until two years from the date of the closing of the sale of the Fourth Special Warrants, one common share at a price per share equal to $0.80.

On December 21, 1999, the Company completed a private placement of 1,250,000 Fourth Special Warrants, for net proceeds of $1,000,000 on the closing of the transaction.

6. WARRANTS (continued)

(b) Broker's Warrants

In connection with the Company's initial public offering, an agent was granted broker's compensation warrants exercisable into: (i) Series A Broker's Warrants entitling the agent to acquire, at any time prior to February 25, 2000, up to 53,333 common shares at a price of $0.75 per share; (ii) Series B Broker's Warrants entitling the holder to acquire, at any time prior to March 24, 2000, up to 46,666 common shares at a price of $0.75 per share; and (iii) Series C Broker's Warrants entitling the holder to acquire, at any time prior to August 5, 2000, up to 166,667 common shares at a price of $1.20 per share.

On September 16, 1998, Series C Broker's Warrants entitling the holder to acquire 49,500 common shares were exercised for cash proceeds of $59,400. On December 31, 1999, an additional 100,502 Series C Broker's Warrants were exercised for cash proceeds of $120,603. As at December 31, 1999, 16,665 Series C Broker's Warrants were outstanding.

On December 31, 1999, Series A Broker's Warrants entitling the agent to acquire 53,333 common shares and Series B Broker's Warrants entitling the holder to acquire 46,666 common shares were exercised for cash proceeds of $74,999.

In connection with the Company's private placements of special warrants, agents were granted Broker's Special Warrants as follows:

Granted	Outstanding
June 18, 1999	31,250
July 23, 1999	20,000
December 16, 1999	62,500
Broker's Special Warrants - December 31, 1999 (unaudited)	113,750

6. WARRANTS (continued)

(b) Broker's Warrants (continued)

Broker's Special Warrants entitle the respective agent to acquire, for no additional consideration, at any time before the date which is two years from the earlier of: (a) the date on which a receipt is issued by the Ontario Securities Commission for a final prospectus, qualifying the distribution of the common shares upon exercise of the Special Warrants; and (b) 120 days from the date of the issue of the Special Warrants, Compensation Options to purchase common shares up to the number of Broker's Special Warrants granted.

Each Compensation Option issued upon the conversion of a Broker's Special Warrant entitles the holder to acquire one common share at a price of $0.80 per share at any time prior to two years following the earlier of (a) the date on which the Company obtains a receipt for the prospectus qualifying 100.0% of the Compensation Options, and (b) the qualification deadline.

7. INVESTMENT TAX CREDITS RECOVERABLE

The Company has received and recognized investment tax credits for the year ended June 30, 1999 totaling $58,702 (1998 - $66,640, 1997 - $119,228). The Company has not recognized additional claims which are outstanding as at June 30, 1999, totaling $326,000. These claims have not yet been reviewed by taxation authorities and the amount that may ultimately be received by the Company may be different. The benefit of this claim has not been recorded in the accounts. The Company has Investment TaxCredits for the reduction of future income taxes payable amounting to approximately $10,000 which, if not utilized, will expire as follows:

2006	$1,000
2007	8,000
2008	500
2009	500
	$10,000

Investment tax credits earned in the six-month period ended December 31, 1999 have not been included in the above calculation.

8. COMMITMENTS

The Company is committed to minimum annual lease payments under various operating lease agreements for its premises and certain office equipment as follows:

	Premises	Office Equipment
2000	$139,000	$67,000
2001	153,000	26,000
2002	153,000	-
2003	90,000	-
	$535,000	$93,000

9. INCOME TAXES

The potential tax benefits arising from losses available have not been recognized in these financial statements. The Company had losses available for the years ended June 30, for the reduction of future taxable income in the amount of approximately $3,000,000, which, if not utilized, will expire as follows:

2003	$122,000
2004	583,000
2005	957,000
2006	1,338,000
	$3,000,000

Additionally, at June 30, 1999, the Company had a total of approximately $860,000 of research and development expenditures which can be carried forward indefinitely for the reduction of future taxable income.

Losses incurred in the six-month period ended December 31, 1999 have not been included in the above calculation.

10. CONTINGENCY

An action was commenced against the Company in September, 1995, for approximately $20,000 alleging breach of contract. Management believes that this claim is without merit and that any liability possibly arising from this action will have no material effect on the financial statements of the Company.

11. RELATED PARTY TRANSACTIONS

The Company has entered into related party transactions with a company under common control. All of these transactions have occurred in the normal course of the Company's operations. All transactions with related parties are conducted on terms and conditions comparable to those with arms-length parties.

Transactions with Advanced Medical Computer Systems and Management Inc. ("AMCS"), a corporate shareholder controlled by a director and officer of the Company occurred in the respective periods as follows:

	December 31, 1999	December 31, 1998	June 30, 1999	June 30, 1998
	(unaudited)	(unaudited)		
Revenue for support services	$14,921	$ -	$14,921	$ 100
General and administrative expenses paid as reimbursement of costs	14,249	15,499	29,749	36,000
Accounts payable and accrued liabilities	-	-	-	67,292

The Company has entered into a non-binding letter of intent dated as of December 1, 1999 with the shareholders of BNK Informatics Canada Inc. ("BNK"), the president and principal shareholder of which is a director of the Company. Pursuant to the terms of the letter of intent, the Company has agreed, subject to a number of conditions including the completion of due diligence satisfactory to the Company and the receipt of appropriate regulatory and board approvals, to acquire all of the issued and outstanding shares of BNK in consideration of the issuance of 250,000 Common Shares.

12. 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 Company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

13. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the current period's financial statement presentation.

CERTIFICATE OF THE COMPANY

Dated: February 21, 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 XV of the *Securities Act* (Ontario) and by Part 8 of the *Securities Act* (Alberta) and the respective regulations thereunder.

"Sami Aita"	"Kimberly Stevenson"
(Signed)DR. SAMI AITA Chief Executive Officer, President and Treasurer	(Signed)KIMBERLY STEVENSON Vice President, Finance, and Chief Financial Officer

On Behalf of the Board of Directors

"Lea Aita"	"Bryan Nelson"
(Signed) LEA AITA Director	(Signed) BRYAN NELSON Director

CERTIFICATE OF THE AGENTS

Dated: February 21, 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 XV of the *Securities Act* (Ontario) and by Part 8 of the *Securities Act* (Alberta) and the regulations thereunder.

GOEPEL MCDERMID INC.	DOMINICK & DOMINICK SECURITIES INC.
"Jeffrey A. Chisholm"	"Paul Morgante"
By: (Signed) JEFFREY A. CHISHOLM	By: (Signed) PAUL MORGANTE