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Initial Public Offering

March 21, 2001

NORTHLAND SYSTEMS TRAINING INC.

\$1,500,000
(2,000,000 Units)

Northland Systems Training Inc. (the “Corporation” or “Northland”) by this prospectus (“Prospectus”) hereby is offering for sale to the public 2,000,000 units (“Units”) at a price of \$0.75 per Unit for an offering of \$1,500,000 (the “Offering”). Each Unit is comprised of one common share (“Common Share”) and one half of one Common Share purchase warrant (“Regular A Warrant”). Each whole Regular A Warrant entitles the holder to purchase one Common Share at a purchase price of \$1.25 per Common Share at any time up to 12 months from the date of issuance.

	Number of Units	Price to Public	Agent’s Commission ⁽¹⁾⁽²⁾	Net Proceeds to Corporation ⁽³⁾
Per Unit	1	\$0.75 ⁽⁴⁾	\$0.075	\$0.675
Total Offering of Units	2,000,000	\$1,500,000 ⁽⁴⁾	\$150,000	\$1,350,000

Notes:

- (1) A 10% commission will be paid to Yorkton Securities Inc. (the “Agent”). The Agent has been paid a non-refundable sponsorship fee of \$25,000. In addition, the Agent will be granted a non-transferable option to purchase Units (the “Agent’s Unit Option”) to purchase up to 10% of the Units sold under the Offering at a purchase price of \$0.75 per Unit, which shall include any portion of the Over Allotment Option (as defined herein), which will expire 2 years from the date of issuance. The Agent’s Unit Option is qualified by and will be distributed pursuant to this Prospectus except in the Province of Ontario where only that portion of the Agent’s Unit Option equal to 5% of the number of Units sold hereunder are being qualified. See “Plan of Distribution and Description of Securities Offered”.
- (2) The Corporation has agreed to grant the Agent an option (the “Over Allotment Option”), exercisable for a period of 60 days from the closing of the Offering, to purchase an additional 10% of the number of Units issued at the closing of the Offering on the same terms set forth above solely to cover over allotments, if any. If the Agent exercises the Over Allotment Option in full, the total price to the public will be \$1,650,000, the Agent’s commission will be \$165,000 and the net proceeds to the Corporation will be \$1,485,000. This prospectus qualifies the distribution of the Over Allotment Option. See “Plan of Distribution and Description of Securities Offered”.
- (3) Before deducting the expenses of this Offering estimated \$50,000.
- (4) The Offering price was determined by negotiation between the Corporation and the Agent.

This Prospectus also qualifies for distribution up to 2,000,000 Common Shares and up to 1,000,000 Common Share purchase warrants of the Corporation (“Regular B Warrants”) issuable upon exercise of 2,000,000 special warrants (“Special Warrants”). The Special Warrants, at a purchase price of \$0.75 per Special Warrant, were previously issued on December 5, 2000 pursuant to a special warrant trust indenture, dated as of December 5, 2000 (the “Special Warrant Indenture”) between the Corporation and Montreal Trust Company of Canada (now called Computershare Trust Company of Canada) (the “Trustee”) to investors pursuant to exemptions available under the *Securities Act* (Alberta), the *Securities Act* (Ontario) and the respective regulations thereunder, as applicable.

	Number of Special Warrants	Price to Public	Agent’s Commission ⁽¹⁾⁽²⁾	Net Proceeds to Corporation ⁽³⁾
Per Special Warrant	1	\$0.75 ⁽⁴⁾	\$0.061875	\$0.688125
Total Offering	2,000,000	\$1,500,000 ⁽⁴⁾	\$123,750	\$1,376,250 ⁽³⁾

Notes:

- (1) The Agent has been paid a commission of 10% of the gross proceeds of the sale of the Special Warrants placed by the Agent and 3% of the gross proceeds from subscribers identified by management of the Corporation for a total of \$123,750. No commission or fee will be payable to the Agent by the Corporation in connection with the distribution of the Common Shares and Regular B Warrants issuable upon the exercise of the Special Warrants. See "Plan of Distribution and Description of Securities Offered".
- (2) The Corporation has granted, to the Agent a non-transferable agent's special warrant ("Agent's Special Warrant") exercisable without further consideration into an agent's option ("Agent's Option") to acquire 165,000 agent's units ("Agent's Units") at a price of \$0.75 per Agent's Unit until December 5, 2002. Each Agent's Unit consists of one Common Share ("Agent's Option Share") and one-half of one Regular B Warrant ("Agent's Regular B Warrant"). Each whole Agent's Regular B Warrant is exercisable into one Common Share ("Agent's Regular B Warrant Share") at a price of \$1.25 until December 5, 2001. In the event that a final MRRS decision document ("Final MRRS Decision Document") is not obtained from the principal regulator or securities commission (in each case "Principal Regulator") for each of the Filing Provinces (as defined herein) on or before April 4, 2001, the Agent's Option will be exercisable into 1.1 Agent's Option Shares and 0.55 Agent's Regular B Warrants. The Agent's Option is qualified by and will be distributed pursuant to this Prospectus except in the Province of Ontario where only that portion of the Agent's Option equal to 5% of the number of Special Warrants sold are being qualified. See "Plan of Distribution and Description of Securities Offered".
- (3) Before deducting expenses of this issue, estimated to be \$25,000.
- (4) The issue price was determined by negotiation between the Corporation and the Agent.

Each Special Warrant entitles the holder thereof to acquire (subject to adjustment as hereinafter provided), at no additional cost, one Common Share and one-half of one Regular B Warrant on or before 4:30 p.m. (Calgary time) on the earlier of: (i) five business days after the date upon which a final MRRS decision document pursuant to National Policy 43-201, or in the case of a securities commission that opts out of MRRS, a receipt (in each case "Final MRRS Decision Document") for a final prospectus has been obtained from the Principal Regulator on behalf of the securities commissions in the each of the provinces of Alberta and Ontario (the "Filing Provinces"); and (ii) December 5, 2001, (the time at which the first of such events occurs is hereinafter referred to as the "Expiry Time"). Any Special Warrant not exercised prior to the Expiry Time shall be deemed to be exercised by the holder thereof, without any further action on the part of the holder, immediately upon the Expiry Time. Each whole Regular B Warrant will entitle the holder thereof to purchase one Common Share at a price of \$1.25 until 4:30 p.m. (Calgary time) on December 5, 2001.

If a Final MRRS Decision Document is not obtained from the Principal Regulator for each of the Filing Provinces on or prior to 4:30 p.m. (Calgary time) on April 4, 2001 (the "Clearing Date"), each holder of Special Warrants in a Filing Province shall be entitled within ten business days from the Clearing Date, to receive, upon the exercise or deemed exercise of the Special Warrants, 1.1 Common Shares and 0.55 Regular B Warrants for every Special Warrant then held by such holder (in lieu of one Common Share and 0.5 of a Regular B Warrant otherwise receivable) at no additional cost (the "Penalty Provision"). See "Plan of Distribution and Description of Offered Securities".

The Corporation is also qualifying an additional 200,000 Common Shares and 100,000 Regular B Warrants, issuable on exercise of Special Warrants if a Final MRRS Decision Document is not obtained from the Principal Regulator for each of the Filing Provinces (as defined herein) on or before Clearing Date (as defined herein).

This Prospectus also qualifies for distribution options to be issued to directors, officers, employees and consultants of the Corporation to purchase up to a total of 793,875 Common Shares.

The Canadian Venture Exchange (the "Exchange") has conditionally approved the listing of the Common Shares and Regular A Warrants subject to the Corporation fulfilling all of the requirements of the Exchange.

The securities offered hereby are highly speculative due to the nature of the Corporation's business and its present stage of development and subscribers should be prepared to risk the loss of their entire investment. After giving effect to the exercise of the Special Warrants, but prior to the exercise of any Regular A Warrants, Regular B Warrants, the Agent's Unit Option, the Agent's Option or Over Allotment Option, the effective price of \$0.75 per Common Share for Special Warrants and \$0.75 per Common Share for Units exceeds the net tangible book value per Common Share as at November 30, 2000 by \$0.57 (representing a dilution factor of 76%) and by \$0.57 (representing a dilution factor of 76%), respectively. The Corporation is unlikely to pay dividends on the Common Shares in the foreseeable future. See "Risk Factors" and "Dilution".

The promoters, directors, senior officers and control persons of the Corporation beneficially own, directly or indirectly, or control, collectively 75.2% of the Common Shares issued and outstanding prior to the Offering and the exercise of Special Warrants (55.2% after giving effect to the Offering and exercise of Special Warrants and assuming no Common Shares are issued pursuant to the exercise of the Regular A Warrants, the Regular B Warrants, the Agent's Unit Option, the Agent's Option, the Over Allotment Option or the Penalty Provision).

This Offering is not underwritten and is subject to a total subscription of \$1,500,000 which must be raised within 60 days of the issuance of a Final MRRS Decision Document or such other time as may be authorized by the appropriate regulatory authority and agreed to by the Agent. Proceeds of this Offering will be deposited with the Trustee until subscriptions for \$1,500,000 have been raised. If the total subscription is not raised, subscription monies will be returned to subscribers without interest or deduction. "See Plan of Distribution and Description of Offered Securities".

Yorkton Securities Inc., or registered sub-agents who assist the Agent in the distribution of Units, conditionally offers, on a best efforts basis, 2,000,000 Units subject to prior sale, if, as and when issued by the Corporation in accordance with the conditions contained in the Agency Agreement referred to under "Plan of Distribution and Description of Offered Securities".

Certain legal matters in connection with the Offering will be passed upon for the Corporation by Armstrong Perkins Hudson LLP, Barristers and Solicitors, Calgary, Alberta and for the Agent by McManus Thomson, Barristers and Solicitors, Calgary, Alberta.

Subscriptions for Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at anytime without notice. Its expected that certificates for the Common Shares and Regular A Warrants will be available for delivery at the closing of the Offering.

Yorkton Securities Inc.
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GLOSSARY OF TECHNICAL TERMS

The following are definitions for technical terms used in this Prospectus:

eLearning:	means a 24 hour available, internet provided, Technology Based Training environment;
eLearning Online:	means Northland's subscription service of eLearning (24 hour available, internet provided, Technology Based Training environment) supported by real-time live mentoring, e-mail/chat sessions and discussions groups;
eTechnologies:	means telecommunications, networking, security, wireless and other Internet related technologies;
Instructor-Led Training:	means certified instruction by Northland on eTechnologies and/or Vendor Product Training and this instruction is typically characterized by hands-on sessions in a classroom environment;
Internet:	means the worldwide network that connects thousands of public and private data networks and millions of users. The Internet is made up of well over 100,000 interconnected networks in more than 100 countries covering commercial, academic and government endeavors. Originally developed for the U.S. military, the Internet became widely used for academic and commercial research. Users had access to unpublished data and journals on a huge variety of subjects. Today, the Internet has become commercialized into a worldwide information highway, providing information on every subject known to humankind;
ISP:	means an organization that provides access to the Internet. Small Internet service providers (ISPs) provide service via modem and ISDN while the larger ones also offer private line hookups (T1, fractional T1, etc.). Customers are generally billed a fixed rate per month, but other charges may apply. For a fee, a Web site can be created and maintained on the ISP's server, allowing the smaller organization to have a presence on the Web with its own domain name;
Subject Matter Experts:	means experienced, trained employee that has achieved the Subject Matter Expert designation by Northland and whose qualifications include a degree in computer engineering or over seven years experience in specific eTechnologies areas;
Technology Based Training:	means training with the assistance of technology such as the web, CD-rom, e-mail, chat sessions and the Internet;
Vendor Product Training:	means training employees and/or customers on a vendor's products, systems and/or services;
Web:	means the universe of hypertext servers (HTTP servers) which are the servers that allow text, graphics, sound files, etc. to be mixed together; and
Web Site:	means a site located on the Web, through which information from a specific organization is made available for access by anyone in the world through the Web.

PROSPECTUS SUMMARY

The following summary information must be read in conjunction with and is qualified in its entirety by the more detailed information appearing elsewhere in this Prospectus.

- The Corporation:** Northland is a service based company that provides training and consulting in the telecommunications sector, and focuses on training for networking, security, wireless and other Internet related technologies (collectively referred to as “eTechnologies”). Northland has developed its own curriculum for eTechnologies and delivers eTechnologies and Vendor Product Training via traditional instructor-led and new eLearning Online delivery systems.
- Offering:** The Corporation is hereby offering for sale to the public 2,000,000 Units at a purchase price of \$0.75 per Unit. Each Unit is comprised of one Common Share of the Corporation and one-half of one Regular A Warrant. Each whole Regular A Warrant entitles the holder to purchase one Common Share at a purchase price of \$1.25 per Common Share at anytime up to 12 months from the date of issuance.
- Plan of Distribution:** The Agent, Yorkton Securities Inc., has agreed to offer the Units, on a best efforts basis, in the provinces of Alberta, British Columbia, Nova Scotia and Ontario. The Agent will be paid a commission of 10% of the gross proceeds of the sale of the Units.
- The Corporation has agreed to grant the Agent an option (the “Over Allotment Option”), exercisable for a period of 60 days from the closing of the Offering, to purchase an additional 10% of the number of Units issued at the closing of the Offering on the same terms set forth above solely to cover over allotments, if any. If the Agent exercises the Over Allotment Option in full, the total price to the public will be \$1,650,000, the Agent’s commission will be \$165,000 and the net proceeds to the Corporation will be \$1,485,000. This prospectus qualifies the distribution of the Over Allotment Option.
- Additional Securities:** The Corporation is also hereby qualifying for distribution up to 2,000,000 Common Shares and up to 1,000,000 Regular B Warrants issuable on the exercise of 2,000,000 Special Warrants. The Corporation is also qualifying up to 200,000 Common Shares and 100,000 Regular B Warrants issuable if a Final MRRS Decision Document is not obtained from the Principal Regulator for each of the Filing Provinces on or before April 4, 2001. The Corporation is also qualifying the Agent’s Option to be issued to the Agent upon the deemed exercise of the Agent’s Special Warrant except in the Province of Ontario where only that portion of the Agent’s Option equal to 5% of the number of Special Warrants sold are being qualified. The Corporation is also qualifying options to be issued to directors, officers, employees and consultants of the Corporation to purchase up to a total of 793,875 Common Shares. See “Plan of Distribution and Description of Offered Securities”, “Description of Share Capital” and “Options to Acquire Securities”.
- The Agent will also be granted a non-transferable option (the Agent’s Unit Option”) to purchase up to 10% of the Units sold under the Offering at a purchase price of \$0.75 per Unit, which shall include any portion of the Over Allotment Option, which will expire 2 years from the date of issuance. The Agent’s Unit Option is qualified by and will be distributed pursuant to this Prospectus except in the Province of Ontario where only that portion of the Agent’s Unit Option equal to 5% of the number of Units sold hereunder are being qualified.

Special Warrants: Each Special Warrant entitles the holder thereof to acquire one Common Share and one-half of one Regular B Warrant at no additional cost until 4:30 p.m. (Calgary time) on the earlier of: (i) the date which is the fifth business day following the day upon which the Final MRRS Decision Document is issued by the Principal Regulator for each of the Filing Provinces; and (ii) December 5, 2001. Each whole Regular B Warrant entitles the holder thereof to purchase one Common Share of the Corporation at \$1.25 per Common Share on or before December 5, 2001. Any Special Warrants not exercised prior to the Expiry Time shall be deemed to have been exercised at the Expiry Time without any further action on the part of the holder.

Penalty Provision: If a Final MRRS Decision Document is not obtained from the Principal Regulator for each of the Filing Provinces, on or prior to April 4, 2001, each holder of Special Warrants shall be entitled to receive, upon the exercise or deemed exercise of the Special Warrants, 1.1 Common Shares and 0.55 Regular B Warrants for every Special Warrant then held by such holder (in lieu of one Common Share and 0.5 of a Regular B Warrant otherwise receivable) at no additional cost. The holder of the Agent's Special Warrant shall be entitled to receive at no additional cost, upon the exercise or deemed exercise of the Agent's Special Warrant, an Agent's Option exercisable into 1.1 Agent's Option Shares and 0.55 Agent's Regular B Warrants (in lieu of one Agent's Option Share and 0.5 of an Agent's Regular B Warrant otherwise receivable). See "Plan of Distribution and Description of Offered Securities".

Use of Proceeds: The net proceeds of this Offering (\$1,275,000) plus the net proceeds of the Special Warrant offering (\$1,351,250) have been and will be allocated by the Corporation for: marketing expenses; eLearning product development; operating expenses; capital expenditures and unallocated working capital. See "Use of Proceeds".

Description

Sales and Marketing	\$700,000
eLearning Product Development	750,000
Operating Expenses	500,000
Capital Expenditures	300,000
Unallocated Working Capital	<u>376,250</u>

Total **\$2,626,250**

There may be circumstances where, for sound business reasons, a reallocation of funds may be necessary in order for the Corporation to achieve its business objectives. See "Use of Proceeds".

Dividend Record and Policy: The Corporation has not paid any dividends on its Common Shares to date and does not anticipate that it will pay any dividends in the foreseeable future.

- Risk Factors:** An investment in the Units and Special Warrants must be regarded as highly speculative due to the nature of the Corporation's business and its present stage of development. This Offering is only suitable for subscribers who are willing to rely solely upon the management of the Corporation and who can afford a total loss of their investment. The Corporation has no present intention to pay dividends to the holders of Common Shares. Subscribers will have to rely upon the expertise, judgment and ability of the management of the Corporation to carry out the business of the Corporation.
- After giving effect to the exercise of the Special Warrants, but prior to the exercise of any Regular A Warrants, Regular B Warrants, the Agent's Unit Option, the Agent's Option or Over Allotment Option, the effective price of \$0.75 per Common Share for Special Warrants and \$0.75 per Common Share for Units exceeds the net tangible book value per Common Share as at November 30, 2000 by \$0.57 (representing a dilution factor of 76%) and by \$0.57 (representing a dilution factor of 76%), respectively.
- Listing of Securities:** The Canadian Venture Exchange has conditionally approved the listing of the Common Shares and Regular A Warrants subject to the Corporation fulfilling all of the requirements of the Exchange.
- Qualification:** This Prospectus is being filed in the Provinces of Alberta, British Columbia, Nova Scotia and Ontario.

NORTHLAND SYSTEMS TRAINING INC.

The Corporation was incorporated under the name 3400107 Canada Inc. by the issuance of a Certificate of Incorporation dated August 8, 1997, pursuant to the provisions of the *Canada Business Corporations Act*. By Certificate of Amendment dated September 17, 1997 the Corporation changed its name to Northland Systems Training Inc. By Certificate of Amendment dated November 15, 2000 the Corporation removed its private company restrictions.

The head office of Northland is located at Suite 500, 255 Albert Street, Ottawa, Ontario, K1P 6A9. The registered office of Northland is located at 222 Promenade des Bois, Russell, Ontario, K4R 1C4.

Northland has a wholly owned subsidiary, Northland Systems International Inc., a Delaware Corporation, which is inactive.

BUSINESS OF NORTHLAND SYSTEMS TRAINING INC.

Overview

Northland was established in September 1997 by Jerry Van Olst and Peter A. Johnston who identified a need for outsourced technology Vendor Product Training. Northland is a service based company that provides training and consulting in the telecommunications sector, and focuses on training for networking, security, wireless and other Internet related technologies (collectively referred to as “eTechnologies”). Northland has developed its own curriculum for eTechnologies and, in addition, delivers specific Vendor Product Training courses.

Northland provides both conventional Instructor-Led Training and a new learning environment called “eLearning Online”. Northland’s eLearning Online allows corporations to gain the benefits of Technology Based Training while retaining the appeal of the more traditional Instructor-Led Training through online access to Subject Matter Experts.

Business Objectives

Northland’s business objective is to be a leading provider of eLearning solutions to the telecommunication industry, their distributors and their major clients. Northland intends to leverage existing technical course content, subject matter expertise and client relationships, so that Northland is well positioned to develop and deliver major eLearning programs to the world’s technology leaders. With specialized expertise in eTechnologies, Northland intends to deliver a blended learning solution of Instructor-Led and Technology Based Training services, using a uniquely integrated toolset, live support and advanced product simulation, to optimize its clients’ operational efficiency. With the inherent scalability that the Internet provides and the market demand for more effective, timely training solutions, Northland intends to see its current rate of growth increase significantly over the next three years.

Milestones

Northland’s milestones for the 2001, 2002 and 2003 calendar years are as follows:

2001 Milestones

- | | |
|-------------------------------|--|
| <i>2nd Quarter</i> | <ul style="list-style-type: none">- hiring of VP Marketing and Sales- expansion of insides sales force (Ottawa)- launch of “Networking” stream of content (series of learning modules) |
| <i>3rd Quarter</i> | <ul style="list-style-type: none">- establish corporate eLearning program with major client- expansion of course migration teams |

2001 Milestones

- 4th Quarter*
- hiring of Resource Manager
 - establish eLearning Vendor Product Training program with a major telecommunication vendor
 - expansion of direct sales force into the United States

2002 Milestones

- 1st Quarter*
- establish and launch channel reseller program (partners which will resell Northland's eLearning Online services)
 - upgrade of Learning Management System (ecommerce and student database)
 - access to Subject Matter Experts expands to cover evenings in North America
- 2nd Quarter*
- launch of "Wireless" stream of content
- 3rd Quarter*
- rollout of major marketing and sales campaign for accelerated growth of subscription and corporate sales outside of Canada
 - establish second major eLearning Vendor Product Training program
- 4th Quarter*
- hiring of VP Product Management
 - access to Subject Matter Experts is expanded to cover 24 hours a day, seven days a week

2003 Milestones

- 1st Quarter*
- hiring of two additional course migration teams
 - launch of "Security" stream of content
 - hiring of Chief Operating Officer

Services Offered by Northland

Northland's services includes: eLearning Online, Outsourced eLearning Services, Instructor-led Training, and Consulting services. The following table displays the approximate revenue received by Northland from sales to customers for each category of services offered by Northland in the two most recently completed financial years.

Year ending August 31	eLearning Online	Outsourced eLearning Services	Instructor-Led Training Service	Consulting Services
2000	N/A ⁽¹⁾	N/A ⁽¹⁾	\$1,194,249	\$1,895,389
1999	N/A ⁽¹⁾	N/A ⁽¹⁾	\$515,934	\$1,338,187

Note:

(1) This service was introduced in December 2000, in Northland's fiscal 2001 year.

eLearning Online

Northland's eLearning Online combines the strengths of traditional Instructor-Led Training with the advantages of Technology Based Training. Through eLearning Online, Northland provides Technology Based Training solutions on a global basis. eLearning Online solutions currently focus on training for eTechnologies and Vendor Product Training.

eLearning Online is subscription based, where students enroll on-line in their area of interest. The subscription options include access to:

1. on-line eTechnologies training;
2. on-line resource center (consolidating resources on web and elsewhere); and
3. real-time mentoring (email, chat, web-chat, phone support).

As networking, security, and wireless streams of content become available (see “Milestones”), the student is able to choose the amount of access appropriate for their needs: Bronze for monthly, Silver for quarterly, and Gold for annual access. The subscription allows the student to have access to hundreds of learning objects within the student’s area of interest, 24 hours per day.

Included in the eLearning Online service, students have access to an eLearning Resource Center that distributes additional information through a web-based technical area on Northland’s web site. The objective of the resource center is to provide access to technical information and advice relating to the student’s community of interest. Northland’s Subject Matter Experts, who provide real-time mentoring, are part of the team of technology writers and editors of these forums. Each forum presents the topic in practical, objective and understandable terms, providing support for real-world technical situations. Students have access to technical information (ie. white papers, editorials, links to other websites) and also are able to participate in virtual seminars and participate in discussion groups.

All of the on-line services are supported by real-time live mentoring whereby the student is routed to the appropriate Subject Matter Expert and whereby the appropriate mode of communication is selected for that student (i.e., text chat, email, telephone, or discussion group).

Outsourced eLearning Services

In addition to Northland’s eLearning Online subscription based service, Northland also provides outsourced eLearning solutions. These services include: courseware content development, migration services, shared hosting services and dedicated hosting services.

Courseware Content Development

Northland provides Subject Matter Experts and/or experienced courseware developers to create specific technology or Vendor Product Training content when requested from corporate customers. Content may be developed using Northland’s database of technology training, the client’s existing course material, or new material developed specifically to meet the client’s specifications.

Migration Services

Northland provides content migration services whereby existing instructor-led course content is converted to Northland’s eLearning Online format, on a service contract basis.

Shared Hosting Services

Shared hosting allows for corporations to reduce costs by utilizing Northland’s eLearning portal. This service is provided to corporations looking to quickly provide eLearning solutions to their employees and customers without incurring the high cost of dedicated servers. With Northland’s shared hosting service, all customers are partitioned from each other, but each corporation’s eLearning content is hosted and delivered using Northland’s eLearning portal and retains Northland’s look and feel.

Dedicated Hosting Services

Northland recognizes that some clients prefer to have their corporate look and feel in their eLearning portal. To meet this demand, Northland provides dedicated production servers which results in the student perceiving as if they never left their corporate website.

Instructor-Led Training

Instructor-Led, Vendor Product Training

With this service, Northland provides training solution for vendors in eTechnologies. Northland certifies instructors on the vendor's courseware and then conducts the vendor training programs in Northland's own classrooms. Typically, Vendor Product Training includes hands-on training sessions as a complement to the Instructor-Led lecture.

Management expects that Instructor-Led Training will continue to be the premier delivery system for Vendor Product Training and that the new eLearning Online service will complement traditional Instructor-Led Training more effectively.

Instructor-Led, Technology Training

This program is similar to Northland's Vendor Product Training program. The difference between Vendor Product Training and technology training is that technology training involves courses that have been developed by Northland. These courses are Instructor-Led, lecture style, with no supporting labs. Northland's Instructor-Led Training curriculum currently includes courses relating to 25 eTechnologies topics.

Consulting Services

Northland's Consulting Service allows Northland's Subject Matter Experts to bring the latest product and technology knowledge to the clients and provides customers with follow-up support on a per hour, per diem, or fixed price basis. Northland provides professional services that can be applied throughout the product life cycle such as:

- Requirements Planning
- Technology Assessment
- Architecture
- Design
- Project Management
- Implementation
- Testing
- Documentation

Key Elements of Northland's Services

The six key elements present in all of Northland's services are: supporting students with live, real-time Subject Matter Experts, hands-on training experience via advanced product simulations, ownership of technology course content, rapid migration of Instructor-Led environment to eLearning environment, operational excellence and premier customer service.

Real-Time Subject Matter Experts

Subject matter support is provided in the form of direct, live Subject Matter Expert support. The Subject Matter Expert has the ability to electronically monitor a student's progress through the on-line course and thereby have an intimate knowledge of a student's strengths and weaknesses. This knowledge positions the Subject Matter Expert to act as a mentor who precisely understands a student's difficulties and allows the Subject Matter Expert to offer insightful assistance without undue delay.

Product Simulation

The eTechnologies market is dominated by computer and network equipment and continuous new technology introduction. The purpose of eLearning Online is to provide users with the ability to access and operate this equipment

effectively. Hands-on equipment simulation, therefore, is a key component of a new learning environment and Northland provides this hands-on equipment simulation.

Ownership of Course Content

Northland has developed over 50 course days of Instructor-Led courses relating to eTechnologies. This is Northland's intellectual property and Northland plans to benefit from this investment by adapting this course material to the eLearning Online environment.

Rapid Migration Capability

Management believes the eTechnologies training and consulting business opportunity is enhanced through the introduction of a rapid migration process. Northland can quickly move from existing Instructor-Led Training content to the eLearning Online environment.

Operational Excellence

Operational efficiencies exist as a direct result of Northland's investments in software applications, the development of in-house tools and the methodology used to achieve rapid migration and deployment of eLearning Online. Northland has trained conversion teams to achieve this objective. Due to these operational efficiencies, Northland is able to provide its services more cost-effectively and, most importantly, Northland is able to significantly reduce a client's time to market.

Premier Customer Service

Management believes that premier customer service and support of students has been one of the major competitive advantages of Northland's service. One way that Northland continues to achieve this level of customer service is through the Subject Matter Experts who are accessible to on-line students in real time. Furthermore, Management believes that Northland's services are superior as a result of providing real-time Internet chat, discussion groups, access to a web based resource centre and live telephone support.

Marketing

Northland has successfully integrated several commercially available software applications to provide the infrastructure to deliver eLearning Online. Northland intends to follow this initial implementation with the introduction of more advanced product simulation and more advanced real-time mentoring as these applications become available.

Since geographic protection disappears for all Internet-based training solutions, Northland must act quickly to win this significant opportunity. In order to capture this opportunity, Northland has established its eLearning portal which demonstrates the eLearning environment, product simulation and live support capabilities. Northland's sales teams are providing eLearning demonstrations, which include Northland course content, product simulation and live support to its current and potential client base.

Northland understands that access to market is through vendor relationships and resulting channels from those relationships. Most employees, distribution channels and end-users are corralled through the vendor's web site and the vendor's web site is, therefore, the key to accessing potential students. Unlike traditional Instructor-Led training, where the vendor may select a number of training partners for geographic reach, Management expects that only one global eLearning solution provider will be connected to the "training button" of the vendor's website. Northland has contracted Acart Communications of Ottawa, Ontario for public relations and investor relations and consulting services relating to overall marketing strategy, corporate identity, web-site, and promotional and sales campaigns.

Marketing initiatives will support Northland's three primary client profiles:

1. Individual subscriptions via website

2. Corporate Site licenses
3. Major Accounts and Channel Partners

Northland's sales force is comprised of three specific groups, namely eMarketing, Inside Sales and Direct Sales. Each group will be responsible, respectively, for Individual Subscriptions, Corporate Site Licenses and Major Accounts and Channel Partners.

Individual Subscriptions: The eMarketing group is focused on marketing and sales activities related to individuals interested in Northland's subscription based eLearning Online and/or Northland's traditional Instructor-Led Training. Marketing activities for this group center around, vendor training awareness programs, web-based marketing activities, emails, fax, telephone and leveraging Northland's contact database.

Corporate Site Licenses: The Inside Sales team focuses on corporate programs which include corporate eLearning site licenses and onsite private custom Instructor-Led Training programs. The Inside Sales team are supported by electronic course outlines, direct mail, corporate profiles and brochures.

Major Accounts and Channel Partners: The Direct Sales team is focused on relationship selling practices. The client profile that the Direct Sales team will pursue includes major corporate accounts requiring customized eLearning and/or Instructor-Led Training programs, vendors seeking to outsource their product training, and developing channel reseller partnerships. Marketing activities for this area include brand recognition programs, industry seminars, trade shows, direct mail campaigns, public relations, corporate profiles, brochures, and technology-related association participation.

Marketing activities will be supported by the addition of a VP of Sales and Marketing, a full-time Marketing Manager and the execution of programs to support subscriptions, corporate site licenses and channel partners.

Based on the worldwide market growth for eTechnologies training and consulting and Northland's growth plans, Management believes that it is important for Northland to expand its sales presence in the United States. There are significant cost advantages to maintaining the operations divisions in Canada (i.e. Telemarketing/Inside sales, technology and instructor led training for North America) while having a significant student base in the United States.

Relationships with leading global vendors are important to Northland's success in the outsourced Vendor Product Training arena. In this regard, Northland's sales force will focus on direct one to one relationships, targeting major global product vendors that are seeking to outsource the delivery of their curriculum.

Market Consolidation and Worldwide Market Growth

Management believes that the eTechnologies education and training market is growing and is becoming less fragmented than in the past decade. Management also believes that the number of participants in this market will begin to decline as client demand for training services increases beyond the capabilities of smaller training organizations. Management believes that over the next five years, the eTechnologies education and training services market worldwide is anticipated to experience an annual growth rate of 11%. The size of the worldwide market was \$24.5 billion in 1998 and expected to rise to \$40.9 billion by 2003 (yearly growth of 10.8%). The largest market opportunities are the United States and Europe. The following table illustrates this market growth.

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>1998-2003</u> <u>Yearly Growth</u>
<u>Region</u>	<u>CS MILLIONS</u>						
United States	12,376	14,010	15,746	17,554	19,424	21,459	11.6%
Western Europe	7,741	8,517	9,245	10,000	10,731	11,499	8.2%
Japan	1,477	1,513	1,582	1,662	1,784	1,923	5.4%
Asia/Pacific	725	825	964	1,117	1,307	1,516	15.9%

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>1998-2003</u> <u>Yearly Growth</u>
<u>Region</u>	<u>C\$ MILLIONS</u>						
Latin America	894	991	1,206	1,450	1,646	1,851	15.7%
Canada	764	844	939	1,039	1,144	1,254	10.4%
Rest of the World	<u>529</u>	<u>679</u>	<u>844</u>	<u>1,022</u>	<u>1,201</u>	<u>1,412</u>	21.7%
TOTALS	24,506	27,378	30,526	33,844	37,237	40,914	

Source: IDC –Training Markets and Trends- December 1999

Competition

Management believes that the success of Northland, as an eTechnologies training and consulting company, will be dependent on Northland's ability to provide the Key Elements of Northland's Services described above, the ability of potential competitors to overcome the Barriers to Entry described below and the continued growth of both eTechnologies and training and consulting for e-Technologies.

Northland, with its focus on content, will see its competition come from organizations that have access to similar content. These organizations may include: established traditional Instructor-Led Training organization seeking to establish an eLearning service, more recently established eLearning companies focused on content, and internal corporate training organizations attempting to develop and deliver content themselves. Accordingly, one of the main risks facing Northland's competitive position is the introduction of similar content online aimed at the same market, at a competitive price, by competitors that have significantly greater resources, have been established in the market for a longer period and have greater brand recognition. See "Risk Factors".

Northland's major competitors include more recently established eLearning companies focused on content such as SmartForce, SkillSoft and KnowledgeNet and traditional instructor led training companies such as Global Knowledge Network and CDI Education Corporation. The following is Management's summary of the above companies. Information described below was sourced from www.hoovers.com as at February 12, 2001, with the exception of CDI Education Corporation, whose information was sourced from the Toronto Stock Exchange website.

SmartForce

Redwood City,
Nasdaq: SMTF

Formerly operating as CBT Group, the SmartForce operates an Internet-based professional training platform used by major corporate customers (AT&T, Dell, J.P. Morgan Chase). SmartForce offers 1,300 online courses in collaboration with vendors such as Intel, Microsoft, and Oracle. In addition to technology courses, SmartForce offers courses in topics such as business skills and project management.

SkillSoft

Nashua, NH
Nasdaq: SKIL

SkillSoft provides Internet based training courses and software for corporations, government agencies, and educational institutions. SkillSoft's more than 400 courses, which are also available on CD-ROM, include lessons in a variety of professional skills and business topics. SkillSoft generates virtually all of its sales in the United States.

KnowledgeNet

Scottsdale, AZ

KnowledgeNet is a provider of information technology training and eLearning courseware technology. KnowledgeNet delivers Internet based training that enables enterprises to access online training with content and instructional design. KnowledgeNet customers include Boston University Corporate Education Center, Cisco, GE, and WorldCom. Founded in 1998, KnowledgeNet is a privately held company based in Scottsdale, Arizona.

Global Knowledge Network

Cary, NC

Global Knowledge Network provides technical training services to the employees of clients such as AT&T and Deutsche Telekom. Specializing in networking systems and telecommunications, Global Knowledge Network offers more than 500 vendor-authorized courses (and about 200 proprietary courses) covering the products of specific manufacturers (Microsoft, Red Hat). Global Knowledge Network also provides custom integration and training services, training software and outsourced education management services.

CDI Education Corporation

Toronto, ON

TSE: EDU

CDI Education Corporation provides information technology education and training in Canada through two divisions: the post-secondary division and the corporate training division.

Barriers to Entry

Northland's market position is characterized by high complexity, high margins and high barriers to entry. Management believes that the barriers to entry for a newcomer could be substantial. These barriers may include:

1. understanding of the "new eLearning environment" required to solve the complex technology and Vendor Product Training issue;
2. tools for cost effective roll-out and rapid courseware migration to eLearning Online;
3. costs for development of course content;
4. demonstrating an understanding of the vendor's underlying technology;
5. demonstrating access and retention of qualified personnel (mentors and instructors);
6. existing exclusivity of territory or existing training partners;
7. demonstrated understanding of access to students through vendor relationships;
8. established relationships with vendors and their clients;
9. presenting a proven methodology and track record; and
10. financial strength for marketing, sales, eLearning delivery applications and Subject Matter Expert certification.

Major Clients

The Corporation provides Nortel Networks ("Nortel") with a team of Subject Matter Experts (instructors and course developers) certified to develop and present Nortel product courses to Nortel employees and customers. In March 1999, Northland became Marconi's Communications (formerly FORE Systems Inc.) exclusive Certified Training Partner in Canada and, in January 2000, became a Marconi Professional Services Partner.

Northland's current clients include:

Product Vendors	Major Carriers	Other Clients
Nortel Networks	AT&T Canada	NB Power
Marconi Communications	Sprint	Ontario Hydro
Newbridge Networks	Telus	Xwave Solutions
Ericsson	Sasktel	Federal Government
Cisco Systems	Bell Nexxia	Ontario Government
Siemens	Rogers	Bechtel
Nokia	Group Telecom	
	360 Networks Inc.	
	Shaw	
	Videotron	

NORTHLAND OPERATIONS

Northland operates from 8,500 square foot premises in Ottawa, Ontario. These premises are currently under a 24 month lease expiring January 31, 2003. The lease contains an option to renew for an additional term at current market value.

Northland currently employs 25 staff from its Ottawa operations, four staff from its Toronto operations and Northland has ten full-time equivalent contractors:

Employment - Full Time Equivalent

Category	Number of Employees	Number of Contractors
Service Delivery	12	10
Sales and Marketing	8	
Administration	4	
Management	5	

Although Northland has a wholly-owned subsidiary called Northland Systems International Inc., which is incorporated in Delaware, this subsidiary is inactive and as a result the Corporation does not anticipate any risks associated with foreign operations due to this subsidiary.

MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION

A summary and analysis of financial operations for the fiscal year ended August 31, 2000, August 31, 1999, the period from September 17, 1997 to August 31, 1998 (unaudited), the interim period ended November 30, 2000 (unaudited) and the interim period ended November 30, 1999 (unaudited) are as follows:

Statement of Earnings and Retained Earnings

	Years ending August 31				
	Period Ended November 30, 2000 (unaudited)	Period Ended November 30, 1999 (unaudited)	<u>2000</u> (audited)	<u>1999</u> (audited)	<u>1998</u> (unaudited) ⁽¹⁾
Revenues	1,019,904	736,533	3,089,638	1,854,121	845,980
Direct Costs	<u>574,154</u>	<u>513,870</u>	<u>2,063,054</u>	<u>1,409,586</u>	<u>543,334</u>
Gross Profit	445,750	222,663	1,026,584	444,535	302,646
Expenses					
Operating	314,160	174,245	1,088,956	716,103	143,152
Corporate	37,846	47,990	185,729	106,694	197,666
Marketing and Sales	<u>69,050</u>	<u>26,672</u>	<u>74,641</u>	<u>103,791</u>	<u>42,750</u>
	421,056	248,907	1,349,326	926,588	383,568
Net income (loss) for the period	<u>24,694</u>	<u>(26,244)</u>	<u>(322,742)</u>	<u>(482,053)</u>	<u>(80,922)</u>
Deficit at end of year/period	<u>(861,023)</u>	<u>(589,219)</u>	<u>(885,717)</u>	<u>(562,975)</u>	<u>(80,922)</u>

Note:

(1) For the period from September 17, 1997 to August 31, 1998.

The financial position as at November 30, 2000, August 31, 2000, August 31, 1999 and August 31, 1998 is summarized as follows:

Consolidated Balance Sheets

	November 30, 2000 (unaudited)	<u>2000</u> (audited)	As at August 31 <u>1999</u> (audited)	<u>1998</u> (unaudited)
Assets				
Current Assets	910,867	664,013	342,339	259,904
Capital Assets	95,734	64,642	61,942	26,927
Deferred Development Costs	<u>168,243</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>1,174,844</u>	<u>728,655</u>	<u>404,281</u>	<u>286,831</u>
Liabilities				
Current liabilities	1,025,734	698,831	670,117	205,418
Long-term liabilities	<u>2,847</u>	<u>6,020</u>	<u>1,618</u>	<u>11,814</u>
Total	1,028,581	704,851	671,735	217,232
Shareholder's Equity				
Share capital	1,007,286	909,521	295,521	150,521
Deficit	<u>(861,023)</u>	<u>(885,717)</u>	<u>(562,975)</u>	<u>(80,922)</u>
Total	<u>1,174,844</u>	<u>728,655</u>	<u>404,281</u>	<u>286,831</u>

Background

Northland commenced its operations on September 17, 1997. During the fiscal period (September 17, 1997 to August 31, 1998), Northland generated \$845,980 of revenues and incurred a net loss of \$80,922.

For the three-month period ended November 30, 2000 compared to the three-month period ended November 30, 1999

Revenues for the period were 38.5% greater than the previous year's three-month period (\$1,019,904 compared to \$736,533 for the three month period ended November 30, 1999). Overall margins increased from 30.2% to 43.7% due to increased revenues at higher margins in both the Instructor-Led technical training and Instructor-Led vendor product training.

Overall operating expenses increased by 69.2% (\$421,056 compared to \$248,907). This increase related to cost of marketing for public courses and building the Northland team.

Northland's net gain for the three-month period ended November 30, 2000 was \$24,694, compared to a net loss of \$26,244 for the three-month period ended November 30, 1999

Year ended August 31, 2000 Compared to the year ended August 31, 1999

Revenues for the year were 67% greater than the previous year (\$3,089,638 compared to \$1,854,121) for the year ended August 31, 1999). Overall margins increased from 24% to 33% primarily as a result of increased revenues in the Vendor Product Training sector. Northland's focus for this period had been to grow the Vendor Product Training services as opposed to the lower margin consulting services business.

Overall operating expenses increased by 46% (\$1,349,326 compared to \$926,588 for the year ended August 31, 1999). The majority of this increase related to development costs for courseware and certification costs (\$141,223 or 33% of the total increase).

Northland's net loss for the year was 33% less than the previous year (\$322,742 compared to \$482,053 for the year ended August 31, 1999).

Northland's capital stock position increased by \$614,000 during the year with the issue of 1,228,000 Common Shares. Northland's cash/bank debt position at year-end had improved by \$56,738 from the previous year. At year-end, Northland had \$49,000 available on its \$150,000 line of credit with a Canadian chartered bank.

Accounts receivable increased from \$314,860 at August 31, 1999 to \$627,399 at August 31, 2000 as a result of the revenue increase during the year.

Year ended August 31, 1999 Compared to the period ended August 31, 1998

Revenues for the year were 119% greater than the previous period (\$1,854,121 compared to \$845,980 for the year ended August 31, 1998). Margins decreased from 36% to 24% as a result of low enrollment in public courses and lower margin consulting business.

Overall operating expenses increased by 142% (\$383,568 to \$926,588). This increase related to increased cost of marketing for public courses, courseware development and building the Northland team. The above expenses combined to generate a net loss of \$482,053, compared to a net loss of \$80,922 in Northland's first year of operations.

Northland's cash/bank debt position at year-end decreased by \$210,953 represented primarily by the usage of Northland's line of credit.

Accounts receivable increased from \$186,249 at August 31, 1998 to \$314,860 at August 31, 1999 as a result of the revenue increase during the year.

QUARTERLY FINANCIAL INFORMATION

The following table shows selected unaudited financial information for each of the nine quarters ending at November 30, 2000.

	Quarter Ended			
	November 30 (unaudited)	February 28 (unaudited)	May 31 (unaudited)	August 31 (unaudited)
Fiscal 2001				
Total Revenue	\$1,019,904	N/A	N/A	N/A
Income from Operations	\$24,694	N/A	N/A	N/A
Income from Operations Per Share	\$0.0022 ⁽¹⁾	N/A	N/A	N/A
Income from Operations Per Share (fully diluted)	\$0.0021 ⁽¹⁾	N/A	N/A	N/A
Net Income (Loss)	24,694	N/A	N/A	N/A
Net Income (Loss) Per Share	\$0.0022 ⁽¹⁾	N/A	N/A	N/A
Net Income (Loss) Per Share (fully diluted)	\$0.0021 ⁽¹⁾	N/A	N/A	N/A
Fiscal 2000				
Total Revenue	\$736,533	\$591,588	\$896,457	\$865,060
Income from Operations	(26,244)	(109,947)	(50,244)	(136,307)
Income from Operations Per Share	(0.0026) ⁽²⁾	(0.0109) ⁽³⁾	(0.0048) ⁽⁴⁾	(0.0126) ⁽⁵⁾
Income from Operations Per Share (fully diluted)	N/A ⁽¹⁰⁾	N/A ⁽¹⁰⁾	N/A ⁽¹⁰⁾	N/A ⁽¹⁰⁾
Net Income (Loss)	(26,244)	(109,947)	(50,244)	(136,307)
Net Income (Loss) Per Share	(0.0026) ⁽²⁾	(0.0109) ⁽³⁾	(0.0048) ⁽⁴⁾	(0.0126) ⁽⁵⁾
Net Income (Loss) Per Share (fully diluted)	N/A ⁽¹⁰⁾	N/A ⁽¹⁰⁾	N/A ⁽¹⁰⁾	N/A ⁽¹⁰⁾
Fiscal 1999				
Total Revenue	\$390,279	\$458,276	\$523,308	\$482,258
Income from Operations	(174,540)	(58,716)	(126,552)	(122,245)
Income from Operations Per Share	(0.0205) ⁽⁶⁾	(0.0069) ⁽⁷⁾	(0.0139) ⁽⁸⁾	(0.0129) ⁽⁹⁾
Income from Operations Per Share (fully diluted)	N/A ⁽¹⁰⁾	N/A ⁽¹⁰⁾	N/A ⁽¹⁰⁾	N/A ⁽¹⁰⁾
Net Income (Loss)	(174,540)	(58,716)	(126,552)	(122,245)
Net Income (Loss) Per Share	(0.0205) ⁽⁶⁾	(0.0069) ⁽⁷⁾	(0.0139) ⁽⁸⁾	(0.0129) ⁽⁹⁾
Net Income (Loss) Per Share (fully diluted)	N/A ⁽¹⁰⁾	N/A ⁽¹⁰⁾	N/A ⁽¹⁰⁾	N/A ⁽¹⁰⁾

Notes:

- (1) Based on 11,077,910 Common Shares outstanding and 11,713,010 fully diluted Common Shares outstanding.
- (2) Based on 10,039,910 Common Shares outstanding.
- (3) Based on 10,059,910 Common Shares outstanding.
- (4) Based on 10,491,910 Common Shares outstanding.
- (5) Based on 10,817,910 Common Shares outstanding.
- (6) Based on 8,515,635 Common Shares outstanding.
- (7) Based on 8,515,635 Common Shares outstanding.
- (8) Based on 9,090,010 Common Shares outstanding.
- (9) Based on 9,490,010 Common Shares outstanding.
- (10) Fully diluted net loss per Common Share and fully diluted net loss from Operations per Common Share are not shown because they are anti-dilutive.

USE OF PROCEEDS

The estimated net proceeds of the sale of Units (\$1,275,000) and Special Warrants (\$1,351,250) for a total of \$2,626,250 after deducting the Agent's commission and estimated expenses of this Offering of \$373,750 have been and will be allocated as follows:

<u>Description</u>	
Sales and Marketing Expenses	\$700,000
eLearning Product Development	750,000
Operating Expenses	500,000
Capital Expenditures	300,000
Unallocated Working Capital	<u>376,250</u>
Total	<u>\$2,626,250</u>

There may be circumstances where, for sound business reasons, a reallocation of funds may be necessary in order for the Corporation to achieve its stated business objectives.

In addition, while the Corporation has based the cost estimates indicated above on management's experience, to the extent the Corporation is able to structure the proposed programs in a manner management of the Corporation considers to be more advantageous to the Corporation and which will not require the full use of the specifically allocated proceeds as set out above, the unused portion of such proceeds will be used to provide additional working capital to fund ongoing operations.

Exclusive of any increases to the Agent's Unit Option or the Agent's Option due to the Over Allotment Option or the Penalty Provision, respectively, if the Agent exercises the Agent's Unit Option, the Agent's Option, the Agent's Regular A Warrants and the Agent's Regular B Warrants, the Corporation will receive an additional \$501,875 which will be added to the Corporation's working capital. See "Plan of Distribution and Description of Offered Securities".

AVAILABLE FUNDS

The following table sets forth the estimated total funds available to the Corporation after giving effect to the Maximum Offering as at January 31, 2001:

	January 31, 2001 (unaudited)
Net Proceeds from the Sale of Special Warrants	\$1,351,250
Net Proceeds from the Maximum Prospectus Offering	1,275,000
Estimated Consolidated Working Capital (not inclusive of the Net Proceeds from the Sale of Special Warrants) ⁽¹⁾	<u>649,657</u>
Total	<u>\$3,275,907</u> ⁽²⁾

Notes:

- (1) Working capital means total current assets less total current liabilities.
- (2) Does not include proceeds from the exercise of any rights to acquire securities.

PRINCIPAL SHAREHOLDERS

The following table sets forth the shareholdings of those persons who, as of the date of this Prospectus, own of record or are known to the Corporation to own beneficially, directly or indirectly, or exercise control or direction over, more than 10% of the issued and outstanding Common Shares both before and after giving effect to the Offering and the

exercise of the Special Warrants, without taking into consideration the Common Shares issuable upon the exercise of the Regular A Warrants, Regular B Warrants, Agent's Unit Option or the Agent's Option.

Name and Municipality of Residence	Type of Ownership	Number and Percentage of Common Shares Owned as at the date of this Prospectus	Number and Percentage of Common Shares Owned After Giving Effect to the Offering and Exercise of Special Warrants ⁽¹⁾
Jerry Van Olst, Ottawa, Ontario	Direct and Beneficial ⁽²⁾	2,533,402 ⁽²⁾ (22.87%)	2,533,402 ⁽²⁾ (16.80%)
Peter A. Johnston, Markham, Ontario	Direct and Beneficial ⁽³⁾	2,533,402 ⁽³⁾ (22.87%)	2,533,402 ⁽³⁾ (16.80%)
1292294 Ontario Inc.	Direct and Beneficial ⁽⁴⁾	941,909 ⁽⁴⁾ (8.50%)	941,909 ⁽⁴⁾ (6.25%)
1278699 Ontario Inc.	Direct and Beneficial ⁽⁴⁾	941,909 ⁽⁴⁾ (8.50%)	941,909 ⁽⁴⁾ (6.25%)
Dr. Brian K. Penney, Halifax, Nova Scotia	Direct and Beneficial	1,116,670 (10.08%)	1,116,670 (7.41%)

Notes:

- (1) Assuming no exercise of the Regular A Warrants, Regular B Warrants, the Agent's Unit Option or the Agent's Option and assuming there is no exercise of stock options held by the above persons where applicable.
- (2) Of this total, 1,266,701 are registered in the name Jerry Van Olst and are held in a family trust for Gayle Ann Van Olst, Ryan Alexander Van Olst, Tyler James Van Olst and David Nicholas Van Olst.
- (3) Of this total, 1,266,701 are registered in the name of Peter A. Johnston and are held in a family trust for Ann Johnston, Laurie D. Johnston, Michael A. Johnston and Brian T. Johnston.
- (4) These Common Shares are held by 1292294 Ontario Inc., a company owned by a family trust controlled by Mr. Tiwari and by 1278699 Ontario Inc., a company owned by a family trust controlled by Mr. Tiwari.

The directors and senior officers of the Corporation currently collectively and beneficially own, directly or indirectly, 8,327,292 Common Shares of the Corporation, representing approximately 75.2% of the Corporation's issued and outstanding shares. After giving effect to the Offering and issuance of the Common Shares after the exercise of the Special Warrants, but not including Common Shares issuable upon the exercise of the Regular A Warrants, the Regular B Warrants, the Agent's Unit Option, the Agent's Option, the Over Allotment Option or the Penalty Provision, the directors and senior officers of the Corporation will collectively and beneficially own, directly or indirectly, the same number of Common Shares of the Corporation, representing approximately 55.2% of the Corporation's issued and outstanding Common Shares. See "Directors and Officers".

PROMOTERS

Jerry Van Olst and Peter A. Johnston may be considered to be the promoters of the Corporation in that they took the initiative in founding and organizing the Corporation.

DIRECTORS AND OFFICERS

The following information provides a summary of the past and present principal occupations, within the last five years, of the directors and officers of the Corporation and the number of Common Shares and options to acquire Common Shares, held before and after the completion of the Offering.

Name and Municipal Residence	Position, Date Appointed Director and Term of Director	Principal Occupation(s) During the Preceding Five Year Period	Common Shares and Percentage Beneficially Held or Controlled as at the Date Hereof	Common Shares and Percentage Beneficially Held or Controlled After Giving Effect to the Offering and Exercise of Special Warrants⁽¹⁾
Jerry Van Olst Russell, Ontario	President, Chief Executive Officer and Director August 8, 1997 Until next AGM	Since September 1997, President and Chief Executive Officer of Northland Systems Training Inc. From June 1996 to September 1997, Vice President with iSTAR Internet Inc., a national Internet Service Provider (ISP) which formerly traded on The Toronto Stock Exchange. From February 1992 to June 1996, General Manager of The PSC Communications Group (PSC), a private high tech systems, consulting and OEM training company.	2,533,402 ⁽²⁾ (22.87%)	2,533,402 ⁽²⁾ (16.80%)
Peter A. Johnston Markham, Ontario	Executive Vice President and Director August 8, 1997 Until next AGM	Since September 1997, Vice President of Northland Systems Training Inc. From July 1996 to September 1997, self employed, in the area of Business Development and Consulting. From December 1989 to July 1996, General Manager of The PSC Communications Group, a private high tech systems, consulting and OEM training company. From 1977 to 1988, Director, Advanced Development at Geac Computers Inc, a leading Canadian manufacturer of computer equipment and software, listed on Toronto Stock Exchange.	2,533,402 ⁽³⁾ (22.87%)	2,533,402 ⁽³⁾ (16.80%)
John A. Roberts ⁽⁴⁾ Kanata, Ontario	Director June 7, 1998 Until next AGM	Since February, 2000, President of CS-Live.com, Inc., a company providing real time e-mail interaction; from April, 1996 to February, 2000 President of SiGEM Inc. and its predecessor SiGeMicrosystems Inc. SiGem Inc. is a company specializing in location-tracking products and which is listed on the Toronto Stock Exchange; from June, 1990 to April 1996 he was the President of Strategic Microelectronics Consortium, a not for profit industry association.	60,000 (0.54%)	60,000 (0.40%)
Dr. Brian K. Penney ⁽⁴⁾ Halifax, Nova Scotia	Chairman and Director September 1, 1997 Until next AGM	Since March, 2000, Chairman of Canadian Seed Capital Inc., a corporation that provides seed capital, incubation and mentoring to early stage technology companies; from August, 1995 to March, 2000, President and Chief Executive Officer of Telecom Applications Research Alliance, a business incubator and venture capital fund. From March 1999 to October 2000, a director of SiGEM Inc., a company providing real time e-mail interaction and listed on the Toronto Stock Exchange. From July 2000 to present, Crossoff Inc., a company listed on the Toronto Stock Exchange since July 1986 that is developing a service on-line registry system to track the history and establish the legitimacy of high value merchandise.	1,116,670 (10.08%)	1,116,670 (7.41%)

Name and Municipal Residence	Position, Date Appointed Director and Term of Director	Principal Occupation(s) During the Preceding Five Year Period	Common Shares and Percentage Beneficially Held or Controlled as at the Date Hereof	Common Shares and Percentage Beneficially Held or Controlled After Giving Effect to the Offering and Exercise of Special Warrants ⁽¹⁾
Sudhir Tiwari ⁽⁴⁾⁽⁶⁾ Ottawa, Ontario	Director September 1, 1997 Until next AGM	Since June 1998, President and Chief Executive Officer of StratiSell Systems Inc., a Private Canadian web technology company. From June 1996 to June 1998, Vice President Sales and Marketing with Marinbridge Corporation, a Private Canadian software engineering firm specializing in Consulting and Professional services, Systems Integration, Software migration and Distributed Systems Management. From May 1984 to June 1996, Sales Manager of Bell Canada.	1,883,818 ⁽⁵⁾ (17.01%)	1,883,818 ⁽⁵⁾ (12.49%)
Patrick Shea ⁽⁶⁾ Russell, Ontario	Director December 14, 2000 Until next AGM	From January 1999 to Present, Vice-Chair and Chairman of Zenastra Photonics Inc. (formerly Nu-Wave Photonics Inc.), a private startup initiative focused on the Fiber Optics field. From February, 2000 to present, Vice-Chairman of Avantas Networks Corporation, a private corporation based in Montreal focusing on the test and instrumentation aspects of photonics and communications systems. From January 1998 to December 1999, President of Taima Corp. From January 1985 to September 1996, President and Chief Executive Officer of The PSC Communications Group (PSC), a private high tech systems, consulting and OEM training company.	200,000 (1.81%)	200,000 (1.33%)
L. Kirk Boyd Oakville, Ontario	Chief Financial Officer ⁽⁷⁾ and Secretary (not a Director)	From December, 1997 to January, 2001, Director and Vice President Finance for RTO Capital Corp., a merchant bank involved in providing early stage financing and consulting services to small and micro-cap companies. From May 1990 to December 1997, President of Kirk Boyd & Associates, a private consulting company providing interim executive services and change management for companies going through the public process or undergoing restructuring or turnaround. From 1988 to 1990, Chief Financial Officer of Converse Canada, a subsidiary of Converse Inc., a public company now trading on OTCBB.	Nil	Nil

Notes:

- (1) Assuming no exercise of the Regular A Warrants, Regular B Warrants, the Agent's Unit Option, the Agent's Option, the Over Allotment Option or Penalty Provision and assuming there is no exercise of stock options held by the above persons where applicable.
- (2) Of this total, 1,266,701 are registered in the name Jerry Van Olst and are held in a family trust for Gayle Ann Van Olst, Ryan Alexander Van Olst, Tyler James Van Olst and David Nicholas Van Olst.
- (3) Of this total, 1,266,701 are registered in the name of Peter A. Johnston and are held in a family trust for Ann Johnston, Laurie D. Johnston, Michael A. Johnston and Brian T. Johnston.
- (4) Members of the Corporation's Audit Committee.
- (5) 941,909 of these Common Shares are held by 1292294 Ontario Inc., a company owned by a family trust controlled by Mr. Tiwari and 941,909 of these shares are held by 1278699 Ontario Inc., a company owned by a family trust controlled by Mr. Tiwari.
- (6) Members of the Corporation's Compensation Committee.
- (7) Mr. Boyd became the Chief Financial Officer of Northland on February 13, 2001.

Pursuant to the provisions of the *Canada Business Corporations Act*, the Corporation is required to have an audit committee. The general function of the audit committee is to review the overall audit plan and the Corporation's system of internal controls, to review the results of the external audit and to resolve any potential dispute with the Corporation's auditors. The audit committee of the Corporation currently consists of Sudhir Tiwari, Dr. Brian K.

Penney and John A. Roberts.

MANAGEMENT AND KEY PERSONNEL

The following is a brief description of key management of Northland:

Mr. Jerry Van Olst – President, Chief Executive Officer and Director, 43

Prior to establishing Northland, Mr. Van Olst held a number of senior management positions at iSTAR Internet Inc., a national Internet Service Provider (ISP) which was formerly traded on the Toronto Stock Exchange, including Vice President Marketing and VP Engineering and Operations. Mr. Van Olst was also a member of iSTAR's Executive Management Committee participating in the overall direction of the Corporation.

As General Manager of The PSC Group, a Cisco Systems Inc. global authorized training partner, Mr. Van Olst participated in growing the initial Cisco Systems Inc. opportunity into a global training operation and was responsible for the North American marketing and registration/logistics departments.

Mr. Van Olst's employment history includes 17 years in the telecommunications industry with Bell Canada, a publicly traded company on the Toronto Stock Exchange. During his tenure, Mr. Van Olst managed several technical and engineering departments including the National Data Control Centre and the Customer Systems Engineering Group responsible for the Department of National Defence account.

Mr. Van Olst is the President, Chief Executive Officer and a Director of Northland and works full time for Northland fulfilling these duties.

Mr. Van Olst is a graduate of Durham College of Applied Arts and Technology 1978 and was a former member of OACETT (Ontario Association of Certified Engineering Technicians and Technologist).

Mr. Peter A. Johnston, P.Eng. – Executive Vice President and Director, 47

Mr. Peter A. Johnston, P.Eng. – Executive Vice President and Director of Northland Systems Training Inc. since August 1997. Previously, Mr. Johnston was self employed providing Consulting and Business Development services from July 1996 to July 1997. From December of 1989 to June 1996, Mr. Johnston worked with The PSC Communications Group, a private high tech systems, consulting and OEM training company, as General Manager of The PSC Group's Toronto branch and developed The PSC Group's Vendor Product Training business nationally and supported its expansion to an international scale. Mr. Johnston's early employment from 1977 involved hardware and software development management at Geac Computers Inc, a leading Canadian manufacturer of computer equipment and software, listed on Toronto Stock Exchange: Geac, in both the engineering and applications departments. In 1980, Mr. Johnston participated in the establishment of Geac's Engineering Department and in 1986 became Director of the Advanced Development Department managing research and all aspects of system hardware and software development.

Mr. Johnston is the Executive Vice-President and a Director of Northland and works full time for Northland fulfilling these duties.

Mr. Johnston graduated from the University of Toronto in 1976 with the degree of Bachelor of Applied Science in Electrical Engineering. Mr. Johnston received his accreditation from the Professional Engineers of Ontario in 1981.

Dr. Brian K. Penney - Ph.D., D.I.C., P. Eng., C.Eng., F.B.C.S. - Chairman and Director, 56

Dr. Penney is Chairman of Canadian SeedCapital Inc., an investment firm in Ottawa specializing in early stage junior technology companies, especially in the telecom and internet sectors.

Dr. Penney retired as the founding President and CEO of the Telecom Applications Research Alliance (TARA). TARA is a virtual business incubator with a seed level venture capital fund and advanced telecom and internet laboratories. Dr. Penney has held senior executive and technical positions in the telecommunications industry in R&D, technology, software development, strategic planning and business development. Dr. Penney's experience includes senior positions in Bell Northern Research, Gandalf Technologies Inc. and the Ottawa Centre for Research & Innovation (OCRI).

Dr. Penney has been a director of and investor in, numerous early stage technology companies in the telecommunications and internet sectors including Skystone Systems Inc. (Chairman), SiGEM Inc. (Chairman), Northland Systems Training Inc. (Chairman), McKenzie College (Chairman), CS-Live.com Inc. (Chairman) and ATMOS Semiconductor Corp. Dr. Penney is, as well, a director of the Communications Research Centre.

Dr. Penney is the Chairman and a Director of Northland and will devote such time and expertise as will be required by the Corporation.

Dr. Penney is a professional engineer and holds a Ph.D. in Physics from Imperial College and enjoyed previous academic and research careers in elementary particle physics and in computer science.

John A. Roberts, B. Eng., MSc., P. Eng. - Director, 57

Mr. Roberts has recently retired as the founding president of SiGEM Inc., a company specializing in location-tracking products. Mr. Roberts has 30 years experience in semiconductor R&D, including VP R&D at Newbridge Microsystems (Tundra Semiconductors Inc.) and senior positions at Mosaid, Microsystems International, GE Semiconductor, Siliconix Inc. and Marconi Elliott. He also has valuable entrepreneurial and managerial experience as a founder of Calmos Systems Inc. (now Tundra Semiconductors Inc.), SiGe Microsystems Inc. and SiGEM Inc. Mr. Roberts is or has been a member of the Board of Directors of Canadian Microelectronics Corporation, CompAS Epitek (Aimtronics Inc.), Calmos Systems Inc. (Tundra Semiconductors Inc./Newbridge Microsystems), Skystone (CISCO), Solidum Inc., SMC (President), Canadian Semiconductor Design Association, SiGe Microsystems Inc. (President), SiGEM Inc. (President), e-djuster Inc., CS-Live.com Inc. (President), ATMOS Semiconductor Corp. and Northland Systems Training Inc.

Mr. Roberts is a Director of Northland and will devote such time and expertise as will be required by the Corporation.

Sudhir Tiwari - Director, 41

Mr. Tiwari is President and founder of StratiSell Systems Inc., which has developed and sells web based CRM products and services. Prior to this position, Mr. Tiwari was a senior partner with Marinbridge Corporation, a software engineering firm specializing in Consulting and Professional services, Systems Integration, Software migration and Distributed Systems Management. Prior to joining Marinbridge, Mr. Tiwari spent 14 years in a variety of Sales and Marketing positions in the Telecommunication industry. Mr. Tiwari has worked at Bell Canada, Telecom Canada and Stentor where he has introduced new products, managed national services and sold technology solutions to Fortune 500 companies. His experience includes Business development, Product & Industry Marketing, Strategic Account development and management. Mr. Tiwari graduated from the University of Ottawa with a Bachelor of Science, specializing in Information and Management Systems.

Mr. Tiwari is a Director of Northland and will devote such time and expertise as will be required by the Corporation.

Patrick Shea - Director, 53

Mr. Shea is actively involved in several investments in the high tech sector, and has, or currently serves, on the board of various companies such as Tellamon Photonics Networks, a Canadian private corporation, Taima Corp. (ISP call center), American Networks ARS Networks Inc. a NASDAQ Over the Counter Bulletin Board company (transportation) and Northland Systems Training Inc.

Mr. Shea is also currently Chairman of Zenastra Photonics Inc. (formerly Nu-Wave Photonics Inc.), a recent initiative focused on the Fiber Optics Field.

Mr. Shea is also Vice-Chairman of Avantas Networks Corporation, a Montreal based startup focusing on the test, instrumentation and network assurance aspects of photonics and communications systems.

Prior to Taima Corp. and Nu-Wave Photonics Inc. (president and CEO respectively), Mr. Shea co-founded and led The PSC Communications Group (PSC), a high-tech systems, consulting and OEM training company.

Mr. Shea started his career at Bell Canada and also spent some time at Royal Trust, focusing on communications and information systems.

Mr. Shea is a Director of Northland and will devote such time and expertise as will be required by the Corporation.

L. Kirk Boyd - Chief Financial Officer and Secretary, 51

Mr. Boyd brings over 25 years of experience in the field of finance and administration blending strategic and financial experience at both Fortune 500 corporations and entrepreneurial organizations with a strong foundation in consumer products and technology.

As a Director and VP Finance for RTO Capital Corp., Mr. Boyd specialized in financing for small and micro-cap companies with an emphasis on early stage Canadian companies with a global perspective. In this capacity, Mr. Boyd frequently provided consulting services, strategic direction, management leadership, corporate and financial structuring and guidance through the going public process.

Prior to joining RTO Capital Corp., Mr. Boyd was President of Kirk Boyd & Associates, a consulting company providing interim executive services and change management for companies going through the public process or undergoing restructuring or turnaround for consumer and high-tech companies. Mr. Boyd was responsible for the successful turnaround of a well-known American software company.

Other senior financial positions included Chief Financial Officer of Converse Canada Inc., a subsidiary of Converse Inc. and Controller of Bensen & Hedges (Canada) Inc.

Mr. Boyd is the Chief Financial Officer and Secretary of Northland and works full time for Northland fulfilling these duties.

Born in Newfoundland, Mr. Boyd holds a Bachelor of Commerce degree from Memorial University of Newfoundland.

COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS

The Corporation currently has six directors of which three are also executive officers of the Corporation (including the Chairman as an executive officer). The Corporation has four executive officers including the secretary of the Corporation. At the fiscal year ended August 31, 2000, the Corporation had five directors, three of which were also executive officers.

Compensation of Directors

Since incorporation, the Corporation paid no cash compensation (including salaries, director's fees, commissions, bonuses paid for services rendered, bonuses paid for services rendered in a previous year and any compensation other than bonuses earned by the directors for services rendered) to the directors for services rendered in their capacity as directors other than reimbursement of reasonable expenses.

During the fiscal year ended August 31, 2000, current directors who are not, and were not as at August 31, 2000, executive officers received 120,000 stock options in the Common Shares of the Corporation. Directors who are executive officers do not have any stock options in the Common Shares of the Corporation.

Executive officers of the Corporation who also act as directors of the Corporation do not receive any additional compensation for services rendered in such capacity, other than as paid by the Corporation to such executive officers in their capacity as executive officers. See “Compensation of Executive Officers”.

Compensation of Executive Officers

During the last fiscal year ended August 31, 2000, Jerry Van Olst was paid \$120,000 in his capacity as President and Chief Executive Officer of Northland and Peter A. Johnston was paid \$120,000 in his capacity as Executive Vice President of Northland. The total remuneration paid or accrued during the last fiscal year ended August 31, 2000 for all members of management (all directors, executive officers and other such other key personnel) who are employed by Northland, or retained on a consulting basis, was \$263,800.

Other than disclosed above, there were no other executive officers at the end of the most recently completed financial period whose salaries and bonuses exceeded \$100,000 per year.

Summary of Compensation

The following table sets forth a summary of the annual and long term compensation for services paid during the fiscal years of the Corporation ended August 31, 1998, 1999 and 2000 to Jerry Van Olst and Peter A. Johnston, being the only executive officers of Northland acting in the capacity of chief executive officer or being paid over \$100,000 during the fiscal year ended August 31, 1998, 1999 and 2000 (the “Named Executive Officers”).

SUMMARY COMPENSATION TABLE

Name and Principal Position	Fiscal Year Ended	Annual Compensation			Long Term Compensation			All other compensation (\$)
		Salary (\$)	Bonus (\$)	Other annual compensation (\$)	Awards		Payouts	
					Securities under options/ SARs Granted	Restricted Shares or Restricted Share Common Shares (\$)	LTIP Payouts (\$)	
Jerry Van Olst, CEO	2000	120,000	Nil	5,000 ⁽³⁾	Nil	Nil	Nil	Nil
	1999	125,000	Nil	Nil	Nil	Nil	Nil	Nil
	1998	78,000	Nil	Nil	Nil	Nil	Nil	Nil
Peter A. Johnston, Executive Vice President	2000	120,000	Nil	5,000 ⁽³⁾	Nil	Nil	Nil	Nil
	1999	125,000	Nil	Nil	Nil	Nil	Nil	Nil
	1998	84,000	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

- (1) “SARS” or “Stock appreciation right” means a right granted by the Corporation, as compensation for services rendered, to receive a payment of cash or an issue or transfer of securities based wholly or in part on changes in the trading price of publicly traded securities of the Corporation.
- (2) “LTIP” or “long term incentive plan” means any plan which provides compensation intended to serve as incentive for performance to occur over a period longer than one financial year, but does not include option or stock appreciation right plans or plans for compensation through restricted shares or restricted share units.
- (3) As part of the senior management health plan, both Named Executive Officers were allocated to draw up to \$5,000 each for health care expenses.

Option Grants and Options Outstanding

The Named Executive Officers received no stock options in the fiscal year ended August 31, 2000. Executive Officers who are not Named Executive Officers received 80,000 options in the fiscal year ended August 31, 2000. See “Options to Acquire Securities”.

There were no options exercised by the Named Executive Officers during the fiscal year ended August 31, 2000.

Other Compensation Matters

There were no long-term incentive awards made to the Named Executive Officers of Northland during the fiscal year ended August 31, 2000. There are no pension plan benefits in place for the Named Executive Officers and none of the Named Executive Officers, senior officers or directors of Northland are indebted to Northland.

Long-term Incentive Plans

The Corporation has not had and does not currently have any long term incentive plans, other than stock options to be granted from time to time by the board of directors under the provisions of the Plan.

Stock Appreciation Rights (“SAR”) and Restricted Shares

No stock appreciation rights or restricted shares were granted by the Corporation to, or exercised by, the Named Executive Officers of the Corporation during the year ended August 31, 2000, or subsequent to that date. Furthermore, no stock appreciation rights have been exercised.

Stock Option and SAR Repricing

See “Options to Acquire Securities”. The Corporation did not make any downward repricing of stock options or stock appreciation rights during the fiscal year ended August 31, 2000, or subsequent to that date.

Pension and Retirement Plans and Payments made upon Termination of Employment

The Corporation does not have in place any pension or retirement plan. The Corporation has not provided compensation, monetary or otherwise, during the preceding fiscal year, to any person who now acts or has previously acted as an officer of the Corporation, in connection with or related to the retirement, termination or resignation of such person and the Corporation has provided no compensation to such persons as a result of a change of control of the Corporation, its subsidiaries or affiliates. The Corporation is not party to any compensation plan or arrangement with any of the Named Executive Officers resulting from the resignation, retirement or the termination of employment of such person.

Employment Contracts

There are no employment contracts between Northland and the Named Executive Officers and no compensatory plan or arrangement with respect to the Named Executive Officers that results or will result from the resignation, retirement or any other termination of employment of such officers’ employment with Northland from a change of control of Northland or a change in the Named Executive Officers’ responsibilities following a change in control together with the amount involved.

OPTIONS TO ACQUIRE SECURITIES

Stock Option Plan

The Corporation has a stock option plan (the “Plan”) dated September 1, 1999. Pursuant to the Plan, the Board of Directors may allocate non-transferrable options to purchase up to a certain number of Common Shares of the Corporation to directors, officers, employees and consultants of the Corporation and its subsidiaries.

Under the Plan, at the time of granting of the options, the aggregate number of Common Shares to be delivered upon the exercise of all options granted thereunder to any one individual may not exceed 5% of the issued and outstanding Common Shares. The aggregate number of Common Shares to be delivered upon the exercise of all options granted thereunder to insiders, as such term is defined in the *Securities Act* (Ontario) may not exceed 10% of the issued and outstanding Common Shares. Options issued pursuant to the Plan will have an exercise price as determined by the Board of Directors at the time of the grant.

Under the Plan the Corporation has a right of first refusal on Common Shares issued upon the exercise of stock options that may be transferred by the optionee.

As at December 14, 2000, the Corporation had 635,100 stock options issued under the Plan. The following table sets forth the number of options granted by the Corporation under the Plan (as at December 14, 2000):

Position of Optionee	Number of Common Shares Subject to Options	Exercise Price	Date of Grant	Expiry Date
Directors (not including directors who are executive officers)	60,000	\$0.50	April 3, 2000	April 3, 2005
Directors (not including directors who are executive officers)	60,000	\$0.50	July 10, 2000	July 10, 2005
Directors (including directors who are executive officers)	Nil	Nil	Nil	Nil
Executive Officers (not including executive officers who are directors)	40,000	\$0.50	April 3, 2000	April 3, 2005
Executive Officers (not including executive officers who are directors)	40,000	\$0.50	July 10, 2000	July 10, 2005
Employees and Consultants	100,100	\$0.50	August 8, 1999	August 8, 2004
Employees and Consultants	20,000	\$0.50	November 9, 1999	November 9, 2004
Employees and Consultants	45,000	\$0.50	April 3, 2000	April 3, 2005
Employees and Consultants	240,000	\$0.50	July 10, 2000	July 10, 2005
Employees and Consultants	<u>30,000</u>	\$0.50	October 23, 2000	October 23, 2005
Total	<u>635,100</u>			

Note:

- (1) There is no known market value of the Common Shares underlying these options on the date of grant as the Common Shares were not listed on the exchange on the date of grant.

The Plan may be terminated and a new stock option program or plan may be implemented by the Corporation in accordance with regulatory approvals.

Cancellation and Re-granting of Options

As at the date hereof, there are 635,100 stock options issued and outstanding with an exercise price of \$0.50 per Common Share (“Old Options”). Management has determined that the Plan will not be in compliance with various regulatory requirements. In order to comply with such requirements and address the considerations of the optionees. The board of directors of the Corporation resolved to cancel the 635,100 issued and outstanding Old Options and to reserve common shares for issuance pursuant to the exercise of options (“New Options”) to be granted to qualified optionees. It is expected that these New Options will be granted with a 25% increase in the amount of options and with an exercise price of \$0.75 per Common Share. The Old Options will be cancelled when the option holders execute new stock option agreements in accordance with all regulatory requirements. It is also expected that the New Options will be granted, and the new stock option agreements will be executed by qualified optionees, after the Corporation receives a Final MRRS Decision Document for the Offering contained herein and prior to the closing of the Offering contained herein. The New Options will be qualified for distribution pursuant to this Prospectus. The following table sets forth the number of New Options to be granted by the Corporation:

Optionee	Number of Common Shares Reserved Under Option	Exercise Price
Steve Shivkumar	106,375	\$0.75
Julie Leger	62,500	\$0.75
Susan MacLean	25,000	\$0.75
Chantal Wayner	12,500	\$0.75
Michel Vandal	18,750	\$0.75
Steven Darling	18,750	\$0.75
Henry J. Murphy	50,000	\$0.75
John Roberts	75,000	\$0.75
Glenn Warnock	250,000	\$0.75
Rick Shorkey	50,000	\$0.75
Eddy Landry	12,500	\$0.75
Alan Daly	12,500	\$0.75
Olivier Hill	12,500	\$0.75
Stacey Douchesneau	12,500	\$0.75
Patrick Shea	<u>75,000</u>	\$0.75
TOTAL	<u><u>793,875</u></u>	

The New Options will be non-transferable and if not exercised, will expire on the earlier of five years from the date of grant, one year following the date the optionee ceases to be a director, officer, employee or consultant of the Corporation by reason of death, or 90 days following the date the optionee cease to be a director, officer, employee or consultant for any reason other than death.

As of the date hereof, all option holders received letters explaining the increase in exercise price and the increase in options and all option holders have executed Option Exercise and Election Forms which disclose the option holder’s intent to accept these increases.

RELATED PARTY TRANSACTIONS AND INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

There have been no material transactions by the Corporation with related parties, management or other insiders of the Corporation other than as disclosed herein.

INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS

No individual who is or, at any time during the most recently completed financial period, was a director, executive officer or senior officer of the Corporation, nor their associates, is or has been at any time since the beginning of the last completed financial period, indebted to the Corporation, nor has any such individual been indebted to any other entity where such indebtedness is the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding, provided by the Corporation.

DESCRIPTION OF SHARE CAPITAL

Northland is authorized to issue an unlimited number of Common Shares and an unlimited number of Class “A” Preference Shares (the “Preferred Shares”), all without nominal or par value. As of the date hereof, there are 11,077,910 Common Shares and no Preferred Shares issued and outstanding as fully paid and non-assessable (see “Prior Sales”).

Common Shares

Common Shares entitle the holders thereof to one vote at all meetings of shareholders, except meetings at which only holders of a specified class are entitled to vote, to receive the remaining property of the Corporation upon dissolution and to receive dividends that the Board of Directors in its discretion declares subject to the prior rights and privileges attaching to any other class of shares.

Preferred Shares

The holders of the Preferred Shares are entitled to receive dividends if, as and when declared by the Board of Directors of Northland out of the assets of Northland properly applicable to the payment of dividends in such amounts and payable in such manner as the Board of Directors may from time to time determine subject to the rights of the holders of any other class of shares of Northland entitled to receive dividends in priority to or redeemable with the holders of the Preferred Shares. The Board of Directors may in their sole discretion declare dividends on the Preferred Shares to the exclusion of any other class of shares of Northland. The holders of the Preferred Shares shall not, as such, be entitled to receive notice of or to attend any meeting of the shareholders of Northland or to vote at such meeting, but shall be entitled to receive notice of and to attend meeting of the shareholders called for the purpose of authorizing the dissolution of Northland.

CAPITALIZATION

The following table outlines the capitalization of Northland as at November 30, 2000 and January 31, 2001, both before and after giving effect to this Offering:

Type of Security	Authorized	Outstanding as at the Effective Date After Giving Effect to the Offering and Exercise of Special Warrants		
		Outstanding as at November 30, 2000 ⁽¹⁾⁽²⁾	Outstanding as at January 31, 2001	
Common Shares	Unlimited	\$1,039,521 ⁽³⁾ (11,077,910 Common Shares)	\$1,039,521 ⁽³⁾ (11,077,910 Common Shares)	\$4,039,521 ⁽³⁾⁽⁴⁾⁽⁵⁾ (15,077,910 Common Shares)
Preferred Shares	Unlimited	NIL	NIL	NIL
Special Warrants	N/A	NIL	2,000,000 ⁽⁶⁾ (\$1,500,000)	NIL

Type of Security	Authorized	Outstanding as at		
		November 30, 2000 ⁽¹⁾⁽²⁾	Outstanding as at January 31, 2001	Outstanding as at the Effective Date After Giving Effect to the Offering and Exercise of Special Warrants
Regular A Warrants	1,000,000	NIL	NIL	1,000,000
Regular B Warrants	1,000,000	NIL	NIL	1,000,000
Long Term Debt	N/A	NIL	NIL	NIL

Notes:

- (1) The deficit of Northland as at November 30, 2000 was \$861,023.
- (2) As at November 30, 2000, Northland had obligations under capital leases of \$6,056.
- (3) Before issue costs of \$32,235.
- (4) Before issue costs of the Units and the Special Warrants.
- (5) Does not include: 793,875 Common Shares which have been reserved for issuance pursuant to the exercise of stock options to be granted to officers, directors, employees and consultants; up to 1,000,000 Common Shares that may be issued on exercise of the Regular B Warrants; up to 1,000,000 Common Shares that may be issued on exercise of the Regular A Warrants; up to 165,000 Common Shares that may be issued on exercise of the Agent's Option; up to 82,500 Common Shares that may be issued on exercise of the Agent's Regular B Warrants; up to 300,000 Common Shares issuable to Special Warrant Holders pursuant to the Penalty Provision; up to 24,750 Common Shares that may be issuable under the Agent's Option and the Agent's Regular B Warrants pursuant to the Penalty Provision; up to 200,000 Common Shares that may be issued on exercise of the Agent's Unit Option; up to 100,000 Common Shares that may be issued on exercise of the Agent's Regular A Warrants; up to 220,000 Common Shares reserved for issuance pursuant to the Over Allotment Option (inclusive of an increase in the Agent's Unit Option due to the Over Allotment Option) and up to 110,000 Common Shares issuable on exercise of Regular A Warrants underlying the Over Allotment Option (inclusive of an increase in the Agent's Regular A Warrants due to the Over Allotment Option).
- (6) Does not include Agent's Special Warrant.

PRIOR SALES OF SECURITIES

The following is a list of sales of Northland's Common Shares for the 12 months previous to the date hereof:

Date	Number of Common Shares	Price per Share	Aggregate	Nature of Consideration
October 6, 1999	80,000	\$0.50	\$40,000	Cash
November 11, 1999	270,000	\$0.50	\$135,000	Cash
November 11, 1999	99,900	Nominal	\$1	Cash
November 22, 1999	40,000	\$0.50	\$20,000	Cash
January 24, 2000	20,000	\$0.50	\$10,000	Cash
April 14, 2000	240,000	\$0.50	\$120,000	Cash
April 18, 2000	10,000	\$0.50	\$5,000	Cash
May 12, 2000	160,000	\$0.50	\$80,000	Cash
May 30, 2000	22,000	\$0.50	\$11,000	Cash
June 15, 2000	20,000	\$0.50	\$10,000	Cash
June 20, 2000	160,000	\$0.50	\$80,000	Cash
June 30, 2000	146,000	\$0.50	\$73,000	Cash
September 4, 2000	200,000	\$0.50	\$100,000	Cash
September 11, 2000	30,000	\$0.50	\$15,000	Cash
October 10, 2000	<u>30,000</u>	\$0.50	\$15,000	Cash
TOTAL	<u>1,527,900</u>			

Note:

- (1) On December 5, 2000, the Corporation closed the Offering of 2,000,000 Special Warrants at a price of \$0.75 per Special Warrant for total gross proceeds of \$1,500,000.

All of Northland's 99,900 Preferred Shares were exchanged for 99,900 Common Shares on November 11, 1999.

DIVIDEND RECORD AND POLICY

To date, the Corporation has not paid dividends on its Common Shares. The intention of the Corporation is to retain earnings to finance future growth and accordingly the Corporation has no present intention to pay dividends on its Common Shares.

ESCROWED SECURITIES

Pursuant to an escrow agreement dated March 15, 2001 (the "Escrow Agreement") amongst the Corporation, Computershare Trust Company of Canada, Jerry Van Olst, Peter A. Johnston, John A. Roberts, Dr. Brian K. Penney, 1292294 Ontario Inc., 1278699 Ontario Inc. and Patrick Shea have escrowed Common Shares as follows:

Shareholder	Designation of Class	Number of Common Shares Held in Escrow	Percentage of Class
Jerry Van Olst	Common Shares	2,533,402	22.9%
Peter A. Johnston	Common Shares	2,533,402	22.9%
John A. Roberts	Common Shares	60,000	<1%
Dr. Brian K. Penney	Common Shares	1,116,670	10.1%
1292294 Ontario Inc.	Common Shares	941,909	8.5%
1278699 Ontario Inc.	Common Shares	941,909	8.5%
Patrick Shea	Common Shares	<u>200,000</u>	1.8%
TOTAL		<u><u>8,327,292</u></u>	

Subject to the provisions of the Escrow Agreement, these escrowed Common Shares are to be released as follows:

Date	Percentage of Escrowed Common Shares to be Released
Date on which the Common Shares are first listed on a Canadian Stock Exchange (the "Listing Date")	10%
6 months from Listing Date	15%
12 months from Listing Date	15%
18 months from Listing Date	15%
24 months from Listing Date	15%
30 months from Listing Date	15%
36 months from Listing Date	15%

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS AND RELATED PARTY TRANSACTIONS

Other than as follows, management of the Corporation is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any director or senior officer, any person or company who owns of record, or is known by the Corporation to own beneficially, directly or indirectly, more than 10% of the Common Shares of the Corporation or any associate or affiliate of the foregoing persons or companies in any transaction within the three years prior to the date hereof or in any proposed transaction that has materially affected or will materially affect the Corporation.

PLAN OF DISTRIBUTION AND DESCRIPTION OF OFFERED SECURITIES

Offering of Units

Pursuant to an agency agreement dated March 21, 2001 (“Unit Agency Agreement”) between the Corporation, Yorkton Securities Inc. (the “Agent”), and the Trustee, the Agent has been appointed agent of the Corporation to offer for sale to the public the Units offered herein in the provinces of Alberta, British Columbia, Nova Scotia and Ontario. The Agent will receive a commission of 10% of the gross proceeds of the portion of the Offering placed by the Agent. The Agent has agreed to use its best efforts to secure subscriptions for the Units offered hereunder on behalf of the Corporation but is not obligated to purchase any units not sold. The Agent may appoint one or more registered sub-agents to offer and sell the Units in jurisdictions where the Units may lawfully be offered for sale.

In addition, the Agent will also be granted a non-transferable option to purchase Units (the “Agent’s Unit Option”) to purchase up to 10% of the Units sold under the Offering at a purchase price of \$0.75 per Unit, which will expire 2 years from the date of issuance. The Agent’s Unit Option is qualified by and will be distributed pursuant to this Prospectus except in the Province of Ontario where only that portion of the Agent’s Unit Option equal to 5% of the number of Units sold hereunder are being qualified.

The obligations of the Agent under the Unit Agency Agreement may be terminated and the Agent may in its discretion withdraw subscriptions for Units on behalf of the subscribers on the basis of its assessment of the financial markets and upon the occurrence of certain stated events, including any material adverse changes in the business or financial condition of the Corporation.

The Agent hereby conditionally offers, as agent, on behalf of the Corporation a minimum of 2,000,000 Units (\$1,500,000) on a “best efforts” basis, subject to prior sale if, as and when issued. Subscriptions may be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice.

This Offering is not underwritten and is subject to a total subscription of \$1,500,000 which must be raised within 60 days of the issuance of a Final MRRS Decision Document or such other time as may be authorized by the appropriate regulatory authority and agreed to by the Agent. Proceeds of this Offering will be deposited with the Trustee until subscriptions for \$1,500,000 have been raised. If the total subscription is not raised, subscription monies will be returned to subscribers without interest or deduction.

Over Allotment Option

The Corporation will be granted the Agent an option (the “Over Allotment Option”), exercisable for a period of 60 days from the closing of the Offering, to purchase an additional 10% of the number of Units issued at the closing of the Offering on the same terms set forth above solely to cover over allotments, if any. If the Agent exercises the Over Allotment Option in full, the total price to the public will be \$1,650,000, the Agent’s commission will be \$165,000 and the net proceeds to the Corporation will be \$1,485,000. This prospectus qualifies the distribution of the Over Allotment Option and the Common Shares and Regular A Warrants issuable upon exercise of the Over Allotment Option.

Regular A Warrants

A total of up to 1,210,000 Regular A Warrants may be issuable pursuant to this Offering and the securities qualified by this Prospectus (inclusive of 1,000,000 Regular A Warrants under this Offering, 1,000,000 Agent's Regular A Warrants, 1,00,000 Regular A Warrants which may be issuable pursuant to the Over Allotment Option and 10,000 Agent's Regular A Warrants which may be issuable due to the Over Allotment Option). Each whole Regular A Warrant will entitle the holder to acquire one Common Share upon payment of \$1.25 for a period of 12 months from the date of issuance subject to the terms of Regular A Warrant Indenture to be entered into with the Trustee.

The Regular A Warrants will be issued in registered form under and will be governed by, a share purchase warrant indenture (the "Regular A Warrant Indenture") to be entered into between the Corporation and the Trustee. The Corporation has appointed the principal offices of the Trustee in Calgary, Alberta, as the location at which Regular A Warrants may be surrendered for exercise or exchange.

The Regular A Warrant Indenture will contain provisions to the effect that, in the event of any subdivision, consolidation, change, reclassification, or alteration of the Common Shares, or in the event of the consolidation, amalgamation, or merger of the Corporation with another corporation, a proportionate adjustment or change will be made in the number and kind of securities issuable on exercise of the Regular A Warrants.

The Regular A Warrant Indenture will also provide that the exercise price per Common Share is subject to adjustment in certain events including:

- (a) the subdivision, redivision, change, reduction, combination, consolidation of the Common Shares or the issue of Common Shares or securities convertible or exchangeable into Common Shares to all or substantially all of the holders of Common Shares by way of a stock dividend, other than an issue of Common Shares to such holder as a "dividend paid in the ordinary course" (to be defined in the Regular A Warrant Indenture);
- (b) the issue of rights or warrants to all or substantially all the holders of Common Shares entitling them within a period of no longer than 45 days after such date of issue to acquire Common Shares at less than 95% of the "current market price" (to be defined in the Regular A Warrant Indenture) of the Common Shares; and
- (c) the distribution to all or substantially all of the holders of Common Shares of the any other class of any corporation or of rights, options, or warrants (other than those referred to above) or of evidences of indebtedness or of assets, excluding "dividends paid in the ordinary course of business" (to be defined in the Regular A Warrant Indenture).

No adjustment to the exercise price of the Regular A Warrants will be required to be made unless the cumulative effect of such adjustments would change the exercise price of the Regular A Warrants by at least one (1%) percent.

"Current market price" will be defined in the Regular A Warrant Indenture to mean at any date the simple average closing price per Common Share for the 20 trading days immediately preceding such date on the Exchange or on the principal stock exchange on which the Common Shares are then listed.

The Corporation shall not be required, upon the exercise of any Regular A Warrants, to issue fractions of Common Shares. In lieu of fractional Common Shares, the Corporation shall pay to the holder who would otherwise be entitled to receive fractional Common Shares, an amount equal to the "Current Market Price" multiplied by an amount equal to the fractional interest of Common Shares such holder would otherwise be entitled to receive upon such exercise, provided that the Corporation shall not be required to make any payment that is less than \$5.00.

The Regular A Warrant Indenture will be dated on or before closing of the Offering and a copy will also be available for examination at the head office of the Corporation.

The foregoing is subject to the detailed provisions of the Regular A Warrant Indenture. Copies of the Regular A Warrant Indenture may be reviewed at the locations identified under "Material Contracts".

Private Placement of Special Warrants

On December 5, 2000, the Corporation completed the private placement of an aggregate of 2,000,000 Special Warrants pursuant to certain prospectus exemptions under applicable securities legislation, at a price of \$0.75 per Special Warrant, for gross proceeds of \$1,500,000, in accordance with the Agency Agreement between Yorkton Securities Inc. and the Corporation. Pursuant to the Agency Agreement, the Agent, on a private placement basis, offered to sell, on a reasonable best efforts agency basis, up to 2,000,000 Special Warrants at a price of \$0.75 per Special Warrant. The Agent will receive no additional fees in connection with the distribution of Common Shares and Regular B Warrants under this Prospectus. The Corporation has also granted, to the Agent a non-transferable agent's special warrant ("Agent's Special Warrant") exercisable without further consideration into an agent's option ("Agent's Option") to acquire 165,000 agent's units ("Agent's Units") at a price of \$0.75 per Agent's Unit until December 5, 2002. Each Agent's Unit consists of one Common Share ("Agent's Option Share") and one-half of one Regular B Warrant ("Agent's Regular B Warrant"). Each whole Agent's Regular B Warrant is exercisable into one Common Share ("Agent's Regular B Warrant Share") at a price of \$1.25 until December 5, 2001. In the event that a final MRRS decision document ("Final MRRS Decision Document") is not obtained from the principal regulator or securities commission (in each case "Principal Regulator") for each of the Filing Provinces (as defined herein) on or before April 4, 2001, the Agent's Option will be exercisable into 1.1 Agent's Option Shares and 0.55 Agent's Regular B Warrants. The Agent's Option is qualified by and will be distributed pursuant to this Prospectus except in the Province of Ontario where only that portion of the Agent's Option equal to 5% of the number of Special Warrants sold are being qualified.

Special Warrants

The Corporation is hereby qualifying for distribution up to 2,000,000 Common Shares and up to 1,000,000 Regular B Warrants issuable on the exercise of 2,000,000 Special Warrants. The Corporation is also qualifying for distribution up to 200,000 additional Common Shares and 100,000 additional Regular B Warrants, if any, issuable on the exercise of the Special Warrants pursuant to the Penalty Provision. The Special Warrants were issued pursuant to the Special Warrant Indenture, between the Corporation and the Trustee. Each Special Warrant entitles the holder thereof to acquire one Common Share and one-half of one Regular B Warrant, at no additional cost, until 4:30 p.m. (Calgary time) on the earlier of: (i) the date which is the fifth business day following the date upon which a Final MRRS Decision Document has been issued for the Prospectus by the Principal Regulator for each of the Filing Provinces; and (ii) December 5, 2001. Any Special Warrants not exercised by the Expiry Time shall be deemed to have been exercised immediately upon the Expiry Time, without any further action on the part of the holder. Since the date of issuance, no Special Warrants have been exercised. Each whole Regular Warrant comprising part of the Special Warrants will entitle the holder thereof to acquire one additional Common Share at any time on or before 4:30 p.m. (Calgary time) on December 5, 2001 at an exercise price of \$1.25 per Common Share.

Pursuant to the Special Warrant Indenture, the Corporation agreed that in the event that a Final MRRS Decision Document is not obtained from the Principal Regulator for each of the filing provinces dated on or prior to the Clearing Date, each holder of Special Warrants in a Filing Province shall be entitled within ten business days from the Clearing Date, to receive, upon the exercise or deemed exercise of the Special Warrants, 1.1 Common Shares and 0.55 Regular B Warrants for every Special Warrant then held by such holder (in lieu of one Common Share and 0.5 of a Regular B Warrant otherwise receivable) at no additional cost.

All of the Special Warrants issued and outstanding are fully paid and non-assessable and the Common Shares and Regular B Warrants issuable upon the exercise of the Special Warrants will, when issued in accordance with the terms and conditions of the Special Warrant Indenture, be fully paid and non-assessable. Holders of Special Warrants who wish to exercise their Special Warrants and acquire Common Shares and Regular B Warrants thereunder should complete the exercise forms on the special warrant certificates and deliver the certificates and the executed exercise forms to the Trustee at its principal office in Calgary, Alberta.

The foregoing is subject to the detailed provisions of the Special Warrant Indenture. Copies of the Special Warrant Indenture may be reviewed at the locations identified under "Material Contracts".

Regular B Warrants

The Regular B Warrants will be issued in registered form under and will be governed by, a share purchase warrant indenture, dated as of December 5, 2000, (the "Regular B Warrant Indenture") between the Corporation and the Trustee, as trustee thereunder. The Corporation has appointed the principal offices of the Trustee in Calgary, Alberta, as the location at which Regular B Warrants may be surrendered for exercise or exchange.

Each whole Regular B Warrant will entitle the holder thereof to acquire one additional Common Share at an exercise price of \$1.25 per Common Share until 4:30 p.m. (Calgary time) on December 5, 2001.

The Regular B Warrants will contain provisions to the effect that, in the event of any subdivision, consolidation, change, reclassification, or alteration of the Common Shares, or in the event of the consolidation, amalgamation, or merger of the Corporation with another corporation, a proportionate adjustment or change will be made in the number and kind of securities issuable on exercise of the Regular B Warrants.

The Regular B Warrant Indenture also provides that the exercise price per Common Share is subject to adjustment in certain events including:

- (a) the subdivision, redivision, change, reduction, combination, consolidation of the Common Shares or the issue of Common Shares or securities convertible or exchangeable into Common Shares to all or substantially all of the holders of Common Shares by way of a stock dividend, other than an issue of Common Shares to such holder as a "dividend paid in the ordinary course" (as defined in the Regular B Warrant Indenture);
- (b) the issue of rights or warrants to all or substantially all the holders of Common Shares entitling them within a period of no longer than 45 days after such date of issue to acquire Common Shares at less than 95% of the "current market price" (as defined in the Regular B Warrant Indenture) of the Common Shares; and
- (c) the distribution to all or substantially all of the holders of Common Shares of the any other class of any corporation or of rights, options, or warrants (other than those referred to above) or of evidences of indebtedness or of assets, excluding "dividends paid in the ordinary course of business" (as defined in the Regular B Warrant Indenture).

No adjustment to the exercise price of the Regular B Warrants will be required to be made unless the cumulative effect of such adjustments would change the exercise price of the Regular B Warrants by at least one (1%) percent.

"Current market price" is defined in the Regular B Warrant Indenture to mean at any date the simple average closing price per Common Share for the 20 trading days immediately preceding such date on the Exchange or on the principal stock exchange on which the Common Shares are then listed.

The Corporation has also covenanted in the Regular B Warrant Indenture that, during the period in which the Regular B Warrants are outstanding, it will give notice to the Trustee and holders of Regular Warrants of certain stated events at least fourteen (14) days prior to the record date of such event.

The Corporation shall not be required, upon the exercise of any Regular B Warrants, to issue fractions of Common Shares. In lieu of fractional Common Shares, the Corporation shall pay to the holder who would otherwise be entitled to receive fractional Common Shares, an amount equal to the "Current Market Price" multiplied by an amount equal to the fractional interest of Common Shares such holder would otherwise be entitled to receive upon such exercise, provided that the Corporation shall not be required to make any payment that is less than \$5.00.

Reference is made to the Regular B Warrant Indenture for the full extent of the attributes of the Regular B Warrants. A copy of the Regular B Warrant Indenture will be available for examination at the head office of the Corporation during the period of distribution and for a period of 30 days thereafter.

The foregoing is subject to the detailed provisions of the Regular B Warrant Indenture. Copies of the Regular B Warrant Indenture may be reviewed at the locations identified under “Material Contracts”.

DILUTION

The dilution of the investment of the subscribers for the Common Shares issuable on the sale of the Units and the exercise of the Special Warrants, based on the net tangible book value of the assets of the Corporation before the sale of the Units and the Special Warrants and after giving effect to issuances of Common Shares under this Offering and on exercise of the Special Warrants, but without giving effect to the exercise of Regular A Warrants, Regular B Warrants, Agent’s Unit Option, Agent’s Option, Over Allotment Option, shares issuable pursuant to Penalty Provision or issued and outstanding stock options, is set forth below.

Net tangible book value as at November 30, 2000	\$146,263 ⁽¹⁾
Increase in net tangible book value re: Prospectus and Special Warrant Offering (after agent’s commission and estimated costs)	\$2,626,250 ⁽³⁾
Net tangible book value after giving effect to the Prospectus Offering	\$2,772,513
Number of Common Shares outstanding as of November 30, 2000	11,077,910
Increase in number of Common Shares outstanding after giving effect to the Prospectus and Special Warrants Offering	4,000,000 ⁽²⁾
Total number of Common Shares outstanding after giving effect to the Prospectus and Special Warrant Offering	15,077,910
Net tangible book value per share after giving effect to the Prospectus and Special Warrant Offering	\$0.18
Offering Price of Units	\$0.75
Issue Price of Special Warrants	\$0.75
Dilution (Units)	\$0.57
Dilution (Special Warrants)	\$0.57
Percentage of dilution in relation to effective issue price per Common Share (Units)	76%
Percentage of dilution in relation to effective issue price per Common Share (Special Warrants)	76%

Notes:

- (1) Based on the November 30, 2000 (unaudited) balance sheet included in this Prospectus.
- (2) Includes Common Shares issuable under this Offering and on exercise of Special Warrants. Assumes the Penalty Provision does not apply and no exercise of Regular A Warrants, Regular B Warrants, Agent’s Unit Option, the Agent’s Option, the Over Allotment Option or the stock options.
- (3) After deducting Agent’s commission and the estimated related expenses of the sale of the Units and Special Warrants.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only contracts entered into by the Corporation in the two years immediately prior to the date hereof which can reasonably be regarded as presently material are the following.

1. Agency Agreement dated March 21, 2001 between Yorkton Securities Inc., Northland and the Trustee.
2. Escrow Agreement dated March 15, 2001, between the Trustee, Northland and specified shareholders of Northland.
3. Transfer Agency Agreement dated March 15, 2001 between the Trustee and Northland.
4. Agency Agreement dated December 5, 2000 between Yorkton Securities Inc. and Northland.

5. Special Warrant Indenture dated December 5, 2000 between the Trustee and Northland.
6. Regular B Warrant Indenture dated December 5, 2000 between the Trustee and Northland.
7. Service Contract dated September 19, 2000 between ENS eLearning Solutions Inc. and Northland.
8. Third Party Training Agreement dated March 5, 2000 between FORE Systems, Inc. and Northland.
9. Professional Services Master Agreement and Northland dated February 1, 2000 between FORE Systems, Inc. and Northland.

Copies of the above agreements may be inspected at the head office of the Corporation located at Suite 500, 255 Albert Street, Ottawa, Ontario, K1P 6A9, or the offices of Armstrong Perkins Hudson LLP, special Alberta counsel for the Corporation located at Suite 1600, 407 - 2nd Street, S.W., Calgary, Alberta, T2P 2Y3, during normal business hours at any time up to and including the final Closing of this Offering.

RISK FACTORS

The purchase of any Units and Special Warrants offered hereby must be considered highly speculative due to the nature of the Corporation's business, its relatively formative stage of development, its current financial position and its lack of an earnings record. An investment in the Units and Special Warrants should only be considered by those persons who can afford a total loss of their investment. In addition to other information contained in this Prospectus, prospective subscribers should carefully consider the following risk factors.

Limited Operating History - Northland has a limited operating history. In view of Northland's short operating history, the rapidly changing nature of the Internet and the eTechnologies training and consulting markets and the uncertainty of acceptance of Northland's current products and products planned or in development, there can be no assurance of sustained growth or future profitability.

Qualification by Prospectus and Reporting Issuer Status - The Corporation will use its best efforts to file a Prospectus with the Principal Regulator for each of the Filing Provinces where Special Warrants have been sold and to obtain a Final MRRS Decision Document for the purpose of qualifying for distribution the Common Shares and Regular B Warrants issuable on exercise of the Special Warrants. If a Final MRRS Decision Document is not obtained from the Principal Regulator for each of the Filing Provinces, the securities issuable on exercise of the Special Warrants will not be capable of being resold by subscribers who are residents of the Filing Provinces without complying with the applicable "hold period" and other resale requirements of the relevant jurisdiction. There is no assurance that the Final MRRS Decision Document will ever be obtained or that the Corporation will receive reporting issuer status in any jurisdiction.

Future Capital Needs - Northland may need to raise funds through public or private debt or equity financing in the event that Northland incurs operating losses or requires substantial capital investment, or in order for Northland to respond to unanticipated competitive pressures or to take advantage of unanticipated opportunities. There can be no assurance that additional financing will be available on terms favourable to Northland, or at all. If adequate funds are not available or are not available on acceptable terms, Northland may not be able to continue its network expansion to take advantage of market opportunities, to develop new products or otherwise to respond to competitive pressures or continue to be viable. Such inability could have a material adverse effect on Northland's business, financial condition and results of operations.

Dependence on Key Personnel - Northland's success will depend upon the continued service of its senior management team, particularly Jerry Van Olst and Peter A. Johnston and its technical, marketing and sales personnel. Northland's employees may voluntarily terminate their employment with Northland at any time and competition for qualified employees in the technology industry is intense. The loss of the services of key personnel could have a material adverse effect upon Northland's business, financial condition and results of operations.

Need to Manage Growth and Expansion - The rapid growth of Northland's business and its products and services has placed and is expected to continue to place, significant demands on Northland's managerial, operational and accounting resources. Demands on Northland's operational and accounting information systems and controls, including its billing, accounts receivable and payable tracking and other accounting systems, have grown rapidly with Northland's expanding customer base.

Risks of Technology Trends and Evolving Industry Standards - The Internet industry is characterized by rapidly changing technology and evolving industry standards, changes in customer needs, emerging competition and frequent new product and service introductions. Northland's future success will depend, in part, on its ability to effectively use leading technologies, to continue to develop its technical expertise, to enhance its current services and to develop new services which meet changing customer needs on a timely and cost-effective basis. There can be no assurance that Northland will be successful in effectively using new technologies, identifying and developing products or enhancing its existing services on a timely basis or that such new technologies, products or enhancements will achieve market acceptance.

Dependence Upon Network Infrastructure - Northland's success will partially depend upon its ability to develop a reputation for reliability over the long term and the security of its current and future network connections. Northland must continue to expand and adapt its infrastructure as the number of users and the amount of information they wish to transfer increases and as the requirements of its customers change. The expansion of Northland's infrastructure will require substantial financial, operational and management resources. There can be no assurance that Northland will be able to expand or adapt its infrastructure to meet additional demand or its customers' changing requirements on a timely basis, at a commercially reasonable cost, or at all.

Dependence On The Internet; Uncertain Adoption Of Internet As A Medium Of Commerce And Communications - Many of Northland's existing and proposed products and services are targeted toward users of the Internet. As is typical in the case of a new and rapidly evolving industry characterized by rapidly changing technology, evolving industry standards and frequent new product and service introductions, demand and market acceptance for recently introduced products and services are subject to a high level of uncertainty. In addition, critical issues concerning the commercial use of the Internet remain unresolved and may impact the growth of Internet use, especially in the business market targeted by Northland. Despite growing interest in the many commercial uses of the Internet, many businesses have been deterred from purchasing services over the Internet for a number of reasons, including, among others, inconsistent quality of service, lack of availability of cost-effective high-speed options, a limited number of points of presence for corporate users, inability to integrate business applications on the Internet, the need to deal with multiple and frequently incompatible vendors, inadequate protection of the confidentiality of stored data and information moving across the Internet and a lack of tools to simplify Internet access and use. Northland is at risk as a result of fundamental technological changes in the way Internet solutions may be marketed and delivered. Integrating technological advances may require substantial time and expense and there can be no assurance that Northland will succeed in adapting its infrastructure. There can be no assurance that commerce and communication over the Internet will become widespread, or that Northland's offered services will become widely adopted for these purposes. New technologies or industry standards have the potential to replace or provide lower cost alternatives to Northland's existing products and services. The adoption of such new technologies or industry standards could render Northland's existing products and services obsolete and unmarketable. If the market for Northland's services fails to develop, develops more slowly than expected, or becomes saturated with competitors, or if the services offered by Northland are not broadly accepted, Northland's business, operating results, financial condition and cash flow may be materially adversely affected.

Risk Of Technological Change And Evolving Industry Standards - To date Northland has not been adversely affected by product or service obsolescence because changes in the Internet service industry have been largely a matter of improvements in hardware which have been readily available to Northland and its competitors. Northland's future success depends, however, upon its ability to develop new product services that meet changing customer requirements.

Increasing Competition - The markets in which Northland operates and intends to operate are extremely competitive and can be significantly influenced by the marketing and pricing decisions of the larger industry participants and include many large companies that have substantially greater market presence and financial, technical, operational, marketing and other resources and experience than Northland.

Security Risks - A risk faced by all companies with Internet connections or networks, including Northland, is the risk that, despite the implementation of network security measures by Northland, its infrastructure remains vulnerable to computer viruses, sabotage, break-ins and similar disruptive problems caused by its subscribers or other users. Security problems continue to plague public and private data networks. Alleviating or attempting to avoid problems caused by computer viruses, break-ins, or other problems caused by third parties may require significant expenditures of capital and resources by Northland, which could have a material adverse effect on Northland. Until more comprehensive security technologies are developed, the security and privacy concerns of existing and potential customers may inhibit the growth of Northland's customer base and revenues in particular.

Risks Of System Failure - Northland's Internet operations are dependent upon its ability to protect its network infrastructure against damage from acts of nature, power failures, telecommunications failures and similar events. Any damage or failure that causes interruptions in Northland's operations could have a material adverse effect on Northland.

Dependence On Telecommunications Access - All Internet and most telecommunications service providers, including Northland, depend on other companies to provide communications capacity via leased facilities. If one or more of these companies is unable or unwilling to provide or expand its current levels of service to Northland in the future, Northland's operations could be materially and adversely affected. In addition, Northland is dependent on local telephone companies to provide local dial-up and leased, high-speed dedicated access phone lines for access to each of Northland's service.

Taxation - A number of Federal and Provincial government officials have asserted the right or indicated a willingness to impose taxes on Internet-related services and commerce, including sales, use and access taxes. Northland cannot predict whether the imposition of any such additional taxes would have a material adverse effect on Northland.

Dilution -. After giving effect to the exercise of the Special Warrants, but prior to the exercise of any Regular A Warrants, Regular B Warrants, the Agent's Unit Option, the Agent's Option or Over Allotment Option, the effective price of \$0.75 per Common Share for Special Warrants and \$0.75 per Common Share for Units exceeds the net tangible book value per Common Share as at November 30, 2000 by \$0.57 (representing a dilution factor of 76%) and by \$0.57 (representing a dilution factor of 76%), respectively. The Corporation is unlikely to pay dividends on the Common Shares in the foreseeable future. See "Dilution".

Dividends - The Corporation has not yet earned a profit and intends to retain any future earnings to finance growth and expand operations and does not anticipate paying any dividends in the foreseeable future. See "Dividend Record and Policy".

No known market for Securities - There is presently no known market for the Common Shares, Special Warrants, Regular A Warrants and Regular B Warrants.

Value of Units and Special Warrants - The Offering price of the Units and Special Warrants has been determined by the Board of Directors of the Corporation and thorough negotiation with the Agent, yet may not be indicative of the value of the Units and Special Warrants after the Offering. The value of the Units and Special Warrants could be subject to significant fluctuations in response to variations in quarterly and yearly operating results, the success of the Corporation's business strategy, competition, changes in zoning or other applicable regulations which may affect the business of the Corporation and other factors. These fluctuations may affect the value of the Units and Special Warrants.

Limited Financial Information - Subscribers hereunder must assess the merits of the investment based on financial information disclosed herein.

LEGAL PROCEEDINGS

There are no legal proceedings involving the Corporation or its assets as of the date of this Prospectus which management of the Corporation believes to be material to the Corporation, nor are any such proceedings known by the Corporation to be contemplated.

LEGAL MATTERS

Certain legal matters in connection with this Offering will be passed upon on behalf of the Corporation by Armstrong Perkins Hudson LLP, Barristers and Solicitors, Calgary, Alberta and on behalf of the Agent by McManus Thompson, Barristers and Solicitors, Calgary, Alberta.

AUDITOR, REGISTRAR AND TRANSFER AGENT

The auditor of the Corporation is McIntyre & McLarty LLP, Chartered Accountants, Ottawa, Ontario.

Computershare Trust Company of Canada, through its principal office at 600, 530 - 8th Avenue S.W., Calgary, Alberta, T2P 3S8, is the registrar and transfer agent for the Common Shares.

CONFLICTS OF INTEREST

There are potential conflicts of interest to which the directors, officers and promoters of the Corporation may be subject with respect to the operations of the Corporation. Certain of the directors may serve as directors and/or officers of other companies or have significant shareholdings in other companies. Situations may arise where the directors, officers and promoters of the Corporation will be engaged in direct competition with the Corporation. Any conflicts of interest will be subject to and governed by the law applicable to directors and officers conflicts of interest.

PURCHASERS' STATUTORY RIGHTS

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

CONTRACTUAL RIGHT OF ACTION FOR RESCISSION

In the event that a holder of a Special Warrant, who acquires a Common Share and one-half of one Regular B Warrant upon the exercise or deemed exercise of a Special Warrant as provided for in this Prospectus, is or becomes entitled under applicable securities legislation to the remedy of rescission by reason of this Prospectus or any amendment thereto containing a misrepresentation, the holder shall be entitled to rescission not only of the holder's exercise of its Special Warrant but also of the private placement transaction pursuant to which the Special Warrant was initially acquired and shall be entitled, in connection with such rescission, to a full refund of all consideration paid to the Corporation on the acquisition of the Special Warrant. In the event the holder is a permitted assignee of the interest of the original Special Warrant subscriber, such permitted assignee was the original subscriber. The foregoing is in addition to any other right or remedy available to a holder of the Special Warrant under section 168 of the *Securities Act* (Alberta), section 130 of the *Securities Act* (Ontario).

Audited Financial Statements

**NORTHLAND SYSTEMS
TRAINING INC.**

August 31, 2000 and 1999

AUDITED FINANCIAL STATEMENTS
NORTHLAND SYSTEMS TRAINING INC.
August 31, 2000 and 1999

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McIntyre & McLarty LLP

Chartered Accountants
666 Kirkwood Avenue, Suite 301
Ottawa, ON K1Z 5X9
Telephone: (613) 729-1110
Facsimile: (613) 729-4477
www.mmlp.com

AUDITORS' REPORT

To the Directors of **Northland Systems Training Inc.:**

We have audited the balance sheets of **Northland Systems Training Inc.** as at August 31, 2000 and 1999 and the statements of loss and deficit and the statements of cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our 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 financial statements present fairly, in all material respects, the financial position of the company as at August 31, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with generally accepted accounting principles.

Ottawa, Ontario
September 28, 2000, except as to Note K
which is as of March 21, 2001

“McIntyre & McLarty LLP “
Chartered Accountants

BALANCE SHEETS

NORTHLAND SYSTEMS TRAINING INC.

	November 30 2000 (Unaudited)	August 31 2000	August 31 1999	August 31 1998 (Unaudited)
ASSETS				
CURRENT ASSETS				
Cash	\$ -	\$ -	\$ -	\$ 53,379
Accounts receivable	874,951	627,399	314,860	186,249
Inventory	5,085	9,217	13,967	2,830
Prepaid expenses	<u>30,831</u>	<u>27,397</u>	<u>13,512</u>	<u>17,446</u>
	910,867	664,013	342,339	259,904
CAPITAL ASSETS—NOTE B	95,734	64,642	61,942	26,927
DEFERRED DEVELOPMENT COSTS	<u>168,243</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,174,844</u>	<u>\$ 728,655</u>	<u>\$ 404,281</u>	<u>\$ 286,831</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Bank indebtedness—Note C	\$ 325,101	\$ 100,836	\$ 157,574	\$ -
Accounts payable and accrued liabilities	585,722	481,666	414,975	195,672
Deferred revenue	111,702	111,527	78,961	-
Current portion of long-term debt—Note D	-	1,593	9,197	9,746
Current portion of obligation under capital lease—Note E	<u>3,209</u>	<u>3,209</u>	<u>9,410</u>	<u>-</u>
	1,025,734	698,831	670,117	205,418
DUE TO SHAREHOLDERS	-	-	-	1,000
LONG -TERM DEBT—NOTE D	-	-	1,618	10,814
OBLIGATION UNDER CAPITAL LEASE—NOTE E	2,847	6,020	-	-
SHAREHOLDERS' EQUITY				
Capital stock—Note F	1,007,286	909,521	295,521	150,521
Deficit	<u>(861,023)</u>	<u>(885,717)</u>	<u>(562,975)</u>	<u>(80,922)</u>
	<u>146,263</u>	<u>23,804</u>	<u>(267,454)</u>	<u>69,599</u>
	<u>\$ 1,174,844</u>	<u>\$ 728,655</u>	<u>\$ 404,281</u>	<u>\$ 286,831</u>

APPROVED ON BEHALF OF THE BOARD:

_____"Sudhir Tiwari"_____
Director

_____"Jerry Van Olst"_____
Director

STATEMENTS OF LOSS AND DEFICIT

NORTHLAND SYSTEMS TRAINING INC.

	Three Months Ended November 30, 2000 (Unaudited)	Three Months Ended November 30, 1999 (Unaudited)	Year Ended August 31 2000	Year Ended August 31 1999	Period From September 17, 1997 to August 31, 1998 (Unaudited)
Revenue					
Consulting service	\$ 512,642	\$ 433,638	\$ 1,895,389	\$ 1,338,187	\$ 451,044
Technology training	376,349	181,213	770,175	481,051	394,936
Vendor product training	<u>130,913</u>	<u>121,682</u>	<u>424,074</u>	<u>34,883</u>	<u>-</u>
	1,019,904	736,533	3,089,638	1,854,121	845,980
Direct costs					
Consulting services	339,862	270,625	1,311,014	996,562	304,146
Technology training	178,566	136,727	458,477	378,572	239,188
Vendor product training	<u>55,726</u>	<u>106,518</u>	<u>293,563</u>	<u>34,452</u>	<u>-</u>
	<u>574,154</u>	<u>513,870</u>	<u>2,063,054</u>	<u>1,409,586</u>	<u>543,334</u>
GROSS PROFIT	445,750	222,663	1,026,584	444,535	302,646
Expenses					
Operating	314,160	174,245	1,088,956	716,103	143,152
Corporate	37,846	47,990	185,729	106,694	197,666
Marketing and sales	<u>69,050</u>	<u>26,672</u>	<u>74,641</u>	<u>103,791</u>	<u>42,750</u>
	<u>421,056</u>	<u>248,907</u>	<u>1,349,326</u>	<u>926,588</u>	<u>383,568</u>
NET INCOME (LOSS)	24,694	(26,244)	(322,742)	(482,053)	(80,922)
Deficit at beginning of period	<u>(885,717)</u>	<u>(562,975)</u>	<u>(562,975)</u>	<u>(80,922)</u>	<u>-</u>
DEFICIT AT END OF PERIOD	<u>\$ (861,023)</u>	<u>\$ (589,219)</u>	<u>\$ (885,717)</u>	<u>\$ (562,975)</u>	<u>\$ (80,922)</u>

See notes to financial statements

STATEMENTS OF CASH FLOWS

NORTHLAND SYSTEMS TRAINING INC.

	Three Months Ended November 30, 2000 (Unaudited)	Three Months Ended November 30, 1999 (Unaudited)	Year Ended August 31 2000	Year Ended August 31 1999	Period From September 17, 1997 to August 31, 1998 (Unaudited)
CASH PROVIDED BY (USED FOR):					
OPERATIONS					
Net income (loss)	\$ 24,694	\$ (26,244)	\$ (322,742)	\$ (482,053)	\$ (80,922)
Items not involving cash					
Amortization	4,940	4,663	22,599	16,703	4,725
Change in non-cash operating working capital					
Accounts receivable	(247,552)	(91,680)	(312,539)	(128,611)	(186,249)
Inventory	4,132	4,728	4,750	(11,137)	(2,830)
Prepaid expenses	(3,434)	(3,133)	(13,885)	3,934	(17,446)
Accounts payable and accrued liabilities	104,056	60,577	66,691	219,303	195,672
Deferred revenue	<u>175</u>	<u>(22,753)</u>	<u>32,566</u>	<u>78,961</u>	<u>-</u>
	<u>(112,989)</u>	<u>(73,842)</u>	<u>(522,560)</u>	<u>(302,900)</u>	<u>(87,050)</u>
FINANCING					
Proceeds from issuance of capital stock	97,765	225,000	614,000	145,000	150,521
(Repayment of) advances from shareholders	-	-	-	(1,000)	1,000
(Repayment of) proceeds from obligation under capital lease – net	(3,173)	-	(181)	9,410	-
(Repayment) advances of long-term debt	<u>(1,593)</u>	<u>(5,786)</u>	<u>(9,222)</u>	<u>(9,745)</u>	<u>20,560</u>
	<u>92,999</u>	<u>219,214</u>	<u>604,597</u>	<u>143,665</u>	<u>172,081</u>
INVESTING					
Purchase of capital assets	(36,032)	(3,467)	(25,299)	(51,718)	(31,652)
Deferred development costs	<u>(168,243)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(204,275)</u>	<u>(3,467)</u>	<u>(25,299)</u>	<u>(51,718)</u>	<u>(31,652)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(224,265)	141,905	56,738	(210,953)	53,379
Cash and cash equivalents at beginning of period	<u>(100,836)</u>	<u>(157,574)</u>	<u>(157,574)</u>	<u>53,379</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ (325,101)</u>	<u>\$ (15,669)</u>	<u>\$ (100,836)</u>	<u>\$ (157,574)</u>	<u>\$ 53,379</u>

Cash and cash equivalents consist of bank indebtedness resulting from outstanding cheques.

See notes to financial statements

NOTES TO FINANCIAL STATEMENTS

NORTHLAND SYSTEMS TRAINING INC.

August 31, 2000 and 1999

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General: The Company is incorporated under the Canada Business Corporations Act and its principal business activity is the offering of training courses and consulting.

Inventory: Inventory is valued at the lower of cost and estimated net realizable value. Cost is determined using the average cost method.

Capital Assets: Capital assets are stated at cost. Amortization is computed using the following methods and rates:

	<u>Method</u>	<u>Rate</u>
Furniture and equipment	Declining balance	20%
Computer equipment		
under capital lease	Declining balance	30%
Computer hardware	Declining balance	30%
Computer software	Declining balance	100%

In the year of acquisition, capital asset purchases are amortized at one-half of the normal annual rate.

Revenue Recognition: Revenue is recognized when the services and training are provided.

Development Costs: Development costs are expensed as incurred unless they meet generally accepted criteria for deferral and amortization.

Income Taxes: The Company follows the asset and liability approach to accounting for income taxes. Under the asset and liability approach, future income tax assets and future income tax liabilities are computed annually. The computation is based on differences between the financial statements and tax bases on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the year. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they became known.

NOTE B--CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>		<u>1998</u> (Unaudited)
			<u>2000</u>	<u>1999</u>	
Furniture and equipment	\$ 18,783	\$ 5,327	\$ 13,456	\$ 16,820	\$ 420
Computer equipment					
under capital lease	11,080	3,102	7,978	9,972	-
Computer hardware	70,517	28,056	42,461	31,753	26,507
Computer software	8,290	7,543	747	3,397	-
	<u>\$ 108,670</u>	<u>\$ 44,028</u>	<u>\$ 64,642</u>	<u>\$ 61,942</u>	<u>\$ 26,927</u>

As at August 31, 1998, cost and accumulated amortization were \$31,652 and \$4,725 respectively.

As at August 31, 1999, cost and accumulated amortization were \$83,370 and \$21,428 respectively.

As at November 30, 2000, cost and accumulated amortization were \$144,701 and \$48,967 respectively (Unaudited).

NOTES TO FINANCIAL STATEMENTS

NORTHLAND SYSTEMS TRAINING INC.

August 31, 2000 and 1999

NOTE C--BANK INDEBTEDNESS

Bank indebtedness consists of a bank overdraft resulting from outstanding cheques. The Company has a \$150,000 operating line of credit, bearing interest at prime plus 2.5%, payable on demand and secured by a general security agreement and the personal guarantees of two of the shareholders. At year-end this line of credit was not utilized (1999 - \$160,000; 1998 - \$nil). At November 30, 2000 \$70,000 of this line of credit was utilized.

NOTE D--LONG-TERM DEBT

	November 30 <u>2000</u> (Unaudited)	<u>2000</u>	<u>1999</u>	<u>1998</u> (Unaudited)
Small Business Loan, bearing interest at prime plus 3% per annum, secured by equipment, repayable in monthly principal instalments of \$537 plus interest, due November 2000.	\$ -	\$ 1,593	\$ 8,076	\$ 14,535
Small Business Loan, bearing interest at prime plus 3% per annum, secured by equipment, repayable in monthly principal instalments of \$274 plus interest, due July 2000.	-	-	2,739	6,025
	-	1,593	10,815	20,560
Current portion	-	(1,593)	(9,197)	(9,746)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,618</u>	<u>\$ 10,814</u>

NOTE E--OBLIGATION UNDER CAPITAL LEASE

Future minimum lease payments together with the balance of the obligation under capital lease are as follows:

2001	\$ 7,161
2002	<u>4,268</u>
	11,429
Amount representing interest	<u>(2,200)</u>
	9,229
Current portion	<u>(3,209)</u>
	<u>\$ 6,020</u>

NOTES TO FINANCIAL STATEMENTS

NORTHLAND SYSTEMS TRAINING INC.

August 31, 2000 and 1999

NOTE F--CAPITAL STOCK

	November 30 <u>2000</u> (Unaudited)	August 31 <u>2000</u>	August 31 <u>1999</u>	August 31 <u>1998</u> (Unaudited)
Authorized – Unlimited number of common shares				
--100,000 Class A preference shares, non-voting				
--100,000 preferred shares				
Issued --November 30, 2000 11,077,910; August 31, 2000 10,817,910; (1999 – 9,490,010; 1998 – 810,001) common shares	\$ 1,007,286	\$ 909,521	\$ 295,520	\$ 150,520
--0 (1999 – 99,900; 1998 – 0) Class A preference shares	-	-	1	-
--0 (1998 – 2,200) preferred shares	-	-	-	1
	<u>\$ 1,007,286</u>	<u>\$ 909,521</u>	<u>\$ 295,521</u>	<u>\$ 150,521</u>

During 1998, 810,001 common shares were issued for cash consideration of \$150,520 and 2,200 preferred shares were issued for cash consideration of \$1.00.

During 1999, the authorized share capital of the Company was changed to provide for 100,000 Class A preference shares and to revoke the preferred shares.

During 1999, 139,000 common shares were issued for cash consideration of \$145,000, 2,200 preferred shares were exchanged for 6,600 Class A preference shares and 2,280 Class A preference shares were issued under a Key Person share option plan. After these transactions, both the common shares and the Class A preference shares were split on a 1:10 basis. An additional 11,100 Class A preference shares were issued under a Key Person share option plan.

During 2000, 1,226,000 common shares were issued for cash consideration of \$613,000, 99,900 Class A preference shares were exchanged for 99,900 common shares and 2,000 common shares were issued in exchange for commissions payable of \$1,000.

Subsequent to August 31, 2000, 260,000 common shares were issued for cash consideration of \$130,000 less issue costs of \$32,235.

NOTE G--STOCK OPTIONS

The Company has committed to issuing stock options for a total of 605,100 common shares of which 148,639 are fully vested at August 31, 2000 as follows:

<u>Option Price</u>	<u>Number of Options Vested</u>	<u>Number of Options Not Vested</u>	<u>Expiry Date</u>
\$0.50	69,292	75,708	April 2, 2004
\$0.50	22,580	257,420	July 10, 2004
\$0.50	<u>56,767</u>	<u>123,333</u>	September 1, 2004
	<u>148,639</u>	<u>456,461</u>	

NOTE H--INTEREST AND INCOME TAXES PAID

During the year the Company had cash flows arising from interest and income taxes paid as follows:

	<u>2000</u>	<u>1999</u>	<u>1998</u> (Unaudited)
Interest	\$ 21,685	\$ 12,527	\$ 4,072
Income taxes	\$ -	\$ -	\$ -

NOTES TO FINANCIAL STATEMENTS

NORTHLAND SYSTEMS TRAINING INC.

August 31, 2000 and 1999

NOTE I-- FINANCIAL INSTRUMENTS

Credit risk management

The Company is exposed to credit risk on the accounts receivable from its customers. In order to reduce its credit risk, the Company has adopted credit policies which include the analysis of the financial position of its customers and the regular review of their credit limits.

The Company does not have a significant exposure to any individual customer or counterpart. Its customers are mainly in the technology business.

Fair value

The Company's financial instruments recognized on the balance sheet consist of accounts receivable, bank indebtedness, accounts payable and accrued liabilities and long-term debt. The fair values of these financial instruments approximate their carrying amounts due to the short-term nature of these instruments.

NOTE J--COMMITMENTS

For the year ending August 31, 2001, the Company is committed under operating leases for office facilities and computer equipment in the amount of \$30,193.

The Company is committed under an agreement to provide training services for 108 credit student weeks valued at \$235,812, by March 31, 2001 in exchange for the use of lab equipment.

NOTE K -- SUBSEQUENT EVENTS

On October 23, 2000, the Company issued 30,000 share options exercisable at \$0.50 per common share, expiring October 23, 2003.

On March 21, 2001, the Company resolved to cancel the 635,100 issued and outstanding stock options and reissue new stock options with a 25% increase in the amount of options and with an exercise price of \$0.75 per common share. The canceling and re-granting of stock options will occur once all regulatory requirements have been met.

On February 15, 2001, the Company entered into an agreement to lease office facilities in the amount of \$30,000 per month until January 31, 2003.

By prospectus dated March 21, 2001 the Company is offering for sale 2,000,000 Units at a price of \$0.75 per unit for a total offering of \$1,500,000. Each unit consists of one common share of the Company and one half common share purchase warrant. Each whole Regular A Warrant entitles the holder thereof to purchase one common share for \$1.25 per share until the date that is 12 months from the closing of the offering. The agent will be paid a commission of 10% of the gross proceeds of the sale of units. The Company will also grant to the agent a non transferable option to purchase up to 10% of the number of units sold under the Prospectus Offering at a purchase price of \$0.75 per unit, which will expire 2 years from the date of issuance. The agent will be granted an option to purchase an additional 10% of the number of units issued at closing of the prospectus offering on the same terms to cover our allotments.

The Company is also qualifying for distribution, 2,000,000 common shares and 1,000,000 common share purchase warrants issuable upon exercise of the 2,000,000 Special Warrants. The Special Warrants were previously issued on December 5, 2000 to investors. Each Special Warrant holder is entitled to acquire one common share and one half of one common share purchase warrant ("Regular B Warrant") at no additional cost on the earlier of: December 5, 2001 and the date which is five business days after the day upon which a final MRSS decision document for a final prospectus has been obtained from the securities commissions in the provinces of Ontario and Alberta. Any Special Warrant not exercised prior to December 5, 2001 will be deemed to be exercised by the holder without any further action on the part of the holder. Each whole Regular B Warrant entitles the holder thereof to purchase one common share at a price of \$1.25 until 4:30 pm (Calgary time) on December 5, 2001.

NOTE L--INCOME TAXES

The Company has losses available to reduce future years' taxable income, the benefit of which has not been reflected in these financial statements. These losses expire as follows:

2005	\$	76,480
2006		462,493
2007		<u>324,402</u>
	\$	<u>863,375</u>

DATED: March 21, 2001

CERTIFICATE OF THE CORPORATION

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

“Jerry Van Olst”

Jerry Van Olst
Chief Executive Officer

“L. Kirk Boyd”

L. Kirk Boyd
Chief Financial Officer

ON BEHALF OF THE BOARD

“John A. Roberts”

John A. Roberts
Director

“Brian K. Penney”

Dr. Brian K. Penney
Director

CERTIFICATE OF THE PROMOTERS

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

“Jerry Van Olst”

Jerry Van Olst

“Peter A. Johnston”

Peter A. Johnston

DATED: March 21, 2001

CERTIFICATE OF THE AGENT

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 VIII of the *Securities Act* (Alberta), Part XV of the *Securities Act* (Ontario), Part IX of the *Securities Act* (British Columbia) and the *Securities Act* (Nova Scotia) and the respective regulations thereunder.

YORKTON SECURITIES INC.

Per: **"S.S. (Ali) Rawji"**
S.S. (Ali) Rawji