

## *Highlights at a Glance*

**1999 has been a year of change.** • During the year, Intasys evolves into a strategic technology investment and incubation company. • Intasys' mission is to pioneer new frontiers in the fast-growing wireless communications, Internet and ecommerce sectors of the new economy. • Wireless technologies and the Internet are developing rapidly. Inventors, entrepreneurs, individuals, large and small corporations are all finding new ways to use and profit from their new connectivity. Wireless and the Internet are opening new vistas for investment and growth. • In September, Chairman and Chief Executive Officer Steve Saviuk and President Claude Beauregard joined Intasys. • They bring to the Company their extensive expertise in leading telecommunications businesses. • They have put together a strong senior management team with financial, organizational and technical expertise in the Internet, wireless and ecommerce fields. • In the second half of the year, the Company began its investing and incubation activities. Intasys invested, last year, a total of US\$33.2 million in three companies: interWAVE Communications International, Ltd., Mamma.com, TechnologyEvaluation.com and, after year-end, Intasys announced its intention to add two companies to its portfolio, Noha Systems Inc. and CampusLink. • Intasys is a high-value-added investor. It is often Intasys' financial, technical and management expertise that is the Company's most meaningful contribution to an inventor's or entrepreneur's business. • Intasys' specialization in wireless and the Internet means there is a strong natural fit between companies in the portfolio. • The Intasys Incubator is a practical learning ground for inventors and entrepreneurs and a physical environment in which they can accomplish the necessary work to prove a concept or get a business off the ground. • Intasys will soon have several companies in the Incubator. Each will be provided with a small but appropriate amount of capital to build a business plan, pay the inventor's salary, fund initial purchases of equipment or hire a management team. • Some of Intasys' priorities for year 2000 will be to diversify into new technology sectors, to increase its asset base through the appreciation of assets and monetizing one or more of its investments, to expand operations into the United States and to raise the visibility of Intasys' new vocation as a provider of guidance and services to entrepreneurs and companies.

## > TO OUR SHAREHOLDERS

In less than a year, Intasys changed its focus from a billing and customer care software solutions business into a strategic technology investment and incubation company with a mission to pioneer new frontiers in the fast-growing wireless communications, Internet and e-commerce sectors of the new economy. Both the pace and extent of change at Intasys have been far-reaching these past twelve months.

Forging change takes vision and determination. The Board has put its faith and full support behind a new management team with an extensive and successful track record in the investment and management of technology companies. With a solid mandate and the proceeds of an equity financing in place, our new management team is working untiringly to position Intasys to take full advantage of the wide range of opportunities available in the chosen sectors, despite highly volatile market conditions.

**The Intasys Team** > During the second half of the year, the Intasys Board made a strategic decision to take the Company in a new direction by focusing its activities on investing in wireless communications, the Internet and selected e-commerce niches. In the latter half of the year, a new management team came on board and new directors were appointed. Each member of Intasys' new leadership team enjoys specific hands-on and/or investment experience in one of our chosen sectors.

Chairman and Chief Executive Officer (Steve Saviuk) and President (Claude Beauregard) were appointed in early September, and together bring to Intasys extensive expertise in leading telecommunications businesses. Our initial objective was to put together a strong senior management team with financial, organizational and technical expertise in the Internet, wireless and e-commerce fields. We have done that. In addition to ourselves, the management team now includes Daniel Bertrand, Vice-President, Finance; Daniel Morrissette, Vice-President Technology; Ron Perry, Vice-President, Corporate Relations; and Daniel Trudeau, Vice-President, Operations.

For a company whose success depends on finding and nurturing high potential start-up and early-stage companies, it is of course critical that the members of our Board have the knowledge, experience and the network to support the efforts of management. In October, we were joined on the Board by Claude E. Forget and J. Marc Ferland, both of whom are skilled senior telecommunications executives and advisors with extensive connections throughout our target industry sectors.

At Intasys, we have successfully built a team with the depth of knowledge and the talent to succeed in the fields we have chosen. We are putting those qualities to work for our shareholders, in the structuring and management of Intasys, in our choice of opportunities and, of course, in the guidance and services we offer to the entrepreneurs whose companies we have chosen to support.

**Investing and Incubation** > At the end of fiscal 1999, we were well advanced in our efforts to establish Intasys reputation as a key player in our chosen sectors. Even as the new team was being hired, we were moving to establish relationships in promising companies with excellent prospects.

In the second half of the year, Intasys invested a total of US\$33.2 million (cash and treasury issuance) in three companies. interWAVE Communications International, Ltd. our first investment (US\$5.05M) completed an initial public offering in January 2000 at a substantial premium to our initial investment. During the second half of the year, we acquired a second anchor business when we invested US\$27.1 million for 69% of Mamma.com, a top-rated meta-search engine. The "Mamma" transaction is a significant step in establishing Intasys' reputation as an Internet/wireless Incubator. Finally, in early December we made a significant investment in the rapidly growing business-to-business Internet sector when we announced that we planned to invest up to US\$2.625 million for a 35% equity position in TEC TechnologyEvaluation.com (TEC), a unique Web-based business to business (B2B) information technology firm.

Our billing and customer care software solutions operation is our other anchor business. During the year we restructured the business and then, subsequent to year-end, we announced plans to merge the operation of Intasys Management Systems with those of Noha Systems Limited of the United Kingdom. Noha's open platform electronic billing systems for the wireless telecommunications industry is highly complementary to the electronic billing products of IMS, which are state-of-the-art, highly functional and e-commerce ready. Upon completion, Intasys will own 70% of the merged company, which will fully service the sector of electronic billing solutions for wireless telecommunications.

**Financial Results** > From a strategic perspective, fiscal 1999 has been a year of change. At year-end, the corporate profile, asset base and description of our business were changing compared to the previous year. As Intasys evolves into a strategic technology investment and incubation company, we will best be measured by success in our investing activities, and ultimately in the growth of our net asset value per share.

Although Intasys was in the process of diversifying into a strategic technology investment company, the main operating business of the Company in fiscal 1999 remained Intasys Management Systems, our billing and customer care software solutions business. Our net earnings primarily reflect the results of that business.

For the fiscal year ended December 31, 1999, sales increased to US\$5,023,822 compared to sales of US\$4,197,799 the previous year. For the period, Intasys recorded a net loss of US\$7,864,673, or US\$0.50 per share compared to a loss of US\$2,668,950 or US\$0.33 per share for the same period last year. The increased loss for the year is attributable to costs associated with the extensive marketing and development program undertaken by Intasys Management Systems, as well as expenses related to restructuring of those subsidiaries, including the closing of several regional offices. As part of that restructuring, a one-time restructuring charge of US\$646,192 was recorded. In the second half of the year, costs were also incurred to accomplish our transition to a technology investment and incubation company.

A US\$41 million equity position at the end of the year enabled us to strengthen the balance sheet considerably. With the addition to our float of the 12.5 million shares from the equity issue, as well as the conversion of other instruments into equity, we now have 24.6 million shares outstanding.

## Priorities in Fiscal 2000 >

For fiscal 2000, our priorities are clear. We intend to:


- 1) Diversify into new technology sectors. We are especially interested in investing in more early-stage companies.
- 2) Increase our asset base through the appreciation of assets, and monetizing one or more of our investments, if valuations are appropriate and market conditions permit.
- 3) Expand our operations into the United States. We want to be closer to U.S. capital markets, both to enable us to take greater advantage of the market for initial public offerings, and to grow our alliance network with venture capitalists and other financial partners there. We also want to have access to more U.S.-based investment opportunities.
- 4) Raise the visibility of Intasys in its new vocation as a provider of guidance and services to entrepreneurs and companies in our targeted sectors.
- 5) Ensure that companies in the Intasys network continue to mature. We will do that both by working side-by-side with management in our affiliates, and by developing the strategic and operating synergies between companies in the network.
- 6) Complete the development of our Incubator project, both physically and in terms of the number of projects we are supporting. We are currently putting the finishing touches on a new office space for our Incubator, in which companies will have the physical, intellectual and technical resources to ensure their growth.
- 7) Gain greater exposure to institutional investors in both the United States and Canada. It is to the benefit of all our shareholders that Intasys shares be fully valued relative to similar companies. By actively pursuing a higher level of institutional ownership, we will increase our access to capital, while reducing the overall volatility of our stock price.

Fiscal 2000 is already proving to be an exciting and challenging year. The recent correction in technology stock market valuations provides both opportunities and challenges. We are particularly excited by the wide range of opportunities presented to us on a near-daily basis, and we expect the sheer volume to increase as a result of softer public markets for technology stocks. On the other hand, our ability to capitalize on our existing investments will require a nimble approach and good timing if markets and valuations continue to fluctuate sharply.

We would like to thank our fellow shareholders for your support during these first few months of our mandate. In the months and years to come, we count on your continued support as we build the Intasys network, and the value of your shareholdings in the Company.

**Steve Saviuk**  
*Chairman of the Board and Chief Executive Officer*

**Claude Beauregard**  
*President*



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## > REVIEW OF OPERATIONS

**Financial Results** > During fiscal 1999, Intasys Corporation was evolving into a strategic technology investment company specializing in wireless telecommunications, the Internet and e-commerce. However, for the majority of the fiscal year, the main operating business of the Company was Intasys Management Systems, our billing and customer care software solutions subsidiaries.

Sales for the year ending December 31, 1999 increased to US\$5,023,822 compared with US\$4,197,799 for the previous year. Mamma.com inc., which was acquired at the end of November 1999, contributed one month of revenue in fiscal 1999.

Intasys reported a net loss of US\$7,864,673 for 1999 (US\$0.50 per share), as compared to US\$2,668,950 (US\$0.33 per share) in 1998. The Company's operating expenses increased significantly for the year due to costs associated with an extensive marketing and sales program during the first half of the year by Intasys Management Systems. No research and development expenditures were capitalized in 1999, compared with capitalization expenditures of US\$1.5 million in 1998 for the billing system software. In the second half of the year, Intasys Management Systems closed several regional offices and all related costs were recorded as non-recurring restructuring charges of US\$646,192. Increased costs were also incurred in connection with the start-up of Intasys Corporation's technology investment and Incubator activities.

The Company has not recorded any benefit related to income tax loss carryforward balances, which total approximately US\$8.8 Million as at December 31, 1999. These losses are available to reduce taxable income in future years.

As at December 31, 1999 the balance sheet of the Company was strengthened compared to 1998, having total shareholder's equity of US\$41 million, no long-term debt and a cash position of US\$11 million.

**Approach and Investment Criteria** > For several millennia, human innovation has changed the world in small waves, in ripples that travel slowly across the surface of civilization. Every so often a swell builds, changing the shape of society, building on what came before. Fire, iron, bronze, the wheel, gun powder, the printing press, electricity, the telephone, radio, television, the computer—these are some of the swells and rogue waves that have fashioned human existence.

The Internet and wireless communications technology are not ripples or even just the next wave. These are more than technologies. Separately and together, they are a giant storm that is sending wave after wave of change across the sea that is human society. They are changing the way we live, do business, interact with one another, and even in the way we think about human communications altogether. The storm is not a new paradigm. It is a social, economic, digital revolution.

Wireless technologies and the Internet are developing rapidly. The process of innovation is at its most intense, and promises to remain that way for some time to come. Inventors, entrepreneurs, individuals as well as corporations large and small, are finding new ways to use and profit from their new connectivity, whether sitting at a computer at home, school or work, standing on a street, sitting in an airplane, or on the beach on vacation, with no access to a land-based phone or computer. Wireless and the Internet are opening new vistas for investment and growth, by changing the business models for business-to-business commerce, business-to-consumer commerce and by changing the social communications model for everyone.

Intasys invests in and assists entrepreneurs and companies with highly innovative ideas that exploit the wireless and Internet revolution. Opportunities abound. In the wireless telecommunications sector, there are many issues that still require solutions: high performance hardware, security and confidentiality, and delivery of quality content. For all of these and many other challenges, Intasys supports innovation with capital, and with technical, financial and management expertise.

While Intasys will look at any innovative proposal, we are primarily looking at proposals that address the business-to-business (B2B) and business-to-consumer (B2C) market layer, offering unique products, innovative business models or powerful technologies that will flourish in the wireless or Internet, or wireless Internet environment.

Our investments in Mamma.com, TEC TechnologyEvaluation.com (TEC) and Noha Systems fall into the B2B category. Mamma is a meta-search engine with a unique business model. TEC is a highly unique technology evaluation service that targets the executive decision-maker through the Internet. Noha has powerful, functional billing solutions technology for the Internet and the wireless telecommunications sectors. The investment in interWAVE is atypical. It is smaller than would normally be considered. The investment was made because it provides a strategic foothold for Intasys in a strategic sector of the wireless market, and of course, because it holds exceptional short-term growth potential.

**The Intasys Network >** Intasys is part of this intense storm of innovation in wireless telecommunications, the Internet and e-commerce. All waves of technology flow from human imagination, the investigation of an idea, investment of effort, time and money in incubating and nurturing that idea into reality, and the successful integration of the new idea and resulting technology into the flow of civilization. Intasys is a partner in that process.

Through its extensive network of connections in the wireless, Internet and e-commerce sectors, Intasys learns of projects and proposals—or, businesses with proposals learn of Intasys. Nearly every day of the year, Intasys receives a number of proposals that are sifted through by a growing team of Intasys experts in related legal, technical, financial and management disciplines.

Seed proposals that are of interest are channelled into our Incubator, where an inventor/entrepreneur will be given administrative, managerial and technical support to develop an idea, as well as a sufficient degree of financial support to work with an idea until it is proven. Proposals from start-up companies with more developed business plans and operations are candidates for more substantial, first-or second-level venture capital financing.

For a variety of reasons, Intasys is a high-value-added investor. It is often Intasys' financial, technical and management expertise that is the company's most meaningful contribution to an inventor's or entrepreneur's business. Intasys' specialization in wireless and the Internet means there is frequently a strong natural fit among companies in the Intasys portfolio. Although each company in the portfolio stands on its own, Intasys provides opportunities for its affiliated companies to work together, enabling Noha, for example, to provide electronic billing services to a company like CampusLink, (a planned Intasys investment). The intention of these synergistic relationships is not to provide preferential pricing on products and services (that is, between the companies themselves), but rather to hasten the development of the strategic relationships that help these companies to succeed.

Other services that Intasys offers include preparing a focused business plan, or helping a company to go public. Our technical and financial expertise enables us to help companies hire well-qualified executives and senior personnel, or even negotiate with suppliers. With our strong connections and our deep experience in capital markets throughout North America and Europe, Intasys is well positioned to assist companies in meeting and negotiating with investment bankers, and in structuring proposals.

**The Intasys Incubator >** The Intasys Incubator is a practical learning ground for inventors and entrepreneurs; it is also a physical environment in which they can accomplish the necessary work to prove a concept or get a business off the ground. At all times, Intasys experts are available to assist and encourage entrepreneurs in their work.


Intasys will soon have several companies in the Incubator. Each will be provided with a small but appropriate amount of capital to build a business plan, pay the inventor's salary, fund initial purchases of equipment or hire a management team. Upcoming projects include developing companies in the fixed wireless, high speed Internet and mobile wireless Internet access sectors.

While in the Incubator, entrepreneurs and management teams are given assistance in identifying both their strengths and their weaknesses, and are then provided with a strong framework for developing their strengths while addressing the weaknesses. While there is no specific formula, financing is often provided in intervals, with additional financing provided as specific milestones are reached in the company's development.

When companies reach the appropriate stage of development, they are brought out of the incubator and assisted in setting up on their own. Depending on the level of financing required to take the company to the next level, Intasys may then provide funding on its own or, alternatively, bring in financing partners. Often, these partners will bring benefits of their own, and may be able to provide other synergies to these Incubator companies, such as a new relationship with a potential operating partner, or a potential supplier or distributor.

**Financing and Exit Strategies >** Intasys is an equity investor and will have an equity position of some sort in each of the companies it agrees to finance. Straight equity, convertible debt and warrants, options and earn-out agreements are all potential equity structures that Intasys will employ in its relationships with small companies.

Intasys is flexible in its choice of exit strategies. Among others, Intasys will consider a re-financing, initial public offerings, management buyouts or mergers with other companies as potential exit strategies, working with the management owners to provide structures that provide the maximum return for Intasys shareholders while accommodating the interests of the company.

A close-up photograph of a hand holding several bright red, spherical pills. The hand is positioned over a light-colored, textured surface, possibly sand or a fine-grained material. Several other red pills are scattered on the surface around the hand. The lighting is soft, creating gentle shadows. The overall composition is centered, with the hand and pills as the primary focus.

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molestie consequat, vel illum  
dolore eu feugiat nulla facilisis at  
vero eros accumsan eusto odio  
dignissim piscun, nonummy... »*

## > INTASYS ANCHOR INVESTMENTS AND AFFILIATES:

*interWAVE Communications International, Ltd.—Creator of The Network in a Box*

**Business** > Wireless network solutions.

**Business model** > Pioneer in the design of microcellular wireless network systems – creator of a highly innovative all-in-one, cost-effective solution for the high growth cellular and PCS market.

**Intasys investment** > US\$5.05 million for 715,000 preferred shares – each convertible into one common share – and common share purchase warrants entitling Intasys to buy another 715,000 common shares at US\$1 each.

**Strategic fit** > Integration of Intasys billing system with interWAVE's microcellular equipment to be marketed by interWAVE on an OEM basis, financially benefiting both partners.

The first strategic investment Intasys made in Internet-and wireless-related industries and technologies provided the Company with a strategic foothold in the wireless sector.

In August 1999, Intasys joined an impressive group of investors which included Nortel Networks Corp., Morgan Stanley Venture Partners, Alcatel and Mayfield Fund, by investing US\$5.05 million in interWAVE Communications International, Ltd., a pioneer in the design of microcellular wireless network systems. At that time, Intasys acquired 715,000 preferred shares—each convertible into one common share—and common share purchase warrants that entitled the Company to purchase another 715,000 common shares at US\$1 each. The strategic alliance between Intasys and interWAVE resulted in the Company becoming an OEM business and, by subscribing to the purchase warrants, entitled Intasys to purchase another 615,000 common shares at US\$1 each.

The decision to purchase shares in interWAVE proved to be a very sound one and bore fruit rapidly. Indeed, four months after the investment, interWAVE filed an initial public offering with the Securities and Exchange Commission for quotation on NASDAQ under the symbol IWAV. interWAVE sold 7.5 million shares for an aggregate amount of US\$86,250,000 or US\$11.50 a share.

Headquartered in Silicon Valley, interWAVE is a premier global provider of cost-effective compact wireless network solutions for the high growth cellular and PCS market. interWAVE solutions address the competitive needs of today's wireless communications service providers by offering them innovative solutions to economically improve and expand their services.

interWAVE's highly innovative all-in-one solution, the Network In A Box, is the first product of its kind to integrate a GSM\* switch, base station controller and base transceiver station in one compact, low-cost enclosure, approximately the size of a personal computer tower.

interWAVE technology is used by customers in a wide range of environments—from corporations and governments to small home offices and university campuses. interWAVE products also help wireless service providers attract, satisfy and retain customers based in urban communities, emerging countries, remote villages, mining sites, oilrigs, and on military bases.

As an example, interWAVE was recently awarded a contract to install, in China, wireless communications network equipment within mobile emergency disaster motor vehicles. interWAVE's stand-alone network products will be built into vans and used during emergency response situations. In addition, the GSMmobile vans will also be used to supplement telecommunications capacity during temporary network congestion.

Intasys intends to integrate its billing system with interWAVE's microcellular equipment, which can then be marketed by interWAVE on an OEM basis.

This strategic partnership demonstrates the importance of corporate alliances in the information technology industry. interWAVE can market Intasys' billing system, bundled with their state-of-the-art networking equipment, and Intasys can bring distribution and integration opportunities to interWAVE through its continually expanding customer base.

The resulting synergistic relationship will enable both Intasys and interWAVE to offer comprehensive network solutions in order to penetrate new markets around the world.

\*GSM or Global System for Mobile communications, is the international standard for wireless communications.

## *Mamma.com – the Mother of all Search Engines™*

**Business > Meta-Search Engine.**

**Business model > Innovative partnership program generating strong revenues.**

**Intasys investment > US\$27.1 million – 69% participation.**

**Strategic fit > Anchor company from which Intasys can continue to grow through investments in the Internet.**

Intasys solidly anchored its business strategy when the Company took a 69% aggregate ownership in Mamma.com Inc.— a Media Metrix 500 Company—for US\$27.1 million.

Mamma.com, the “Mother of all Search Engines”™, is recognized as one of the top meta-search engines on the Internet today and a leading provider of search engines to high traffic Internet web sites. Its robust network infrastructure ensures peak performance and maximum reliability at all times.

Internet searching is the most used navigational tool on the web, and the second most used Internet application, after e-mail. An Internet World News Survey, done in November 1999, indicated that search capability was the most important service a web property can utilize to keep its users logged on or to improve their experience while there.

Mamma.com is a “Smart Meta-Search Engine.” When the user enters a query at the Mamma.com web site, Mamma’s powerful proprietary technology efficiently and simultaneously queries several of the major search engines as well as a multiple of e-commerce databases, and properly formats the words and syntax for each source being probed. Mamma then creates a virtual database, organizes the results into a uniform format and presents them by relevance and source. In this manner, Mamma.com provides the end user with a highly relevant and comprehensive set of search results.

Mamma.com has experienced explosive growth since its inception in 1996 and presently services close to 4.8 million unique users and serves in excess of 60 million page views a month.

Mamma’s strong marketplace performance lies not only in its proprietary technology and successful business model, but also in its continually expanding family of co-branding partners and clients which now includes a network of 70 notable web entities including whitepages.com, GoToWorld.com, 555-1212.com and teen.com. Every time an end user is linked by Mamma to a partner’s site, Mamma receives a fee for this operation.

Mamma has recently embarked on an aggressive broad-based marketing campaign that is raising its profile among other search engines, Internet advertisers and users, as well as the investment community. A recent survey showed that Mamma is the search engine of choice with high-end users such as business executives and power users who do not have the time to search through several search engines. The survey also indicated that Mamma users are older (average age: 42), have a substantially higher income (average: US\$64,400), are information-driven and like the fact that the site contains very few graphics. The most common professions were programmers, business analysts, lawyers and business people.

Intasys is capitalizing on Mamma.com to build a solid foundation from which the Company can continue to grow through investments in the Internet, wireless and e-commerce technology arena.

*Noha Systems Inc. (NOHA)– New company to be created by  
the merger of Intasys Management Systems and Noha Systems Limited*



**Business >** Provider of innovative, cost-effective mediation, billing and customer care, and interconnected solutions to IT companies and end users.

**Business model >** Global leader with a proven expertise and track record of providing technology solutions that add value.

**Intasys planned investment >** Contribute the assets of Intasys Management Systems to the new company and provide US\$2 million. Intasys will own 70% of Noha.

**Strategic fit >** The synergy between the creativity and leadership of NSL's management and IMS' highly credible line of products will improve the support to end users in the wireless telecommunications industry.

On April 11, 2000, Intasys further solidified its foundations by announcing plans to merge the operations of Intasys Management Systems electronic billing solutions (IMS) with the mediation, billing and interconnectivity operations of Noha Systems Limited (NSL) of Preston, U.K. The new company—Noha Systems Inc. (Noha)—will be a global leader in innovative, cost-effective mediation, billing and customer care, and interconnected solutions.

Under the proposed deal, Intasys is contributing the assets of its IMS division and providing US\$2 million equity to Noha. As a result, Intasys will own 70% of the common stock of the new company.

In rapidly changing markets, where internal information systems struggle to keep up, the ability to capitalize rapidly on new technology to generate new information, or to find new ways to work in real time, is critical to the on-going success of a business. Since its creation in 1992, NSL has supported the efforts of worldwide market leaders such as AT&T, Visa and TNT Skypack as well as international organizations like the World Bank.

NSL's existing products include mediation and provisioning systems for the telecommunications industry. NSL has also developed an open platform electronic billing system for the wireless telecommunications industry that is complementary to the highly functional electronic billing systems that IMS currently offers.

The proposed Intasys/Noha alliance is a clear indication of how Intasys works to find needed energy and resources to fuel a growing company. The synergy between the creativity and leadership of NSL's management and IMS' highly credible line of products will improve the support to end users in the wireless telecommunications industry, as well as enhance existing relationships with several OEM\* and telecommunications companies.

Once the merger is completed, Noha plans to quickly develop new electronic billing systems based on the strengths of its products to help grow its stake in electronic billing solutions and take Noha to the next step of development.

\*OEM – Define...

*TEC TechnologyEvaluation.com – Leader in B2B research and analysis of technology trends*

**Business** > Helping business decision-makers reduce time and efforts involved in complex technology decisions.

**Business model** > The leading independent objective source of web-based business-to-business information on technology trends, vendors and products.

**Intasys investment** > Acquired 35% of TEC. Under the terms of the agreement, Intasys will advance US\$2,625,000 pursuant to the terms of a 6% secured debenture, convertible into 35% of TEC's common shares.

**Strategic fit** > By becoming a worldwide Internet leader in its field, TEC will allow Intasys to continue to grow in the Internet, wireless and e-commerce area.

As part of its strategy to grow through investments in the Internet, wireless and e-commerce arena, Intasys acquired last year a 35% participation in TechnologyEvaluation.com Corporation (TEC), a web-based B2B information technology company.

The rapidly growing IT research and analysis marketplace is currently estimated at US \$4 billion. TEC has determined that among the 54,000 companies worldwide with annual revenues of \$100 million, each makes between four and ten major technology expenditure decisions every year. Advances in technology and the proliferation of technology vendors have made it essential for business executives and IT professionals to seek independent advice and evaluation when making IT decisions.


TEC is a sophisticated provider of web-based, cutting-edge, detailed, objective research content and analysis on technology trends, vendors and products, at no cost. TEC also provides more comprehensive advice and evaluation services off-line on a fee or subscription basis. TEC's goal is to help business decision-makers reduce the time and cost involved in complex technology decisions.

Since its creation in August 1999, TEC has doubled the size of its online community of IT professionals each month. TEC is currently working with over 200,000 IT and business managers. This on-line community is made up of senior IT professionals and represents one of the highest online concentrations of technology managers, directors and business executives.

TEC analysts are experts in their fields, with extensive technology industry experience. By closely following industry trends, and using both formal and informal contacts and partnerships, they are able to provide TEC users with valuable analysis of the computer hardware and software, communications and IT industries.

With a strong management team consisting of several former senior executives of Gartner Group and its proprietary decision support software tool (TESS), Technologyevaluation.com is quickly positioning itself as the leading independent objective source of web-based B2B information. Recent clients include CBS Viacom, ConEdison, Royal Bank of Canada, Gaz Métropolitain and Harlequin Romances.

Intasys sees its investment in the technology and management of TEC as an excellent fit with its growth strategy and envisions TEC's becoming a worldwide Internet leader in its field in the very near future.



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## Management Report

The consolidated financial statements of Intasys Corporation have been prepared by management in accordance with generally accepted accounting principles in Canada. The financial information contained elsewhere in the Annual Report is consistent with the consolidated financial statements.

Management maintains a system of internal accounting and administrative controls designed to provide reasonable assurance that the financial information is accurate and reliable and that the Corporation's assets are adequately accounted for and safeguarded. These controls are reviewed regularly by management and their findings are presented to management and the Audit Committee.

The Audit Committee, which is comprised of independent directors, meets periodically with management, and external auditors, to ensure that each is discharging its respective responsibilities relating to the financial statements.

The consolidated financial statements have been reviewed by the Audit Committee prior to submission to the Board. In addition, the consolidated financial statements have been audited by Price Waterhouse Coopers LLP, Chartered Accountants, who have full access to the Audit Committee with and without the presence of management. Their report is provided below.

Steve Saviuk  
Chairman and Chief Executive Officer

Daniel Bertrand  
Vice President, Finance

## Auditors' Report

### To the Shareholders of Intasys Corporation

We have audited the consolidated balance sheet of Intasys Corporation as at December 31, 1999 and the consolidated statements of shareholders' equity, operations and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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

Chartered Accountants

# Consolidated Balance Sheets

(expressed in U.S. dollars)

	December 31, 1999	December 31, 1998
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	11,123,554	5,753,735
Accounts receivable (note 3)	2,009,717	1,040,188
Prepaid expenses and other assets (note 4)	1,951,685	241,481
	<b>15,084,956</b>	<b>7,035,404</b>
<b>Deferred financing fees</b>		
Note receivable (note 5)	1,007,882	–
Investments (note 6)	5,054,314	–
Capital assets (note 8)	1,129,059	439,853
Intangible assets (note 9)	22,985,499	1,769,942
	<b>45,261,710</b>	<b>9,471,399</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	1,888,261	883,541
Reserve for restructuring (note 13)	372,260	–
	<b>2,260,521</b>	<b>883,541</b>
Deferred revenue	30,330	–
Convertible debt (note 10)	–	879,431
Minority interest (note 7)	2,057,341	–
	<b>4,348,192</b>	<b>1,762,972</b>
Contingencies and commitments (note 16)		
<b>Shareholders' equity</b>		
<b>Capital stock (note 11)</b>		
<b>Authorized</b>		
Unlimited Class "A" subordinate voting shares		
50,000 Class "B" shares		
Unlimited common shares		
Issued and outstanding – 24,664,644 common shares (1998 – 12,093,523)	54,020,074	15,827,186
Additional paid-in capital	3,369,825	416,020
Equity component of convertible debt	–	76,929
Deficit	(16,476,381)	(8,611,708)
	<b>40,913,518</b>	<b>7,708,427</b>
	<b>45,261,710</b>	<b>9,471,399</b>

(the accompanying notes are an integral part of these consolidated financial statements)

Approved by the Board of Directors

Director

Director

# Consolidated Statements of Shareholders' Equity

(expressed in U.S. dollars)

	Common Shares #	Common Shares \$	Paid-in Capital \$	Equity Component \$	Deficit \$
<b>Balance, December 31, 1996</b>	5,199,357	6,223,567	-	-	(3,815,562)
Allocated from convertible debt	-	-	6,000	25,000	-
Shares issued on exercise of warrants	240,000	456,000	-	-	-
Shares issued on settlement of debt	108,448	316,305	-	-	-
Shares issued on options previously granted	50,000	36,875	-	-	-
Shares issued on in connection with Latitude acquisition	70,000	105,000	-	-	-
Loss for the year	-	-	-	-	(2,113,920)
<b>Balance, December 31, 1997</b>	5,667,805	7,137,747	6,000	25,000	(5,929,482)
Allocated from convertible debt	-	-	642,000	429,000	-
Shares issued on redemption of debt	-	-	(64,564)	(93,968)	-
Shares issued on private placement	2,339,398	4,566,889	-	-	-
Shares issued on exercise of warrants	2,118,498	2,591,452	(15,000)	-	-
Shares issued on conversion of debt	1,727,364	1,180,092	(152,416)	(254,236)	-
Shares issued in lieu of interest on convertible debentures	27,958	58,543	-	-	-
Shares issued on exercise of employee options	212,500	292,463	-	(42,143)	-
Equity component of interest expense	-	-	-	13,276	(13,276)
Loss for the year	-	-	-	-	(2,668,950)
<b>Balance, December 31, 1998</b>	12,093,523	15,827,186	416,020	76,929	(8,611,708)
Shares and warrants issued on private placement	5,487,369	14,570,000	3,120,000	-	-
Shares issued in connection with Domus acquisition	40,000	130,000	-	-	-
Shares issued in connection with Latitude acquisition	46,667	70,000	-	-	-
Shares issued on acquisition of Mamma.com	3,815,372	15,261,488	-	-	-
Shares issued on exercise of warrants	2,295,605	6,702,818	(166,195)	-	-
Shares issued on exercise of employee options	469,400	544,098	-	-	-
Shares issued in lieu of interest on convertible debentures	5,966	16,636	-	-	-
Shares issued on conversion of debt	410,742	897,848	-	(76,929)	-
Loss for the year	-	-	-	-	(7,864,673)
<b>Balance, December 31, 1999</b>	24,664,644	54,020,074	3,369,825	-	(16,476,381)

(the accompanying notes are an integral part of these consolidated financial statements)

## Consolidated Statements of Operations

(expressed in U.S. dollars)

	For the years ended December 31,		
	1999	1998	1997
	\$	\$	\$
<b>Revenue</b>	5,023,822	4,197,799	1,527,221
<b>Expenses</b>			
Cost of goods sold, selling and administrative	9,339,763	5,059,888	2,557,694
Research and development	1,466,663	240,303	320,214
Amortization and depreciation	1,785,715	1,349,869	763,233
Interest	30,390	216,689	-
Restructuring charges (note 13)	646,192	-	-
	13,268,723	6,866,749	3,641,141
Interest revenue	355,512	-	-
Minority interest	24,716	-	-
	380,228	-	-
<b>Loss for the year</b>	<b>(7,864,673)</b>	<b>(2,668,950)</b>	<b>(2,113,920)</b>
<b>Basic and fully diluted loss per share (note 12)</b>	<b>(0.50)</b>	<b>(0.33)</b>	<b>(0.39)</b>

(the accompanying notes are an integral part of these consolidated financial statements)

## Consolidated Statements of Cash Flows

For the years ended December 31, (expressed in U.S. dollars)

	1999	1998	1997
	\$	\$	\$
<b>Cash flows from (used in)</b>			
<b>Operating activities</b>			
Loss for the year	(7,864,673)	(2,668,950)	(2,113,920)
Amortization and depreciation	1,785,715	1,349,869	763,233
Capital asset write-downs	123,742	-	-
Imputed interest on convertible debt	16,636	196,195	-
Minority interest	24,716	-	-
Net change in non-cash working capital:			
Accounts receivable	(59,433)	(795,379)	2,714
Prepaid expenses and other assets	(1,397,998)	(42,507)	(79,803)
Accounts payable and accrued liabilities	93,506	58,792	459,890
Additions to deferred revenue	30,330	-	-
Reserve for restructuring	372,260	-	-
	(6,875,199)	(1,901,980)	(967,886)
<b>Financing activities</b>			
Issue of convertible debt	-	4,200,000	161,000
Issue of capital stock and warrants	24,938,409	6,751,174	492,875
Subscription for shares	-	-	253,194
Repayment of convertible debt	-	(1,000,000)	-
Cost of issuing debt and capital stock	-	(739,220)	-
	24,938,409	9,211,954	907,069

# Consolidated Statements of Cash Flows

(expressed in U.S. dollars)

	For the years ended December 31,		
	1999	1998	1997
	\$	\$	\$
<b>Cash flows from (used in) (continued)</b>			
<b>Investing activities</b>			
Investment in interWAVE	(5,054,314)	-	-
Advance of promissory notes	(1,007,882)	-	-
Acquisition of Mamma.com, net of cash acquired	(5,951,656)	-	-
Acquisition of intangible assets	-	(1,523,536)	(1,133,485)
Purchase of capital assets	(679,539)	(403,255)	(112,608)
	(12,693,391)	(1,926,791)	(1,246,093)
<b>Change in cash and cash equivalents</b>	<b>5,369,819</b>	<b>5,383,183</b>	<b>(1,306,910)</b>
<b>Cash and cash equivalents – Beginning of year</b>	<b>5,753,735</b>	<b>370,552</b>	<b>1,677,462</b>
<b>Cash and cash equivalents – End of year</b>	<b>11,123,554</b>	<b>5,753,735</b>	<b>370,552</b>
<b>Additional cash flow information</b>			
– Cash paid for interest	11,792	65,494	-

(the accompanying notes are an integral part of these consolidated financial statements)

## Notes to Consolidated Financial Statements

December 31, 1999 (expressed in U.S. dollars)

### 1 > Nature of business

The Company is a global provider of wireless, Internet-compatible billing and customer information systems and value added meta search engines distributing search results over the Internet.

The Company also provides investment capital and management counsel to embryonic as well as more established Internet, e-commerce and wireless telecommunications ventures.

### 2 > Summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada, which, except as described in note 22, conform in all material respects with accounting principles generally accepted in the United States.

#### a) Basis of consolidation

These consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries and Mamma.com Inc., a controlled subsidiary. All significant inter-company balances and transactions have been eliminated on consolidation.

#### b) Cash and cash equivalents

Cash and cash equivalents consist of cash and investments with original maturities of less than ninety days from the date of acquisition.

#### c) Investment tax credits

Investment tax credits ("ITCs"), which are earned as a result of qualifying research and development expenditures, are recognized when the expenditures are made and their realization is reasonably assured, and are applied to reduce research and development capital costs and expenses in the year.

#### d) Capital assets

Capital assets are recorded at cost less accumulated amortization. Depreciation and amortization are calculated using the following rates and bases:

Computer equipment and software	20 to 30% declining balance and straight line over 3 to 5 years
Furniture and fixtures	straight line over 3 to 5 years
Leasehold improvements	straight line over 3 to 5 years

# Notes to Consolidated Financial Statements

December 31, 1999 (expressed in U.S. dollars)

The Company regularly reviews the carrying value of its capital assets. If the carrying value of its capital assets exceeds the amount recoverable, a write-down is charged to the consolidated statement of operations.

## e) Intangible assets

### *Billing technology software and research and development costs*

The Company capitalized the costs of acquired billing technology software that is sold, leased or otherwise marketed by the Company. These costs are being amortized on the straight-line basis over the estimated useful life of the product, not exceeding five years.

The Company regularly reviews the carrying value of billing technology software. If the carrying value of its billing technology software exceeds the amount recoverable, a write-down is charged to the consolidated statement of operations.

Research costs, including research performed under contract by third parties, are expensed as incurred. Development costs are also generally expensed as incurred unless such costs meet the criteria under GAAP for deferral and amortization. To qualify for deferral, the costs must relate to a technically feasible, identifiable product which the Company intends to produce and market, there must be a clearly defined market for the product and the Company must have the resources, or access to the resources, necessary to complete the development. The Company has not deferred any such development costs during the year ended December 31, 1999.

### *Goodwill*

Goodwill is stated at cost less accumulated amortization which is calculated on a straight-line basis over the estimated useful life, which does not exceed seven years.

The Company regularly reviews the carrying value of goodwill. If the carrying value of its goodwill exceeds the amount recoverable, a write-down is charged to the consolidated statement of operations.

## f) Stock-based compensation

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

## g) Revenue recognition

Revenue from software product licenses which include significant customization and revenue from services are recognized on a percentage of completion basis, whereby revenue is recorded at the estimated realizable value of work completed to date. Estimated losses on contracts are recognized when they become probable. Additional license revenues are recognized when the Company is notified that the number of customer subscribers exceeds the number of subscribers for which the customer is currently licensed. Revenue related to ongoing product support is recognized ratably over the contract term as the work is performed. Revenue from maintenance services is recognized over the term of the maintenance contract.

## h) Future income taxes

In fiscal 1998, the Company adopted the asset and liability method, required by the Canadian Institute of Chartered Accountants (CICA) Handbook section 3465, to provide for income taxes on all transactions recorded in the financial statements. The asset and liability method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets or liabilities and their tax bases. Future income tax assets and liabilities are determined for each temporary difference based on the tax rates which are expected to be in effect when the underlying items of income and expense are expected to be realized. Management establishes a valuation allowance against future income tax assets based on an assessment of various uncertainties related to their future realization. There was no material impact on the financial statements from the retroactive application of the new standard.

## i) Foreign currency

Management considers operation of all of the Company's subsidiaries to be fully integrated. Monetary assets and liabilities of the integrated foreign subsidiaries are translated into United States dollars at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at the rate of exchange during the year. The resultant loss on foreign exchange of \$35,149 (1998 – \$20,486; 1997 – \$46,066) is included in loss for the year.

## j) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount 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 reported period. Actual results could differ from those reported.

# Notes to Consolidated Financial Statements

December 31, 1999 (expressed in U.S. dollars)

## k) Reclassification

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

## 3 > Accounts receivable

Accounts receivable are net of an allowance for doubtful accounts of \$228,778 (1998 – \$250,369).

## 4 > Prepaid expenses and other assets

	1999 \$	1998 \$
Prepaid marketing contract	1,022,350	–
Other prepaid expenses and assets	929,335	241,481
	<hr/> 1,951,685	<hr/> 241,481

## 5 > Note receivable

On December 6, 1999, the Company entered into an agreement whereby it will investment in the equity of TEC Technology Evaluation.com Corporation ("TEC"). Under the terms of the agreement, the Company will advance TEC a \$2,625,000, 6% secured debenture, convertible into 35% of the common shares of TEC on a fully diluted basis. As of December 31, 1999, all advances were made as promissory notes at a rate of 6% (also see note 20 (b)).

## 6 > Investments

On August 30, 1999, the Company purchased 715,000 series H1 voting preferred shares of interWAVE Communications International Ltd. ("interWAVE") representing approximately a 5% financial interest. The investment is recorded at cost and included 715,000 warrants to buy common shares at \$1 each. interWAVE produces a family of digital microcellular products for wireless communication service providers (also see note 20 (c)).

## 7 > Acquisitions

### a) Purchase of Latitude

On September 1, 1997, the Company acquired the net assets of the consulting division of the Latitude Group Inc. of Atlanta, Georgia, U.S.A. through its newly incorporated wholly-owned U.S. subsidiary Latitude Solutions, Inc. ("Latitude"). This acquisition has been accounted for using the purchase method. The operating results of Latitude since September 1, 1997, are included in the consolidated statement of operations.

The purchase price was satisfied by the issuance of 116,667 common shares (46,667 of which were issued in May 1999 as contingent consideration) of the Company valued at \$1.50 per share and the forgiveness of debt in the amount of \$35,000.

Summarized below are the fair values of the assets and liabilities assumed at acquisition date.

	\$
Net current assets	13,919
Goodwill	196,081
	<hr/>
Acquisition cost	<hr/> 210,000

As at December 31, 1999 the goodwill associated with Latitude has been fully amortized.

### b) Purchase of Telecommunications Billing – Domus Software Limited

On August 31, 1998, the Company acquired the assets of the telecommunications billing system division of Domus Software Limited of Ottawa, Ontario, Canada through its wholly-owned Canadian subsidiary. The purchase price was satisfied by a \$423,500 cash payment and the issuance of 40,000 shares to Domus employees on August 20, 1999. Summarized below are the fair values of the assets assumed at acquisition date.

## Notes to Consolidated Financial Statements

December 31, 1999 (expressed in U.S. dollars)

	\$
Accounts receivables and prepaids	46,492
Computer equipment	81,433
Software technology	295,575
Goodwill	130,000
	<hr/> 553,500 <hr/>

### c) Purchase of Mamma.com Inc.

On November 29, 1999, the Company acquired 92,672 Class A Common shares and all of the Class A preferred shares of Mamma.com Inc., a company providing a meta search engine on the Internet, these shares represent a 69% voting interest in Mamma.com. Total consideration was \$27,146,900.

The purchase price was satisfied by an \$11,885,412 cash payment and the issuance of 3,815,372 common shares of the Company valued at \$4.00 per share. This acquisition has been accounted for using the purchase method. The operating results of Mamma.com since November 29, 1999, are included in the consolidated statement of operations for the year ended December 31, 1999.

The net assets acquired were as follows:

	\$
Cash	5,933,756
Accounts receivable and sundry receivable	910,096
Prepaid expenses and other assets	242,206
Fixed assets	381,303
Goodwill	22,582,366
Accounts payable and accrued liabilities	(854,012)
Minority interest	(2,048,815)
	<hr/> 27,146,900 <hr/>

The following table presents pro-forma financial information for the years ended December 31, 1999 and December 31, 1998 as though the acquisition of Mamma.com Inc. had occurred at the beginning of the year ended December 31, 1998:

	1999	1998
	\$	\$
Total revenue	5,957,301	4,261,371
Loss for the year	(8,190,089)	(2,690,899)
Basic and fully diluted loss per share	(0.52)	(0.33)

## 8 > Capital assets

		1999	1998
		Net	Net
	Cost	\$	\$
		Accumulated depreciation and amortization	
	\$	\$	
Computer equipment and software	1,067,180	315,904	751,276
Furniture and fixtures	563,085	287,394	275,691
Leasehold improvements	115,776	13,684	102,092
	<hr/> 1,746,041	<hr/> 616,982	<hr/> 1,129,059
		439,853	

The cost of capital assets at December 31, 1998 was \$808,941 and accumulated depreciation and amortization was \$369,088.

# Notes to Consolidated Financial Statements

December 31, 1999 (expressed in U.S. dollars)

## 9 > Intangible assets

			1999	1998
	Cost	Accumulated	Net	Net
	\$	amortization	\$	\$
		\$		
Billing technology software	4,506,952	3,964,981	541,971	1,699,893
Goodwill	22,838,447	394,919	22,443,528	70,049
	<b>27,345,399</b>	<b>4,359,900</b>	<b>23,985,499</b>	<b>1,769,942</b>

The cost of intangible assets at December 31, 1998 was \$4,592,021 and accumulated amortization was \$2,822,079.

## 10 > Convertible debt

	1999	1998
	\$	\$
A 6% convertible debenture due June 29, 2000	–	1,100,000
Less: Portion of convertible debt attributable to equity	–	220,569
	<b>–</b>	<b>879,431</b>

During 1998, the Company issued \$3,392,000 of convertible debentures bearing interest at 6%. Interest was payable in cash or freely tradeable common shares of the Company at the option of the Company. The debentures were convertible into shares based on an applicable discount to market not exceeding 20%. The Company redeemed \$1,000,000 of these debentures and converted \$1,292,000 of the debentures into common shares in 1998; the remaining \$1,100,000 was totally converted into common shares in 1999.

During 1998, the Company issued \$1,000,000 of 8% bearing convertible debentures. All of these debentures were converted into common shares of the Company in 1998.

During 1998, the Company converted convertible loans in the amount of \$161,000 into common shares of the Company.

## 11 > Capital stock

### (i) Options

The Company's stock option plan is administered by the Compensation Committee, which is a subcommittee of the Board of Directors. The Compensation Committee will designate eligible participants to be included under the plan, and will designate the number of options and share price pursuant to the new options, subject to applicable securities laws and stock exchange regulations. Options vest over periods which vary from immediately to four years, have an exercise price not less than the market price of shares at the date of grant and have a life not exceeding 10 years. Information with respect to stock option activity for 1997, 1998 and 1999 is as follows:

	Number of shares	Price per share \$	
		Range	Weighted average
Outstanding – January 1, 1997	720,900	1.50-1.85	
Granted	487,500	0.625-0.85	
Exercised	(50,000)	0.625-0.85	
Outstanding - December 31, 1997	1,158,400	0.625-1.85	0.95
Granted	549,750	1.92	
Exercised	(212,500)	0.67-1.92	
Outstanding - December 31, 1998	1,495,650	0.625-1.92	1.27
Granted	1,875,000	3.22-6.22	
Exercised	(469,400)	0.67-1.85	
Cancelled	(251,000)	1.15-3.75	
<b>Outstanding - December 31, 1999</b>	<b>2,650,250</b>	<b>0.625-6.22</b>	<b>3.92</b>

## Notes to Consolidated Financial Statements

December 31, 1999 (expressed in U.S. dollars)

For various price ranges, weighted average characteristics of outstanding stock options at December 31, 1999 were as follows:

Range of exercise price \$	Outstanding options		
	Shares	Remaining life (years)	Weighted average \$
0.625-2.00	975,250	6.07	1.68
2.01-4.00	625,000	3.78	3.69
4.01-6.22	1,050,000	4.00	6.15

The outstanding options expire between December 31, 2001 and February 8, 2009.

### (ii) Warrants

The Company's warrants have been sold in connection with private placements and the previous issuances of convertible debt. Each warrant is convertible into one common share at exercise prices ranging from \$1.25 to \$6.63 per share. Information with respect to warrant activity for 1997, 1998 and 1999 is as follows:

	Number of shares
Outstanding January 1, 1997	1,740,000
Issued	186,000
Exercised	(240,000)
Outstanding December 31, 1997	1,686,000
Issued	3,285,925
Exercised	(2,118,498)
Outstanding December 31, 1998	2,853,427
Issued	6,679,000
Exercised	(2,378,976)
Outstanding December 31, 1999	7,153,451

For various price ranges, weighted average characteristics of outstanding warrants at December 31, 1999 were as follows:

Range of exercise price \$	Outstanding warrants		
	Warrants	Remaining life (years)	Weighted average \$
1.25-2.00	12,500	3.2	1.25
2.01-4.00	5,996,951	1.6	3.63
4.01-6.63	1,144,000	1.0	5.47

The outstanding warrants expire at various dates between November 23, 2000 and June 29, 2003.

## 12 > Loss per share

Loss per share is calculated using the weighted average number of shares outstanding during each year.

	1999	1998	1997
Weighted average number of common shares	15,890,578	8,181,192	5,434,170

Outstanding options and warrants are anti-dilutive, therefore; fully diluted loss per share is equal to basic loss per share.

# Notes to Consolidated Financial Statements

December 31, 1999 (expressed in U.S. dollars)

## 13 > Restructuring charges

During 1999, in keeping with the Company's strategy of tailoring its billing solution to the wireless marketplace, the Company closed its Atlanta (Latitude), Ottawa and Mississauga offices and a total of 19 employees were terminated. The Company's North American billing software sales and consulting operations were consolidated in Montreal (Canada).

As at December 31, 1999, the reserve for restructuring is comprised of the following amounts:

	Capital asset write- downs \$	Severance costs \$	Facilities Closure Costs \$	Other costs \$	Total \$
Restructuring charges	123,742	212,400	188,168	121,882	646,19
Payments	-	(88,797)	(52,550)	(8,843)	(150,190)
Non-cash asset write-downs	(123,742)	-	-	-	(123,742)
Reserve for restructuring	-	123,603	135,618	113,039	372,260

Facilities closure costs consisted primarily of \$92,198 related to the closure of the Company's Atlanta office, \$50,516 related to the closure of the Ottawa office and \$45,454 related to the Mississauga office. The provision for closure costs includes management's best estimates of the future operating costs of these vacant facilities until subleasing is obtained. Actual costs could differ from these estimates.

Other costs relate primarily to non-cancellable operating leases.

## 14 > Statement of cash flow

During the year, the Company's non-cash activities consisted of: shares issued on the acquisition of Mamma.com Inc. in the amount of \$15,261,488; shares issued in lieu of fees related to private placement in the amount of \$2,180,717; shares issued on conversion of convertible debt in the amount of \$1,103,394; and shares issued in lieu of interest in the amount of \$16,636.

In 1998, the Company's non-cash activities consisted of: shares issued on conversion of debt in the amount of \$1,180,092; shares issued in lieu of interest in the amount of \$58,543; and shares issued as part of cost of issuing debt and capital stock in the amount of \$446,436.

In 1997, the Company's non-cash activities consisted of: shares issued on acquisition of Latitude in the amount of \$105,000; forgiveness of debt in the amount of \$35,000 on the acquisition of Latitude and shares issued on conversion of certain debts of \$316,305.

## 15 > Income taxes

A reconciliation of the combined Canadian federal and provincial income tax rate with the Company's effective income tax rate is as follows:

	1999 \$	1998 \$	1997 \$
Expected statutory recovery rate	44%	44%	44%
Expected recovery of income tax	(3,460,000)	(1,174,000)	(930,000)
Benefit of losses and amortization not recognized	2,955,000	1,074,000	768,000
Effect of foreign tax rate differences	362,000	85,000	158,000
Non-deductible costs	143,000	15,000	4,000
Provision for income taxes	-	-	-

# Notes to Consolidated Financial Statements

December 31, 1999 (expressed in U.S. dollars)

The major components of the future tax benefit classified by the source of temporary differences that gave rise to the benefit are as follows:

	1999 \$	1998 \$	1997 \$
<b>Canada</b>			
Accounting amortization in excess of tax amortization	1,825,000	1,490,000	1,311,000
Net operating losses (expiring 2001 – 2006)	3,050,000	1,567,000	1,034,000
Net capital losses (unlimited)	2,123,000	2,015,000	2,156,000
	<b>6,998,000</b>	<b>5,072,000</b>	<b>4,501,000</b>
<b>United Kingdom</b>			
Net operating losses (unlimited)	265,000	102,000	107,000
<b>United States of America</b>			
Net operating losses (expiring 2018)	1,422,000	454,000	45,000
<b>Australia</b>			
Net operating losses (unlimited)	119,000	221,000	122,000
Total	8,804,000	5,849,000	4,775,000
Valuation allowance	(8,804,000)	(5,849,000)	(4,775,000)
	-	-	-

Net operating loss carryforward balances acquired in the acquisition of Mamma.com total approximately \$400,000 and expire at various dates to 2006.

## 16 > Contingencies and commitments

### a) Contingencies

On May 6, 1996, a claim in an unspecified amount was made in Florida in connection with the Company's previously discontinued operation of disinfectant products.

The Company's petition for the motion to dismiss the case was denied by the trial judge. As at December 31, 1999 the petition was still in front of the Florida Court of Appeal. Management considers this claim to be frivolous and without merit. No estimate of potential loss, if any, is possible.

### b) Commitments

The Company is obligated under operating lease agreements for office space. Future minimum lease payments under these leases as of December 31, 1999 are as follows:

	\$
2000	299,000
2001	363,000
2002	335,000
2003	250,000
2004	164,000
Total	1,411,000

Rental expense under these leases was \$309,443 (1998 -\$246,328, 1997 - \$116,183).

## 17 > Financial instruments

- The Company operates internationally and is exposed to market risks principally from changes in foreign currency rates. The Company does not hold any financial instruments that mitigate this risk.
- The Company and its subsidiaries are engaged primarily in the licensing of specialized computer software and meta search engines distributing search results over the Internet. The Company performs ongoing credit evaluation of its customers' financial condition and, generally, requires no collateral from its customers.
- The carrying amounts reflected in the consolidated balance sheets for accounts receivable, accounts payable and accrued liabilities approximate respective fair values due to the short maturities of those instruments.

# Notes to Consolidated Financial Statements

December 31, 1999 (expressed in U.S. dollars)

- iv) The fair value of the convertible debt is estimated by discounting the future cash flows at rates offered to the Company for similar debt instruments without convertible features. The values representing equity features of the convertible debt were allocated to additional paid-in capital and equity component of convertible debt. The remaining carrying value represents the fair value of the instruments due to the use of market rates.

## 18 > Segment information

The Company has two reportable segments: billing systems and internet meta-search engine. The Company evaluates operating segment performance based on operating revenue from external customers, operating income (loss) before amortization and interest, and identifiable long-held assets.

A reconciliation of the totals reported for the operating segments to the applicable line items in the consolidated financial statements for the year ended December 31, 1999, 1998 and 1997 is as follows:

		1999 \$		1998 \$	1997 \$
	Internet meta-search engine	Billing systems	Total	Billing systems	Billing systems
Revenue	474,486	4,549,336	5,023,822	4,197,799	1,527,221
Research and development	58,640	1,408,023	1,466,663	240,303	320,214
Cost of goods sold, selling and administration	393,892	8,945,871	9,339,763	3,392,277	1,512,897
Operating income (loss) before the undernoted	21,954	(5,804,558)	(5,782,604)	(1,057,392)	(1,350,687)
Amortization and depreciation	7,689	1,778,026	1,785,715	1,349,869	763,233
Interest expense	-	30,390	30,390	261,689	-
Restructuring charges	-	646,192	646,192	-	-
Interest revenue & other	-	(380,228)	(380,228)	-	-
Income (loss) for the year	14,265	(7,878,938)	(7,864,673)	(2,668,950)	(2,113,920)
<b>Identifiable long-held assets:</b>					
<b>-Capital assets</b>					
Canada	390,888	227,987	618,875	320,418	53,538
United Kingdom	-	353,274	353,274	66,584	74,327
Australia	-	156,910	156,910	52,851	24,533
	390,888	738,171	1,129,059	439,853	152,398
<b>-Intangible assets</b>					
Canada	22,313,528	541,971	22,855,499	1,769,942	1,480,475
United Kingdom	-	-	-	-	-
Australia	-	-	-	-	-
	22,313,528	541,971	22,855,499	1,769,942	1,480,475
<b>Revenue:</b>					
United States and Canada	474,486	676,767	1,151,253	292,213	147,000
United Kingdom	-	2,920,861	2,920,861	2,892,254	1,251,200
Australia	-	951,708	951,708	1,013,332	128,921
	474,486	4,549,336	5,023,822	4,197,799	1,527,121
<b>Major Customers:</b>					
Cellular One Communication Limited	-	606,224	606,224	487,180	227,468
Racal Telecommunications	-	-	-	591,064	237,529
Project Telecom Limited	-	-	-	-	193,815
Vodafone (NI) Limited	-	-	-	-	161,081
Cellular Operations Limited	-	1,038,369	1,038,369	1,103,568	-

# Notes to Consolidated Financial Statements

December 31, 1999 (expressed in U.S. dollars)

## 19 > Related party transactions

- a) Other assets include a demand loan from the Company's former chairman in the amount of \$60,692 (1998 - \$60,692), of which \$23,027 (1998 - \$21,724) bears interest at 6% per annum.
- b) Accrued liabilities include non-interest bearing payments to a corporation owned by the former president of the Company in the amount of \$34,102. Of this total, \$15,000 of the liability relates to the remaining obligation of the Company with respect to the former president's severance agreement. The remaining balance of \$19,102 relates to a contingent payment for obtaining a sub-tenant of the lease of the premises occupied by the Company located at 2475 Skymark Avenue, Mississauga, Canada.

## 20 > Subsequent events

### a) Offer to lease

On January 9, 2000, an offer to lease a facility located on the 20th floor, Place Ville-Marie, Quebec was signed and amended by letter of agreement dated February 1, 2000. The lease is for a term of 11 years commencing on August 1, 2000 for approximately 10,533 square feet of rentable area. The base rent for the first five years of the term is at \$13.07 per square foot and for the following six years at \$14.28 per square foot. A letter of credit of approximately \$290,000 is required upon the execution of the lease.

### b) Note receivable

On February 11, 2000, the Company made additional advances to TEC Technology Evaluation.com Corporation of \$850,000.

### c) Investments

On January 20, 2000, the Company increased its investment in interWAVE Communications International Ltd. by exercising its 715,000 warrants and paid \$715,000. On January 28, 2000, interWAVE Communications International Ltd. commenced an initial public offering of 8.5 million shares of its common stock at an offering price of \$13.00 per share.

### d) Investment in CampusLink Limited

On March 29, 2000, the Company signed a letter of intent to acquire a 30% financial interest in CampusLink Limited for cash consideration of \$4,000,000. CampusLink is a U.K. based private company that provides telephone services, data connections and cable TV services to university students in dormitories.

### e) Investment in Noha Systems Inc.

On April 11, 2000, the Company signed a letter of intent with Noha Systems Limited ("NSL") of Preston, U.K. to merge the Company's billing systems division with NSL's mediation, billing and interconnectivity assets to create Noha Systems Inc. In addition to contributing the assets of its billing systems division, the Company will provide \$2,000,000 in equity.

## 21 > Uncertainty due to the year 2000 issue

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

## 22 > United States accounting principles

The consolidated financial statements have been prepared in accordance with Canadian GAAP. These principles differ, as they affect the Company, in the following material respects from U.S. GAAP:

# Notes to Consolidated Financial Statements

December 31, 1999 (expressed in U.S. dollars)

## a) Statement of loss

	1999 \$	1998 \$	1997 \$
Loss for the year in accordance with Canadian GAAP	(7,864,673)	(2,668,950)	(2,113,920)
Amortization of deferred financing fees charged under Canadian GAAP		-	137,654
Expense adjustment for convertible debentures with conversion price below the fair value of the shares	-	(991,000)	-
Loss in accordance with U.S. GAAP	(7,864,673)	(3,522,296)	(2,113,920)
Basic and diluted loss per share – U.S. GAAP	(0.50)	(0.43)	(0.39)

## b) Balance sheets

	December 31, 1999 \$	December 31, 1998 \$
Total assets	45,061,710	9,471,399
Current liabilities	2,260,521	883,541
Convertible debt <sup>(1)</sup>	-	1,051,356
Other long-term obligations	2,087,671	-
Total liabilities	4,348,192	1,934,897
Capital stock <sup>(2)</sup>	73,709,646	33,320,602
Additional paid-in capital <sup>(1)</sup>	249,825	437,250
Equity component of convertible debt <sup>(1)</sup>	-	-
Deficit <sup>(2)</sup>	(33,245,953)	(26,221,350)
Total shareholders' equity	40,713,518	7,536,502
Total liabilities and shareholders' equity	45,061,710	9,471,399

<sup>(1)</sup>Under U.S. GAAP, the economic substance of an inseparable conversion option is not recognized at the time convertible debt is issued. In addition, the portion of the issuance proceeds allocated to the separate purchase option (warrants) is based on the relative fair value of the convertible debt and separate purchase option on their date of issuance. The embedded beneficial conversion feature (in-the-money) is recognized as interest expense over the minimum period from the date of issuance to the date at which the debt holder can realize that return using the effective yield method.

<sup>(2)</sup>Under U.S. GAAP, the reduction of stated capital undertaken by the Company on June 28, 1995, would not be permitted.

## c) Share based compensation

The Company has adopted the disclosure-only provision of Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation" (SFAS 123). Had compensation cost for options been determined based on the Black-Scholes option pricing model at the grant date as prescribed by SFAS No. 123, the Company would have reported a greater compensation expense related to these options than recorded under APB 25, increasing the Company's loss as follows:

	1999 \$	1998 \$	1997 \$
Loss under U.S. GAAP	(7,864,673)	(3,522,296)	(2,113,920)
Estimated incremental share based compensation expense	(3,150,000)	(379,346)	(104,375)
Pro forma loss	(11,014,673)	(3,901,642)	(2,218,295)
Pro forma basic and diluted loss per share	(0.69)	(0.48)	(0.41)

# Notes to Consolidated Financial Statements

December 31, 1999 (expressed in U.S. dollars)

The fair values of all options granted during 1999, 1998 and 1997 were estimated as of the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	1999	1998	1997
Expected option life (years)	4.0	3.5	3.5
Volatility	90%	40%	40%
Risk-free interest rate	5.5%	5.5%	6.5%
Dividend yield	nil	nil	nil

The fair values, at the date of grant, for stock options granted during 1999, 1998 and 1997 were \$4.05, \$0.69 and \$0.24 per option, respectively.

## d) Calculation of earnings per share


The Company has reported basic and fully diluted loss per share according to Canadian GAAP. This presentation complies with Statement of Accounting Standards (SFAS) No. 128, "Earnings Per Share", where "fully diluted" earnings per share equals the SFAS 128 "diluted" earnings per share.

## e) Recent accounting pronouncements

During the year ended December 31, 1999, the Company adopted SOP 98-1 "Accounting for the Costs of Computer Software Purchased for Internal Use", which provides guidance on applying U.S. generally accepted accounting principles for costs associated with the implementation of computer software for internal use. SOP 98-1 conforms with Canadian generally accepted accounting principles and the adoption of it did not have a material impact on the results for the year ended December 31, 1999.

In June 1998, the FASB issued Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, which establishes standards for derivative instruments and hedging activities. It requires that all derivatives be recognized as either assets or liabilities on the balance sheet and be measured at fair value. This Statement is effective for fiscal years beginning after June 15, 1999, which is the year beginning January 1, 2000 for the Company. Prior periods should not be restated. The Company has not yet assessed the impact of adopting this pronouncement.

In December 1998, the American Institute of Certified Public Accountants ("AICPA") issued the SOP 98-9, "Modification of SOP 97-2, Software Revenue Recognition, With Respect to Certain Transactions". This Statement is effective for fiscal years beginning after March 15, 1999, which is the year beginning January 1, 2000 for the Company. Prior periods should not be restated. The Company has adopted these recommendations in 1999.

A close-up photograph of a hand holding a fishing net. The net is filled with a large, bright red fish. The background is a soft, out-of-focus blue sky. The overall tone is serene and natural.

*« Orevdrerit in vulputate velitat  
molestie consequat, vel illum  
dolore eu feugiat nulla facilisis at  
vero eros accumsan eusto odio  
dignissim piscun, nonummy... »*