

MICROFORUM INC.

1998 ANNUAL INFORMATION FORM

July 17, 1998

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UNLESS OTHERWISE INDICATED, ALL REFERENCES HEREIN ARE TO CANADIAN DOLLARS. UNLESS OTHERWISE INDICATED, ALL INFORMATION IS CURRENT TO FEBRUARY 28, 1998.

MICROFORUM INC.

1998 ANNUAL INFORMATION FORM

ITEM 1 - THE COMPANY

Microforum Inc. ("Microforum" or the "Company") was incorporated under the *Business Corporations Act* (Ontario) by certificate of incorporation effective February 27, 1987. The registered and executive office of the Company is located at 1 Woodborough Avenue, Toronto, Ontario, M6M 5A1, telephone: (416) 656-6406, Internet site: <http://www.microforum.com>.

Microforum has amended its constating documents as follows:

Articles of Amendment	Purpose
March 19, 1987	Change of name of the Company to "Microforum Manufacturing Inc."
August 7, 1992	To create a class of shares of an unlimited number to be designated as Class "E" Preferred Shares.
December 23, 1993	To divide the 1 issued and outstanding common share in the capital stock of the Company into 200 issued and outstanding Common Shares. To increase the authorized capital of the Company by creating a limited number of Class "A" Common Shares and Class "F" Special Shares.
July 14, 1994	To change the name of the Company to "Microforum Inc."
November 9, 1995	To divide the 18,000 issued and outstanding Common Shares in the capital stock of the Company into 3,600,000 issued and outstanding Common Shares.
November 20, 1995	The deletion in its entirety of the restrictions on the issuance, transfer or ownership of shares in the Company. Removal of the "private company" restrictions.
September 11, 1996	Cancellation of the Class "A" Common Shares, Class

	<p>"A" Special Shares, Class "B" Special Shares, Class "C" Special Shares, Class "D" Special Shares, Class "E" Preferred Shares, and Class "F" Special Shares.</p> <p>Declare that the authorized capital of the Company, after giving effect to the foregoing, shall consist of an unlimited number of Preference Shares and an unlimited number of Common Shares.</p> <p>To provide for the issuance of an unlimited number of Preference Shares, issuable in series.</p>
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ITEM 2 - GENERAL DEVELOPMENT OF THE BUSINESS

Summary of the Business

Founded in 1985, Microforum is a leading worldwide content provider of innovative Internet services and multimedia communications products. Microforum is an integrated Internet content and applications, marketing communications company. The Company's operations include production, duplication, packaging and distribution capabilities, as well as customized multimedia software, animation, art and graphic design services and Internet web site development. The Company's development efforts are directed towards electronic sales and services through its on-line store utilizing advanced systems of electronic commerce and hosting and maintaining Internet sites and Web site development services for companies seeking a presence on the Internet or on internal Intranets.

Significant Developments

The Company commenced operations in 1985 as a distributor of computer peripherals, and began providing duplication and packaging services in 1990. From its roots in software publishing, Microforum has evolved into a leading Internet applications and content technology service company providing a broad range of marketing, new media and data base marketing services.

On November 21, 1995, Microforum completed the private placement of 1,100,000 Special Warrants at a price of \$5.00 per Special Warrant for gross proceeds of \$5,500,000.

On January 18, 1996, Microforum Italia s.r.l., a 90%-owned subsidiary of the Company, was incorporated. In August 1996, Microforum Italia s.r.l. acquired a 60% interest in Dreamware s.r.l. In accordance with its restructuring strategy, on August 18, 1997, the Company concluded an agreement to sell its interest in its subsidiary, Microforum Italia s.r.l., to the Company's founding shareholders for \$200,000.

On September 12, 1996, Microforum completed a public offering whereby it sold 1,000,000 Common Shares at a price of \$6.50 per share for gross proceeds of \$6,500,000.

On September 12, 1996, the Common Shares of Microforum were listed and posted for trading on The Toronto Stock Exchange under the symbol "MCF".

Since the date of its public offering, Microforum has undergone significant changes to its management team. Mr. Eric H. Winston replaced Claudio Baiocchi as President and Chief Executive Officer of the Company on April 21, 1997. Paul Weissman's employment as Vice-President, Operations and Chief Financial Officer was terminated on January 13, 1997 and Frank Iadipaolo replaced Mr. Weissman as Chief Financial Officer on June 26, 1997. On November 11, 1997, G. William Butcher was appointed General Manager of the Company and Marco Argenti was appointed Vice-President, Internet Services of the Company. On September 8, 1997, J. Efrim Boritz was added as a Director of the Company.

Effective February 28, 1997, Microforum agreed to restructure a \$1,000,000 trade payable with Americ Disc Inc., a key supplier, into a five-year subordinate convertible debenture with interest payable at a rate of 8.5% per annum due February 28, 2002. On September 18, 1997, \$700,000 of this long-term debt was converted into 350,000 common shares of the Company. There was no balance outstanding under the convertible debenture as at February 28, 1998.

On September 18, 1997, the Company completed a private placement financing through Taurus Capital Markets Ltd. and Griffiths McBurney & Partners by way of sale of 8,000,000 Special Warrants at a price of \$1.00 per Special Warrant. The Special Warrants were fully exercised into Common Shares on a one-for-one basis on or about December 18, 1997. In addition, the Company completed a significant debt restructuring with certain of its creditors on September 18, 1997 by converting an aggregate of \$1,809,800 of indebtedness, inclusive of the convertible debenture discussed above, into 904,900 Common Shares in the capital of the Company at a conversion price of \$2.00 per share.

On April 8, 1998 the Company announced the acquisition of a group of multimedia marketing and related technologies companies including PPL Marketing Services Inc. and Poste Haste Systems Inc. based in Mississauga, Ontario and Marshall Fenn Communications Inc. based in Toronto, Ontario. The purchase price for the combined acquisitions was \$6.7 million and was funded by a combination of \$1,005,000 cash and short-term notes and approximately 1,627,000 Common Shares.

On May 14, 1998 the Company announced a strategic decision to divest itself of non-mission critical business entities and therefore determined to cease operations on the software publishing division of the Company effective immediately.

ITEM 3 - NARRATIVE DESCRIPTION OF THE BUSINESS

Company Strategy

In the first quarter of fiscal 1998, the Company initiated a reorganization of its business strategy in order to focus on two major areas of revenue generation, designed to position the Company for long term growth and profitability:

- Internet development and electronic commerce, through iFront, whereby it publishes the *Gamesmania* multimedia magazine (e-zine) on the Internet, while providing direct sales and services through its virtual store utilizing advanced systems of electronic commerce and on-line customer support through *Softmania* as well as creating, hosting, and maintaining Internet sites and Web site development services for companies seeking a presence on the Internet or on internal Intranets; and
- Multimedia services, whereby the Company offers full service design and communication capability devoted to the creation and production of corporate publications, multimedia presentations, Internet and Intranet Web site design, promotional literature, advertising programs, corporate identity systems and packaging.

On May 14, 1998 in an effort to strategically re-structure the Company and divest non-mission critical business entities, the Company determined that the publishing division would cease operations. This action was taken to narrow the focus of the Company and to strategically position the Company as an integrated Internet application and content communications company.

The Company's strategic areas of focus are designed to be complementary. When appropriate to meet the needs of projects, the collective talents and resources of Microform and the PPL Group of companies are combined to offer a range of services that can typically only be found in large, multi-disciplined, multi-national organizations.

Multimedia Services

Overview

The Company has become a full service design and marketing communications company, devoted to the creation and production of corporate publications,

multimedia presentations, Internet and Intranet Web site design, promotional literature, advertising programs, corporate identity systems and packaging. Utilizing its own outbound sales force as well as an expanding agency network in the United States, the Company is exploiting the growing demand for its multimedia services group as an integral part of its future corporate strategy. Capitalizing on its history as a developer of inter-active multimedia CD-ROM software, the Company utilizes its extensive investment and sophisticated technology hardware and software tools to create business solutions for its growing list of corporate clients. The Company offers multimedia services to corporate clients. These services include the development of customized multimedia software, animation, art and design, Internet web site development and the rental of its audio and video editing suites and its "Blue Screen" filming studio.

Multimedia & New Media Communications Services is a division that creates and develops corporate new media communications vehicles for medium to large corporate clients in Canada and the United States. Corporate messages, from annual reports to catalogs to marketing information, are delivered to intended audiences on the broadest range of media, from traditional print media to the newest technologies, such as high density diskettes, CD-ROM, audio CD, VHS video, DVD (digital video disks), as well as Internet, Intranet and Extranet presentations. In addition, the base business of diskette duplication and CD-ROM replication for third party publishers generates an important cash flow for the Company.

The Company generates revenues from its market segment on a contractual basis based on the terms of the engagement. The Company expects the revenues generated from its multimedia services to increase, but decrease as a percentage of total revenues over time.

Multimedia Services Capabilities

The Company has the following multimedia services capabilities:

- a staff and network of contractors of creative artists, graphic specialists, multimedia programmers, animators, photographers and video technicians;
- a library of proprietary techniques, tools and engines as well as advanced hardware and software solutions for the creation of sophisticated multimedia productions;
- a "Blue Screen" filming studio and special purpose computer software to allow film production crews to record live action that can be superimposed against virtual backgrounds created by the animators;

- a fully equipped audio/video post-production facility on premises through which filming and audio professionals can assimilate their work directly into the finished interactive product(s);
- an advanced level, animation department that provides character renderings and virtual environments for incorporation into client presentation products;
- additionally, the Company has begun to realize an ancillary revenue stream from the rental of its facilities to other studio professionals;
- a complete range of CD-ROM and floppy diskette duplication and packaging services to third party software publishers, government agencies and large corporations; and
- the design of packaging for its customers' products, including the design of labels, boxes, manuals, inserts and logos.

PPL Marketing Services Group of Companies

The PPL Group consists of three distinct and unique entities as described below. The collective talents and resources of these entities represent a unified dynamic that can typically only be found in large, multi-disciplined, multi-national organizations.

- **PPL Marketing Services Inc.** ("PPL") is a uniquely integrated marketing company providing complete turnkey marketing communications solutions to a growing list of "blue chip" companies. PPL is vertically integrated and is noted for attention to detail and for bringing creativity, innovation and quality to every job. Each discipline is managed within a quality environment utilizing ISO9001-94 as well as Ford Q1 quality operating standards. PPL was the first Canadian marketing services company to achieve the coveted Ford Q1 status.
- **Poste Haste Systems Inc.** is a database management, lettershop and variable imaging technologies organization. Database development, management and accuracy are supported by sophisticated programming capabilities and a well-equipped imaging and mailing technologies facility.
- **Marshall Fenn Communications Inc.** (Marshall Fenn) is an integrated communications agency employing all the tools of effective communications, including advertising, public relations, direct marketing and Internet/new media to create award-winning programs. Marshall Fenn excels at creative thinking in marketing and communications. Resident strengths are primarily in strategic planning, advertising, public relations, Internet and emerging media. A singular

strength is the ability to weave these historically independent and distinct communications disciplines into cohesive marketing communications programs for diverse clients. Where clients do not require an integrated solution, Marshall Fenn can provide a single communications discipline, such as advertising or public relations. Where a client already has an established relationship with a complementary agency, Marshall Fenn provides those disciplines that may be missing to create strong, effective and comprehensive communications solutions.

Competitive Strategies

The Company believes that it is well positioned to take advantage of the demand created for newer methods of distributing information digitally, such as Intranet, multimedia kiosks, video conferencing, CD-ROM, DVD and the Internet. There are few advertising agencies and corporate communications consultants who are equipped to provide full services in the new technologies. The Company has the staff and the facilities to produce any corporate idea or message and deliver it to the intended audience in a variety of media.

Internet Development and Electronic Commerce -Internet Frontier, Inc. (iFront)

The Company's Internet development and electronic commerce activities are directed through its wholly owned subsidiary, iFront. The Company has developed a full suite of applications which implement electronic commerce utilizing data base management tools, which has been branded the iFront ECS™. Its e-commerce solutions have been recently recognized by Microsoft Corporation as being uniquely suited for future partnership opportunities as a Microsoft Certified Solution Provider. Microforum will market the iFront ECS directly as well as through a network of VARs (value added resellers), system integrators and consultants.

The Company anticipates that these activities will be a primary source of the Company's future growth. iFront's Internet development and electronic commerce strategy can be outlined as follows:

- to publish multilingual electronic magazines (e-zines), such as *Gamesmania*, on the Internet which serve as conduits for on-line traffic;
- to provide direct sales through the use of advanced electronic commerce systems and on-line customer support, such as *Softmania*; and
- to create, host and maintain Internet sites for the Company as well as third parties and offer custom Web site development services for companies seeking a presence on the Internet or for Intranets.

Gamesmania

iFront's flagship publication, *Gamesmania* (<http://www.gamesmania.com>), is a Web-based magazine, featuring computer games and a large editorial section containing news, articles, industry trends, reviews, previews, games, and a sizable collection of downloadables. E-zine users can find demos, screen savers and add-ons, as well as a solutions database from which a user can find "cheat codes", hints, tricks and tips for hundreds of the most popular computer games currently available.

Since its inception on July 1, 1996, *Gamesmania* has experienced significant growth. One month after the site was introduced it had received approximately 800,000 "hits", meaning 800,000 users had accessed the Internet site. By October 1996, *Gamesmania* experienced 6.8 million hits, representing a growth rate of 750%. The number of hits directly affects the marketability of the site since advertisers willingness to pay for space on a particular site is directly correlated to the visibility of that site. Current certified traffic on *Gamesmania* has grown to over millions of certified hits per day and as of April 1998 has certified traffic of over 6,000,000 page impressions per month providing the necessary traffic to sustain a continuing revenue stream from advertisers.

Revenues from *Gamesmania* and subsequent e-zines published by iFront are anticipated to be derived from the following sources:

- commissions (margins) obtained as a result of selling software products through the sites;
- advertising space (banners) on the various pages of the electronic publication;
- mirroring the site itself; the *Gamesmania* site, including the articles and features, is duplicated and used in other nations and advertising and commissions can be generated from these "mirrored" sites;
- the sale of marketing information collected from user surveys on the site itself; and
- subscriptions, which allow users access to additional features of the magazine.

Softmania

Softmania (<http://www.softmania.com>), launched in October 1997, is an on-line virtual software store closely linked with *Gamesmania* and other planned iFront

publications. The extensive software catalogue, based on the iFront ECS™ software, such as the "shopping cart" software and SET (secure electronic transaction) scripts, features three different types of catalogue entries for publishers: Basic, Plus and Premiere. The Plus and Premiere entries, which are different only in terms of size, are actual "mini Web sites" featuring news, reviews, links to demos, solutions, cheat codes, and upgrades for a particular game or product. An interactive "message base" on each Premiere Entry will let users exchange impressions, information and questions about a particular product, thus encouraging users to return to the site, as well as providing a valuable customer support tool for individual publishers. Each catalogue entry is intended to create a focus of interest about a particular product, thus becoming a powerful marketing and alternative distribution channel for software publishers, including the Company. *Softmania's* primary revenue streams will be derived from sales of products fulfilled directly, catalogue entry fees, co-operative advertising and selling advertising space (banners) on the various pages of the electronic publication.

The Company has entered into an agreement with a major Canadian distributor of entertainment software, whereby the distributor will perform inventory and fulfillment tasks in support of the *Softmania* virtual on-line software store. *Softmania* is dynamically linked via the Internet to the distributor's inventory of software products. This arrangement also provides overnight delivery of software product purchases throughout North America.

Web Site Development

The creation of dynamic and exciting Web pages for companies seeking a presence on the Internet has been an area of specific focus for iFront. iFront currently charges between \$5,000 to \$50,000 per Web site and is in the process of completing several such sites for prominent corporate clients.

The iFront team is both creative and well versed in the applicable Internet programming technologies. This presents a valuable combination of artistic talent and programming expertise, which is in demand among organizations seeking an Internet presence.

The Company's recent appointment as a Microsoft Certified Solution Provider strengthens its credibility as a leading Web developer. The partnership created through this appointment provides a stream of Internet development opportunities that are being addressed jointly with Microsoft. The iFront ECS, e-commerce solution, is based on the Microsoft Site Server 3.0, Commerce Edition and has been proposed as a solution to several large retail operations and implemented for established corporate clients within this sector.

Competitive Strategies

iFront will focus on both the publishing and the electronic commerce activities. As a publisher, activities will center on regularly updating *Gamesmania* with a large number of articles and reviews, creating a vast database of gaming information, creating pages attractive to view and easy to read, and enriching the pages with custom applications, which add interest and expand the user's interactive options. Presently, the localization, or availability, of *Gamesmania* in multiple languages dynamically sets it apart from the competition.

As an on-line distributor, *Softmania* has created an interactive catalogue, linked to the Company's publication, *Gamesmania*, featuring products in a form that is highly attractive and enjoyable for the user, providing an information centre for the customer to receive complete pre and post sale service. *Softmania* represents a new paradigm for software distribution and consumer sales, providing not only an outlet for the Company's interactive multimedia software products, but a source of profitable revenue as a software retailer. The iFront ECS software template can also be sold as a complete turnkey solution for electric commerce in virtually any retail environment.

Competition

There are few companies that offer the depth and breadth of services that Microforum offers. Most traditional marketing, advertising, communications, public relations and media services companies lack the integrated capability to incorporate Internet and Web strategies for their clients. Most Internet and Web marketing firms lack the ability to convert their creative approaches to fit the traditional print media, much less to interface across the so-called "new media", which includes interactive CD-ROM, video and other emerging digital presentation tools, such as DVD.

The Company's significant competitors in its Internet and multimedia services businesses include The Bulldog Group Inc., Digital Renaissance Inc., Integrated Communications and Entertainment Inc., McGill Production and Sierra Creative Communications Inc. To the Company's knowledge, none of these competitors offers the wide range and combination of Internet and multimedia services currently offered by the Company. In the duplication and packaging business, the Company competes with Ashley Fraser Technologies, Kao Infosystems Canada Inc., Magtech Media Service Inc., Media Duplication Corp. and Saturn Solutions Inc. The Company believes that none of these competitors offer the full spectrum of in-house services presently offered by the Company.

Marketing and Sales Activities

The challenge facing Microforum is to quickly create an awareness in the marketplace of its unique range of services. The emphasis on Internet services provides an ideal entrée into most companies. Nearly every company has created an Internet presence and is interested about Internet. Microforum has demonstrated the expertise and credibility to position itself as an “expert” in Internet applications and the array of awards from industry sources and its recent appointment as a Microsoft Certified Solution Provider is a testament to the Company’s expertise.

This emphasis will enable Microforum representatives to place itself at the highest levels for strategic planning, partnering opportunities, and broadening the scope of services offered to current and future clients. Current clients of Microforum, including the PPL group of companies’ clients, include many major corporations. Most current clients, however, utilize only portions of the array of services available. These clients will be aggressively “mined” for additional opportunities.

Representatives from each of the partner companies meet regularly as a “New Business Development Team” to discuss business opportunities within the client groups and to form strategies to attack and close additional business.

The following tables provide a breakdown of the Company's revenues from sales from continuing operations and related services for fiscal 1997 and 1998. Due to the effects of the discontinued software, hardware distribution and subsidiary operations, comparative “Revenue by Source” amounts at February 28, 1997 have been reclassified to conform with the basis of presentation at February, 28, 1998:

Revenues by Geographic Area for the years ended February 28 (in 000's of Cdn.\$)

	<u>1998</u>	(unaudited)	<u>1997</u>	
North America	\$4,865	93.0%	\$5,476	92.7%
Europe	\$363	7.0%	\$429	7.2%
Other	<u>\$2</u>	<u>0.0%</u>	<u>\$5</u>	<u>0.1%</u>
Totals	\$5,230	100%	\$5,910	100%

Revenue by Source for the years ended February 28 (in 000's of Cdn.\$)

	<u>1998</u>	(unaudited)	<u>1997</u>	
Duplication and Replication	\$3,222	61.6%	\$3,809	64.4%
Ancillary Multimedia Services	\$1,406	26.9%	\$1,440	24.9%
Other	<u>\$308</u>	<u>5.9%</u>	<u>\$529</u>	<u>9.2%</u>
Total Multimedia	\$4,936	94.4%	\$5,778	97.8%
Content	\$47	0.9%	\$60	1.0%
Services	<u>\$247</u>	<u>4.7%</u>	<u>\$72</u>	<u>1.2%</u>
Total Internet	<u>\$294</u>	<u>5.6%</u>	<u>\$132</u>	<u>2.2%</u>
Revenue	\$5,230	100%	\$5,910	100%

Foreign Currency Exposure

A substantial and increasing portion of the Company's expenses and sales are denominated in foreign currencies (with particular exposure to the U.S. dollar) and accordingly, the Company's revenues, cash flows and earnings are affected by fluctuations in certain foreign exchange rates.

Intellectual Property

The Company relies upon copyright, patent, trade secret and contract law to protect its proprietary technology in Canada, the United States and certain international markets. Such copyright protection prohibits the reproduction of the exact language and code of the Company's products and software programs but does not effectively protect the Company against the selective reproduction of certain aspects of such products and programs. The Company utilizes confidentiality and non-competition provisions in its employees and consultant agreements as well as agreements with various third parties with whom it deals in order to restrict the use of its proprietary technology.

Employees

The Company and its subsidiaries currently have 173 full-time and 22 contract employees, most of whom are directly engaged in the services areas, such as multimedia, program administration, Internet development and sales.

Facilities

The Company's principal facilities includes services, marketing, sales, customer support, administrative and warehousing activities are conducted from a leased facility of approximately 65,000 square feet in Toronto, Ontario.

The Company also leases a 5,279 square foot office at 1246 Yonge Street for Marshall Fenn Communications Inc., a 12,000 square foot office located 6010 Tomken Road in Mississauga for Poste Haste Systems Inc. and a 45,145 square foot office located at 6050 Tomken Road in Mississauga for PPL Marketing Services Inc.

ITEM 4 - SELECTED CONSOLIDATED FINANCIAL INFORMATION

All consolidated financial information is in Canadian dollars.

	<u>Years ended February 28 (or 29)</u>		
	1998	1997	1996
	<small>(Canadian dollars in thousands, except per share data)</small>		
Sales	\$5,230	\$5,910	\$4,216
Gross Profit	\$2,489	\$563	\$1,599
Net Income (Loss)	(\$8,011)	(\$10,529)	\$326
Earnings (Loss) per Share:			
Basic	(\$1.01)	(\$2.30)	\$0.09
Fully Diluted	-	-	\$0.09
Total Assets	\$7,876	\$9,997	\$10,941
Long-term debt	\$1,086	\$3,449	\$1,486

The following is a summary of certain of the financial information of the Company for each of the eight quarters ending February 28, 1998.

<u>Quarterly Results of Operations 1998</u>				
(unaudited)				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
(Canadian dollars in thousands, except per share data)				
Net Sales	\$1,612	\$1,052	\$1,246	\$1,320
Net Loss	(\$741)	(\$2,849)	(\$196)	(\$4,225)
Loss per Share				
Basic				
Fully Diluted	(\$0.13)	(\$0.50)	-	(\$0.37)
	-	-	-	-

<u>Quarterly Results of Operations 1997</u>				
(unaudited)				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
(Canadian dollars in thousands, except per share data)				
Net Sales	\$1,484	\$1,473	\$1,086	\$1,867
Net Loss	(\$611)	(\$967)	(\$2,842)	(\$6,109)
Loss per Share:				
Basic	(0.14)	(0.30)	(0.60)	(1.26)
Fully Diluted	-	-	-	-

The Company has never paid cash dividends on its Common Shares and does not anticipate paying cash dividends in the foreseeable future, but intends to retain future earnings for reinvestment in its business. Any future determination to pay cash dividends will be at the discretion of the Board of Directors, subject to compliance with any contractual restrictions, and will depend upon the Company's financial condition, results of operations, capital requirements and such other factors as the Board of Directors deems relevant.

ITEM 5 - MANAGEMENT'S DISCUSSION AND ANALYSIS

The section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operation" provided to shareholders in connection with the mailing out of the 1998 Annual Report of the Company on July 8, 1998 is hereby incorporated by reference. A copy of this document may be obtained upon written request from the Chief Financial Officer of the Company.

ITEM 6 - MARKET FOR SECURITIES

The Company's Common Shares are listed and posted for trading on The Toronto Stock Exchange under the symbol "MCF".

ITEM 7 - DIRECTORS AND OFFICERS

Each director holds office until the close of business of the following annual meeting of shareholders of the Company following his election unless his office is earlier vacated in accordance with the Company's by-laws. The following persons are directors and/or officers as of the close of business on July 17, 1998.

Name and Position and/or office with Company	Present Principal Occupation	Year Became Director	Number of Shares owned Directly or Indirectly or Over which Control or Discretion is Exercised
John L. Albright ⁽¹⁾⁽²⁾ , Director	President and Chief Executive Officer, J.L. Albright Venture Partners Inc. (merchant bank)	1996	Nil (3)
Marco Argenti Vice-President, Internet Services	Vice-President, Internet Services of the Company	1997	Nil (4)
J. Efrim Boritz ⁽¹⁾⁽²⁾ Director	Professor, School of Accounting, University of Waterloo	1997	Nil (5)
G. William Butcher General Manager	General Manager of the Company	1997	20,000 (6)
Paul Chater Vice-President, Marshall Fenn Communications Inc.	Vice-President of Marshall Fenn Communication Inc., a wholly-owned subsidiary of the Company	1998	95,238
Scott Gray Controller of PPL Group of Companies	Controller of PPL Group of Companies, wholly-owned subsidiaries of the Company	1998	Nil (7)
Frank Helwig Executive Vice-President, Internet Frontier Inc.	Executive Vice-President, Internet Frontier, Inc., a wholly-owned subsidiary of the Company	1998	Nil (8)
Frank Iadipaolo Chief Financial Officer	Chief Financial Officer of the Company	1997	33,333 (9)
Donald W. Paterson ⁽¹⁾⁽²⁾ , Director	President, Cavandale Corporation (corporate consultant)	1996	Nil (10)
Howard Pearl President of PPL Marketing Services Inc., Marshall Fenn Communication Inc. and Poste Haste Systems Inc, and a Director	President of PPL Marketing Services Inc., Marshall Fenn Communication Inc., and Poste Haste Systems Inc, wholly-owned subsidiaries of the Company	1998	1,436,667 (11)
The Hon. David R. Peterson, P.C. ⁽²⁾ , Q.C., Director	Senior Partner, Cassels Brock & Blackwell (law firm)	1996	Nil (12)
Eric H. Winston President, Chief Executive Officer and a Director	President and Chief Executive Officer of the Company	1996	933,334 (13)

Notes:

(1) Member of the Audit Committee.

(2) Member of the Compensation Committee.

(3) Holds options to acquire up to 20,000 common shares at a price of \$6.50 per share and 40,000 common shares at a price \$1.25 per share and 30,000 common shares at a price of \$3.15 per share, subject to vesting.

- (4) Holds options to acquire up to 5,000 common shares at a price of \$1.13 per share and 50,000 common shares at a price \$1.13 per share and 15,000 common shares at a price of \$1.30 per share, subject to vesting.
- (5) Holds options to acquire up to 20,000 common shares at a price of \$1.25 per share and 30,000 common shares at a price \$3.15 per share, subject to vesting. Mr. Boritz is also entitled to receive a total of 3,500 common shares in equal amounts on August 31, 1998 and January 31, 1999 for services rendered.
- (6) Holds options to acquire up to 10,000 common shares at a price of \$1.30 per share and 80,000 common shares at a price \$4.90 per share, subject to vesting.
- (7) Holds options to acquire up to 3,000 common shares at a price of \$1.35 per share and 10,000 common shares at a price \$3.50 per share, subject to vesting.
- (8) Holds options to acquire up to 7,500 common shares at a price of \$1.30 per share and 9,000 common shares at a price \$4.90 per share, subject to vesting.
- (9) Holds options to acquire up to 66,667 common shares at a price of \$1.13 per share, 15,000 common shares at a price of \$1.30 per share and 142,000 common shares at a price of \$3.15 per share, subject to vesting.
- (10) Holds options to acquire up to 20,000 common shares at a price of \$6.50 per share, 40,000 common shares at a price of \$1.25 per share and 30,000 common shares at a price of \$3.15 per share, subject to vesting. Mr. Paterson is also entitled to receive a total of 3,500 common shares in equal amounts on August 31, 1998 and January 31, 1999 for services rendered.
- (11) Represents common shares, subject to escrow, which were received directly and indirectly upon the sale of Mr. Pearl's ownership position in PPL Marketing Services Inc., Marshall Fenn Communications Inc. and Poste Haste Systems Inc. on April 6, 1998. In addition, Mr. Pearl holds options to acquire up to 140,000 common shares at a price of \$3.50 per share, subject to vesting.
- (12) Holds options to acquire up to 35,000 common shares at a price of \$6.50 per share, 60,000 common shares at a price of \$1.25 per share and 45,000 common shares at a price of \$3.15, subject to vesting.
- (13) Holds options and other rights to acquire up to 666,666 common shares at a price of \$3.15 per share.

As of July 17, 1998, the current directors and senior officers as a group owned beneficially, directly and indirectly, 2,518,572 Common Shares or 14.3% of the issued and outstanding shares of the Company.

ITEM 8 - ADDITIONAL INFORMATION

Additional information, including management's proposed slate of directors' and officers remuneration and indebtedness, principal holders of securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the Company's Management Proxy Circular dated June 29, 1998, prepared in conjunction with the Annual General and Special Meeting of Shareholders to be held on August 4, 1998, which involves the election of directors. Additional financial information is provided in the Company's comparative financial statements for 1998. A copy of such documents may be obtained upon written request from the Chief Financial Officer of the Company.

